

Fiscal Year 2023 Agency Financial Report



Defense Nuclear Facilities Safety Board



FY 2023
 DEFENSE NUCLEAR FACILITIES SAFETY BOARD
 Agency Financial Report
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Fiscal Year 2023 Cover Page Photo

Savannah River Site (SRS) pictured on the cover and located in Aiken, South Carolina, is a facility originally constructed to produce the basic materials for nuclear weapons. After the end of the Cold War, the site is primarily focused on environmental stewardship, environmental cleanup, waste management and disposition of nuclear materials (Source: <https://www.dnfsb.gov/doe-sites/savannah-river-site>).

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Management's Discussion and Analysis

1.1 Message from the Chair



I am proud to present the Agency Financial Report (AFR) for the Defense Nuclear Facilities Safety Board (Board or DNFSB) for Fiscal Year (FY) 2023. The report provides a transparent and in-depth review of the FY 2023 strategic 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.

DNFSB's foundation is built on the safety expertise of its Board Members and its staff in support of the Board's mission. The DNFSB workforce supports the agency's unique mission within the Federal government, providing safety oversight of defense nuclear facilities to protect public health and safety, including to the workers and contractors at those sites. I am happy to report that at the end of 4th Quarter FY 2023, the agency has 116 full-time equivalent (FTE) staff. 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. DNFSB is in the process finalizing its first human capital plan to guide workforce development, recruiting and retention practices, and succession planning.

The Board prioritizes its safety oversight activities based on risk to the public and workers, types and quantities of nuclear materials, and hazards of the operations involved. In FY2023, the Board continued its safety oversight in four general areas: (1) DOE's nuclear safety requirements and standards; (2) the integration of safety into the design and construction of new defense nuclear facilities and major modifications of existing facilities; (3) the safety of operations at existing defense nuclear facilities; and (4) DOE's management and oversight of the defense nuclear complex. In the 1st Quarter of FY 2023, the Board conducted a public hearing to gather information on DOE's activities at Los Alamos National Laboratory. In addition to the dozens of in-person attendees, the remotely available live-stream videos for each of the hearing sessions had between 170 and 270 unique viewers. The Board conducted discussions with senior management from the Office of Environmental Management and the National Nuclear Security Administration (NNSA) to understand plans to remove legacy transuranic waste, nuclear safety risks NNSA has accepted at the Plutonium Facility, and the state of planned safety improvements to safety system infrastructure and safety programs.

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DNFSB 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 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 2023 AFR includes the results of the independent audit of the DNFSB's FY 2023 financial statements, which I am pleased to note resulted in an unmodified opinion.

The Board remains committed to its nuclear safety mission at our nation's defense nuclear facilities. I am honored 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 Connery
Chair

November 30, 2023

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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, 2022, through September 30, 2023, (Fiscal Year (FY) 2023). 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, *Financial Reporting Requirements*, 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 2023 AFR. The Board's FY 2023 *Annual Performance Report* (APR) will be published with the Board's FY 2025 *Congressional Budget Justification* in February 2024 and will align with the Board's calendar year 2023 *Annual Report to Congress*.

The Board's performance objectives for FY 2023 and FY 2024 will be included in its FY 2025 *Congressional Budget Justification* 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 33rd *Annual Report to Congress*, published March 23, 2023, emphasized the Board's achievements from calendar year 2022. It is available through the following link:

<https://www.dnfsb.gov/sites/default/files/document/27876/33rd%20Annual%20Report%20to%20Congress%20%5B2023-100-015%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 the President of the United States, Congress, and the public. The report includes the following sections:

- **Management's Discussion and Analysis** - A message from the Chair of the Board as well as 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 Chief Financial Officer.
- **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.

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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.



Opening the process gas filter on the Integrated Waste Treatment Unit at INL.
(Source: 33rd Annual Report to Congress)

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. Section 1.2.3 lists the major DOE 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.



Annular Core Research Reactor fuel element rack lifted over the reactor pool. (Source: 33rd Annual Report to Congress)

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.



Glovebox Line 1 of the Recovery Glovebox Line
(Source: 33rd Annual Report to Congress)

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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	http://www.hanford.gov
Idaho National Laboratory	45 miles west of Idaho Falls, Idaho	Storage and processing of radioactive waste	http://www.inl.gov
Lawrence Livermore National Laboratory	Livermore, California	Research to support the nuclear weapons arsenal	https://www.llnl.gov
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	http://www.lanl.gov
Nevada National Security Site	65 miles northwest of Las Vegas, Nevada	Disposition of damaged nuclear weapons; critical and subcritical experiments; waste management	http://www.nnss.gov
Pantex Plant	17 miles northeast of Amarillo, Texas	Maintenance of the US nuclear stockpile	http://www.pantex.com
Sandia National Laboratories	Albuquerque, New Mexico and Livermore, California	Nuclear research; support for the weapons stockpile maintenance program	http://www.sandia.gov
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	http://www.srs.gov
Waste Isolation Pilot Plant	26 miles east of Carlsbad, New Mexico	Disposal of transuranic waste in underground repository	http://www.wipp.energy.gov
Y-12 National Security Complex/ Oak Ridge National Laboratory	Oak Ridge, Tennessee	Y-12: Manufacturing and surveillance of nuclear weapons components; processing of weapons-grade uranium Oak Ridge: Energy research; treatment and disposal of radioactive wastes	http://www.y12.doe.gov http://www.ornl.gov

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1.2.4 Achieving our Mission and Vision

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

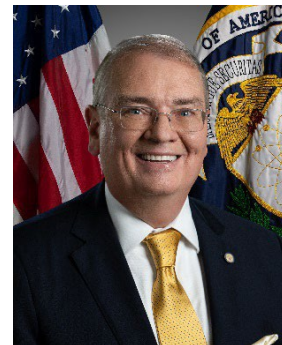
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1.2.5 Organizational Structure

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
(Term Expiration
10/18/2024)



VICE CHAIR
Mr. Thomas A. Summers
(Term Expiration
10/18/2025)



Board Member
Ms. Jessie H. Roberson
(Term Expiration
10/18/2023)

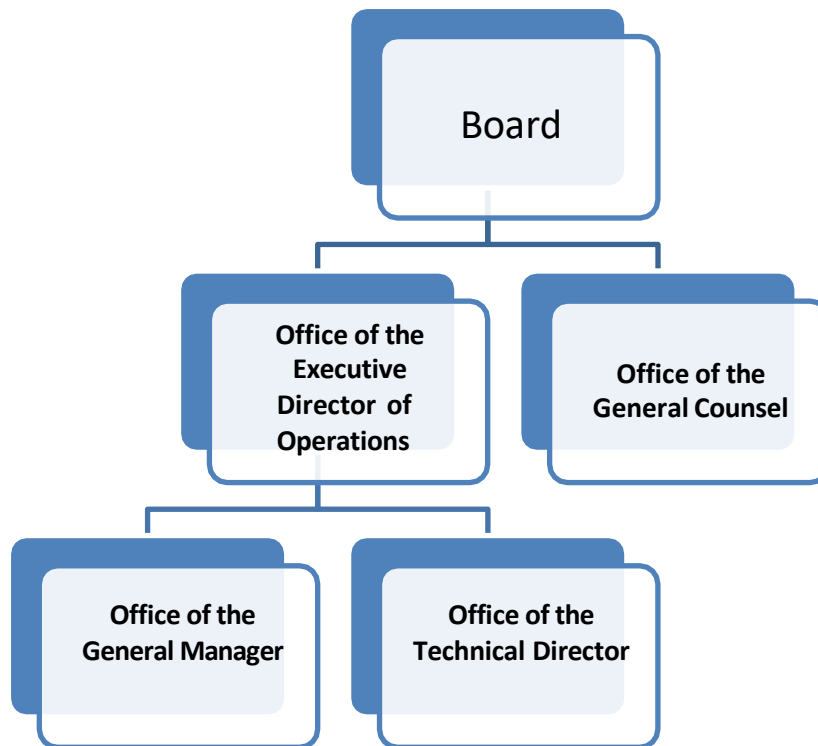
Board Member
Vacant

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 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 2023 Annual Performance Report* to be issued with the FY 2025 *Congressional Budget Justification*.

FY 2022 – 2026 Strategic Plan and Accomplishments

In FY 2022, the Board amended its strategic plan. For FY 2022 and FY 2023, the Board measured its results through appropriate quantitative and qualitative benchmarks and outcomes.

Strategic Goal 1: Provide proactive and independent safety oversight of the defense nuclear complex.

Strategic Objective 1.1	Strategic Objective 1.2	Strategic Objective 1.3
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 continued a principal review, *Implementation of Aging Management Programs for Safety Systems and Supporting Infrastructure*, in FY 2023. 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 (SRS), and Hanford Site. During FY 2023, DNFSB completed 11 safety reviews focused on DOE Environmental Management (DOE-EM) defense nuclear facilities, 15 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 2023, the staff provided a total of 18 letters with staff reports or technical content to the Board, each of which provided a detailed basis for identified safety issues. Of the reports provided to the Board, four contained complex-wide or cross-cutting safety issues.

During FY 2023, Resident Inspector (RI) positions were covered approximately 83 percent of the time through permanent coverage. The RIs conducted seven focus area reviews in FY 2023

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looking for commonalities across the complex. Topics included contract performance fees, control of equipment status, fire barriers, fire system inspections and testing, operator aids, procedure compliance, and safety system assessments.

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

During FY 2023, DNFSB staff engaged at the senior staff level with the Department of Energy including having weekly standing meetings between the Departmental Representative and the DNFSB Technical Director and Deputy Technical Director. Additionally, technical staff leadership held bi-weekly and periodic meetings with senior staff from the Office of Environmental Management, Office of Environment, Health, Safety, and Security, Office of Enterprise Assessments, and the National Nuclear Security Administration.

During FY 2023, 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, the House and Senate Appropriations Committees and the Senate Committee on Homeland Security & Governmental Affairs.

DNFSB conducted outreach and met with interest groups during FY 2023. DNFSB conducted at least nine interactions with public groups. These included Board Member and staff discussions with the Hanford Advisory Board, SRS Watch, Citizens for Nuclear Technology Awareness, Los Alamos Study Group, Nuclear Watch New Mexico, Concerned Citizens for Nuclear Safety, Honor our Pueblo Existence, Tewa Women United, Nevada Environmental Management Site-Specific Advisory Board, and the Oak Ridge Environmental Peace Alliance to hear about their safety concerns and inform them of Board activities and issues. 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 one week 100 percent of the time. Resident Inspector weekly reports and Cognizant Engineer monthly reports were published to the Board's public website within four weeks 100 percent of the time. DNFSB issued 5 press releases in FY 2023.

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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 proposed Agency Human Capital Plan (HCP) incorporating cross-agency input and provided the draft HCP to the Board for its consideration. The HCP includes strategies on succession planning, workforce development, career pathing, and valuing diverse talents applicable to each office. The plan will be completed in FY 2024.

DNFSB successfully reached 116 FTE in FY 2023, which was 97 percent of the staffing level approved by the Board. The agency established a multi-year staffing plan that identifies positions that will be lost due to attrition and new positions that will posture 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 2023, the performance measure of achieving a 90% or higher rate for DNFSB employees establishing or updating their individual development plans by July 31, 2023, was successfully achieved. DNFSB efforts for training and development for career pathing continue to progress. No curriculum was developed for new supervisors, but a core curriculum and training portal for the DNFSB Orbit site is under development with a curriculum aligned to OPM recommended supervisor training.

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 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 Operating Procedures, as well as one Notice during FY 2023. Staff work continues on several directives and supplementary documents which will be updated in the coming year.

DNFSB’s core values were integrated into the two-day new employee orientation.

DNFSB continued to make significant progress with improving the security of the DNFSB’s IT Infrastructure and systems. The agency is on schedule to meet the requirements of the Executive Order, Presidential memorandum M-2209, *Moving the U.S. Government Toward Zero Trust Cybersecurity Principles*. 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. The agency is on-target for its transition schedule for the enterprise resource planning.

A new Equal Employment Opportunity Directive and Operating Procedure were drafted and will be completed in FY 2024.

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1.4 Analysis of the Financial Statements

1.4.1 Overall Financial Condition and Financial Management

As of September 30, 2023, 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, 2023, nor are there any anticipated financial risks expected to occur during FY 2024.

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 the General Services Administration (GSA)'s Pegasys Financial Services (PFS) team for accounting services on a fee-for-service basis. As of March 28, 2023, the Federal Shared Services Provider for DNFSB has successfully transitioned to the GSA's Office of the Chief Financial Officer (OCFO) PFS team from USDA/OCFO. In August 2022, the USDA signed a Memorandum of Intent with GSA to divest its operations as a financial shared services provider (FSSP) and returned control of the financial systems and financial management support services to GSA. USDA/OCFO had acquired full ownership and responsibility for the management of Pegasys from FY 2016 to FY 2022. 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 comparative 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.

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1.4.3 Financial Highlights

	FY 2023	FY 2022	Change	Percentage Change
Condensed Balance Sheets:				
As of September 30, 2023 and 2022				
ASSETS:				
Fund Balance with Treasury	\$ 18,656,424.13	\$ 16,870,692.35	\$ 1,785,731.78	11%
Accounts Receivable, Net	15,885.16	19,410.19	(3,525.03)	-18%
Property, Plant, and Equipment (PP&E), Net	9,006.51	106,929.10	(97,922.59)	-92%
Advances and Prepayments	49,980.00	12,625.06	37,354.94	296%
TOTAL ASSETS	<u>\$ 18,731,295.80</u>	<u>\$ 17,009,656.70</u>	<u>\$ 1,721,639.10</u>	<u>10%</u>
LIABILITIES:				
Accounts Payable	\$ 1,446,393.34	\$ 1,531,560.05	\$ (85,166.71)	-6%
Federal Employee and Veteran Benefits Payable	2,005,948.94	1,760,818.43	245,130.51	14%
Other Liabilities	1,537,139.15	1,324,239.03	212,900.12	16%
TOTAL LIABILITIES	<u>\$ 4,989,481.43</u>	<u>\$ 4,616,617.51</u>	<u>\$ 372,863.92</u>	<u>8%</u>
NET POSITION:				
Unexpended Appropriations	\$ 15,668,967.81	\$ 14,034,432.20	\$ 1,634,535.61	12%
Cumulative Results of Operations	(1,927,153.44)	(1,641,393.01)	(285,760.43)	17%
TOTAL NET POSITION	<u>\$ 13,741,814.37</u>	<u>\$ 12,393,039.19</u>	<u>\$ 1,348,775.18</u>	<u>11%</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 18,731,295.80</u>	<u>\$ 17,009,656.70</u>	<u>\$ 1,721,639.10</u>	<u>10%</u>
Condensed Financing Sources:				
For the Years Ended September 30, 2023 and 2022				
Financing Sources:				
Appropriations Received	\$ 41,401,000.00	\$ 36,000,000.00	\$ 5,401,000.00	15%
Other Adjustments (+/-)	(242,976.44)	(62,922.14)	(180,054.30)	286%
Appropriations Used	(39,485,444.11)	(37,128,367.13)	(2,357,076.98)	6%
TOTAL FINANCING SOURCES	<u>\$ 1,672,579.45</u>	<u>\$ (1,191,289.27)</u>	<u>\$ 2,863,868.72</u>	<u>-240%</u>
Statements of Net Cost:				
Gross Program Costs	\$ 41,357,452.83	\$ 38,236,533.77	\$ 3,120,919.06	8%
NET COST OF OPERATIONS	<u>\$ 41,357,452.83</u>	<u>\$ 38,236,533.77</u>	<u>\$ 3,120,919.06</u>	<u>8%</u>
Selected Budgetary Information:				
For the Years Ended September 30, 2023 and 2022				
TOTAL BUDGETARY RESOURCES:				
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory)	\$ 8,263,731.02	\$ 10,471,891.59	\$ (2,208,160.57)	-21%
Appropriations (discretionary and mandatory)	41,401,000.00	36,000,000.00	5,401,000.00	15%
TOTAL BUDGETARY RESOURCES	<u>\$ 49,664,731.02</u>	<u>\$ 46,471,891.59</u>	<u>\$ 3,192,839.43</u>	<u>7%</u>
New Obligations and Upward Adjustments	<u>\$ 40,134,585.09</u>	<u>\$ 38,573,395.19</u>	<u>\$ 1,561,189.90</u>	<u>4%</u>
Agency Outlays, Net (discretionary and mandatory)	<u>\$ 39,372,291.78</u>	<u>\$ 37,256,667.99</u>	<u>\$ 2,115,623.79</u>	<u>6%</u>

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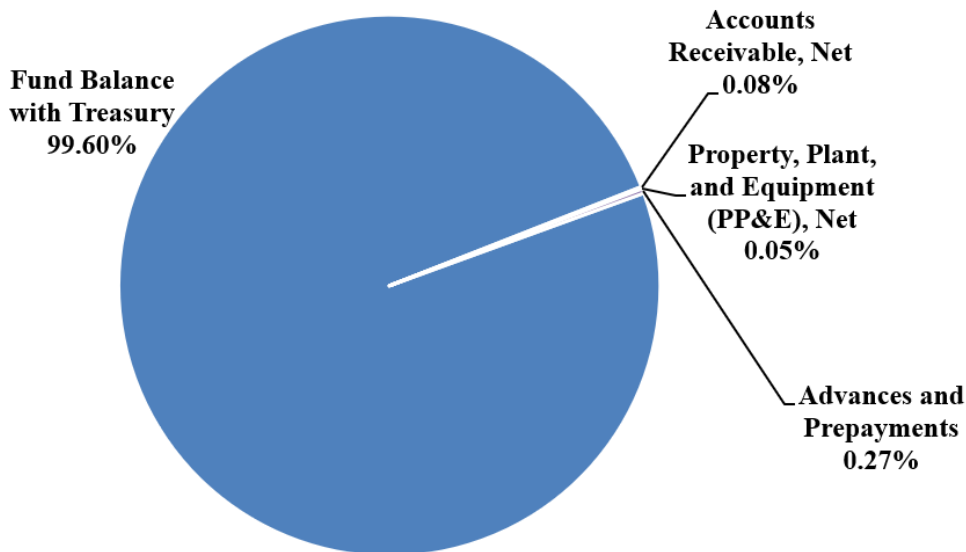
Composition of Assets

The composition (by percentage) of the Board's assets changed from September 30, 2022 to September 30, 2023.

The Board's assets amounted to \$18.7 million as of September 30, 2023. Fund Balance with Treasury (FBwT) makes up the majority of the Board's assets (99.60 percent), in addition to small amounts allocated to Property, Plant, and Equipment, Net (PP&E) (0.05 percent), Accounts Receivable, Net (0.08 percent), and Advances and Prepayments (0.27 percent).

- **\$18.7 million of Fund Balance with the U.S. Department of the Treasury (Treasury)** is the aggregate amount of funds available to make authorized expenditures and pay liabilities. Fund Balance with Treasury was significantly increased from September 30, 2022 to September 30, 2023; see the Trends in Assets section below for explanation of the changes in Fund Balance with Treasury.

Composition of the Board's Assets as of September 30, 2023



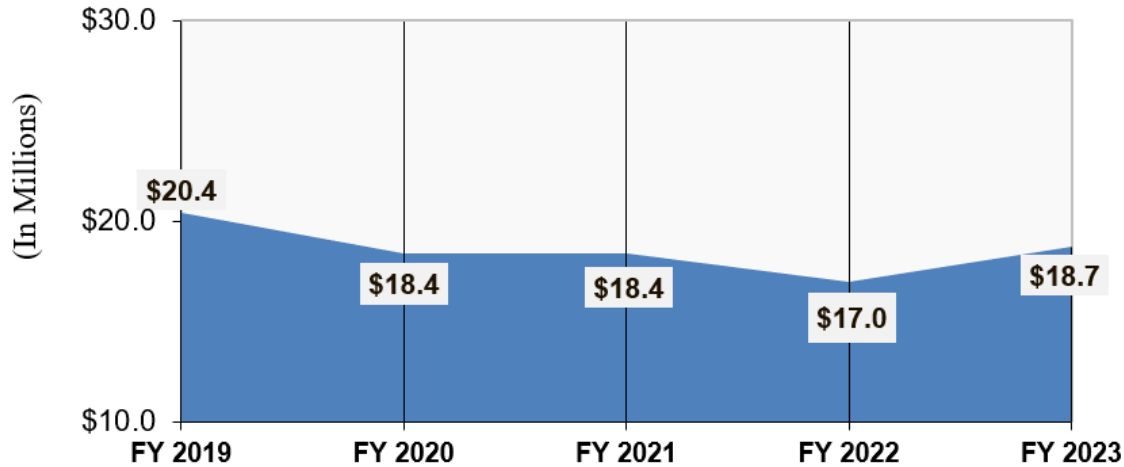
Trends in Assets

The Board's assets significantly increased by \$1.7 million, or 10 percent, from \$17.0 million as of September 30, 2022 to \$18.7 million as of September 30, 2023.

Fund Balance with Treasury (FBwT) increased by \$1.8 million, from \$16.9 million to \$18.7 million. This overall increase in FBwT is attributed mainly to a \$5.4 million increase in appropriations during FY 2023, partially offset by increased costs for employee compensation and benefits, travel, and supplies. Additionally, the Board had a net decrease in contract expenditures and a decrease in rent payments due to timing of payments.

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**Trends in Total Assets
As of September 30**



Composition of Liabilities

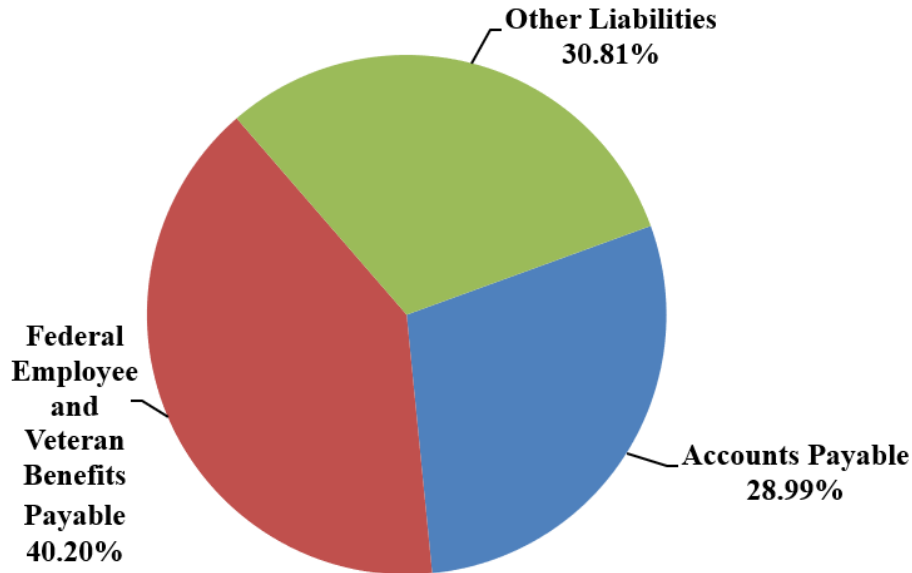
The composition (by percentage) of the Board's liabilities remained relatively consistent from September 30, 2022 to September 30, 2023.

Liabilities of the Board amounted to \$5.0 million as of September 30, 2023. Total intragovernmental liabilities comprised 13.67 percent of total liabilities, compared to 7.70 percent in FY 2022. Other than Intragovernmental Accounts Payable comprised 22.35 percent in FY 2023, compared to 32.11 percent in FY 2022. Federal Employee and Veteran Benefits Payables comprised 40.20 percent in FY 2023 compared to 38.14 percent in FY 2022. Other than Intragovernmental Other Liabilities comprised the remaining 23.78 percent compared to 22.05 percent in FY 2022.

- **\$2.0 million of Federal Employee and Veteran Benefits Payable** is comprised primarily of the non-federal portion of benefit accruals and unfunded liability.
- **\$1.5 million of Other Liabilities** primarily includes accrued salaries and leave for 116 FTE employees.

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Composition of the Board's Liabilities as of September 30, 2023



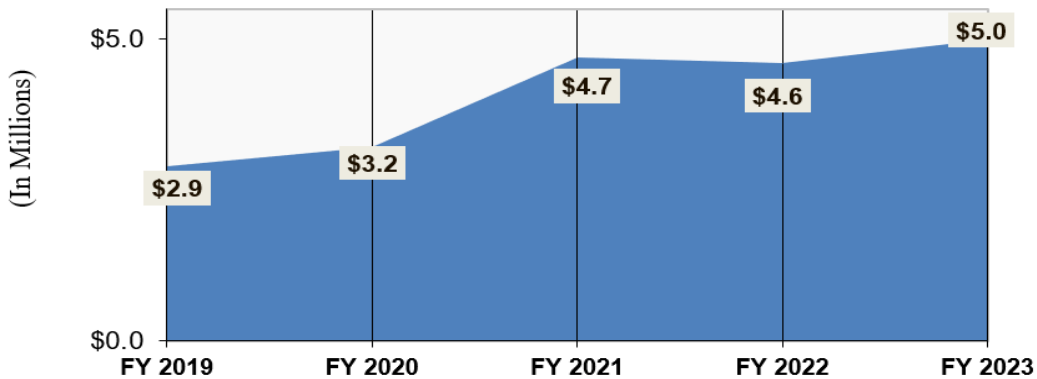
Trends in Liabilities

Liabilities of the Board increased by approximately \$0.4 million, or 8 percent, from \$4.6 million as of September 30, 2022 to \$5.0 million as of September 30, 2023.

A detailed breakdown in Note 6 of the financial statements shows Intragovernmental Accounts Payable increased in FY 2023 due to several accruals for federal services including GSA rent. It accounted for \$0.3 million of the accrual in FY 2023 whereas in FY 2022 the final invoice had been paid prior to fiscal year end close, thereby eliminating the need for an accrual. In addition, there was an increase in non-federal portion of Federal Employee and Veteran Benefits Payable mainly due to more benefit accruals and \$0.2 million more unfunded leave liability in FY 2023.

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**Trends in Total Liabilities
As of September 30**



Composition of and Trends in Net Position

Net Position is the residual difference between assets and liabilities, that is composed of Unexpended Appropriations and Cumulative Results of Operations. 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.

Unexpended Appropriations represent the total amount of unexpended budget authority that is classified as appropriations, both obligated and unobligated. Unexpended Appropriations are increased for Appropriations Received, are reduced for Appropriations Used, and are adjusted for other changes in appropriations, such as transfers and rescissions. Cumulative Results of Operations is the net result of the Department’s operations since inception.

Total Net Position increased by \$1.3 million which is an 11 percent change from September 30, 2022.

Unexpended Appropriations increased by approximately \$1.7 million, from \$14.0 million as of September 30, 2022 to \$15.7 million as of September 30, 2023. While the Board utilized more appropriations in FY 2023 than in the previous fiscal year, the additional appropriations authorized by Congress in FY 2023 resulted in a net increase of Unexpended Appropriations.

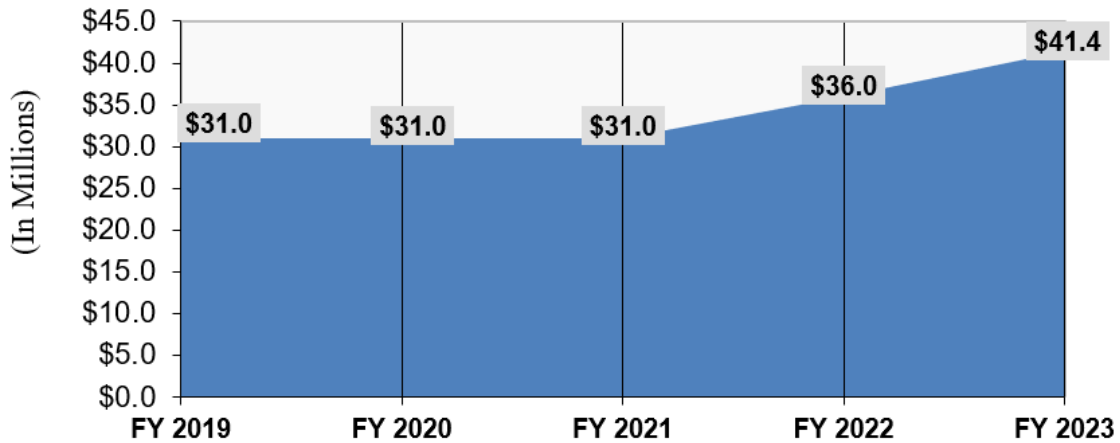
Composition of and Trends in Total Financing Sources

The composition (by percentage) of the Board’s financing sources, as reported in the Board’s Consolidated Statements of Changes in Net Position remained consistent from September 30, 2022 to September 30, 2023. Total financing sources comprise appropriations received, offset by appropriations used. The trend of the Board’s financing sources somewhat changed from FY 2022 to FY 2023 due to trends in the financing source item discussed in this section.

- **Appropriations Received** increased by \$5.4 million, or 15 percent, from \$36.0 million received in FY 2022 to \$41.4 million received in FY 2023 mainly due to Congress authorizing more for DNFSB than in FY 2022.

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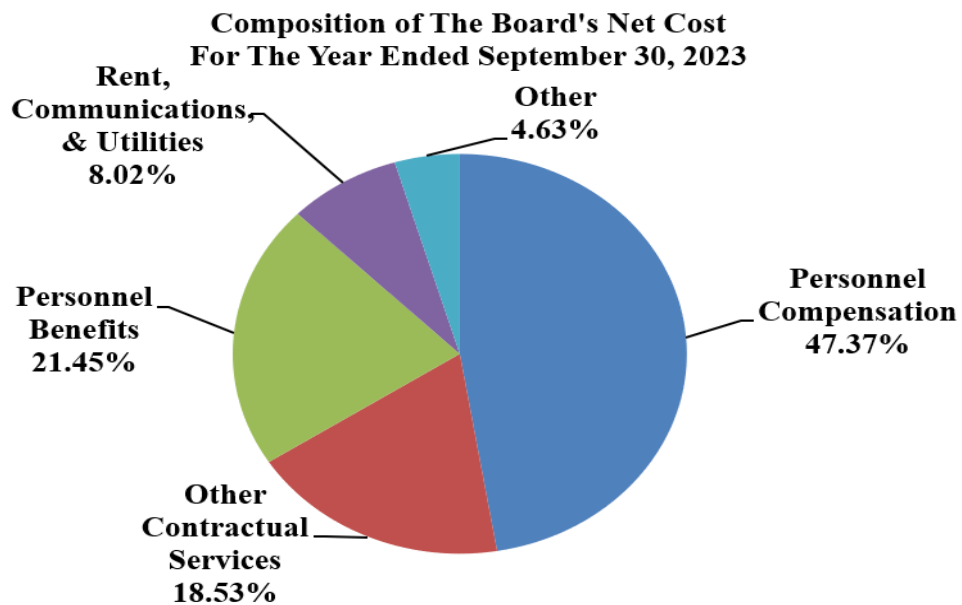
**Trends in Total Financing Sources - Appropriations Received
For the Year Ended Sept 30**



Composition of FY 2023 Net Cost of Operations

In FY 2023, the Board’s Net Cost of Operations amounted to \$41.4 million, which consists of Gross Program Costs of \$41.4 million. The pie chart below shows a composition of the expenditures: personnel compensation comprised approximately 47.37 percent of total expenditures; personnel benefits comprised 21.45 percent of total expenditures; other contractual services comprised 18.53 percent of total expenditures; and rent, communications, and utilities comprised 8.02 percent of total expenditures.

FY 2023 Expenditures

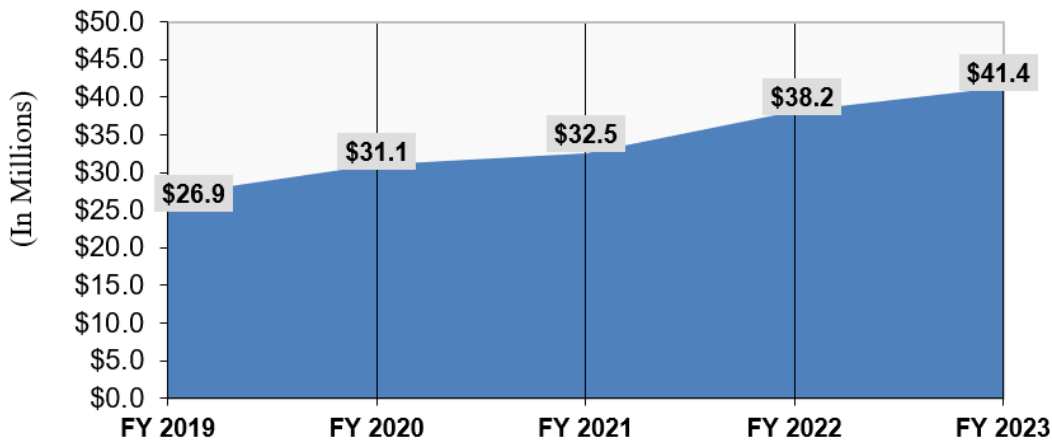


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Trends in Net Cost of Operations

The Board’s Net Cost of Operations increased by approximately \$3.2 million, or 8 percent, from \$38.2 million in FY 2022 to \$41.4 million in FY 2023. In January 2023 all federal agencies experienced an increase in federal salaries and health care costs. In the DC area, federal salaries increased 4.86% and according to OPM health benefits, averaged an increase of 6.6% for the government’s contribution; the cumulative impact to DNFSB was an increase in expenditures over FY 2022.

**Trends in Net Cost of Operations
For the Year Ended Sept 30**

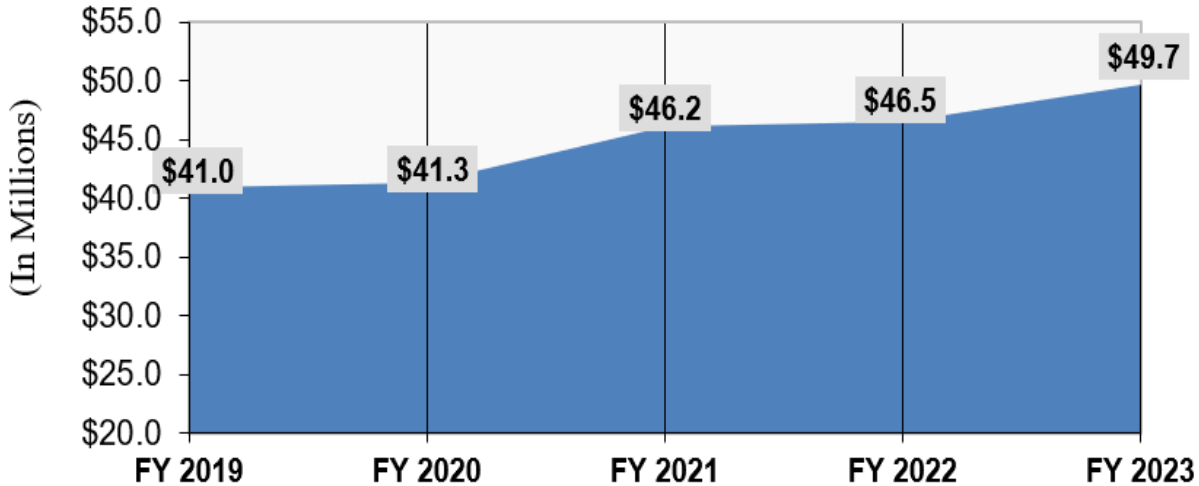


Composition of and Trends in Selected Budgetary Information

The Statement of Budgetary Resources reports information on the sources of the Board’s budgetary resources for the reporting periods. Information in these statements is reported on the budgetary basis of accounting, which supports compliance with budgetary controls and controlling legislation. The Board receives a new two-year appropriation each year, which allows for the funds to be used in the current and the following fiscal year. The Board’s total budgetary resources increased by approximately \$3.2 million, from \$46.5 million in FY 2022 to \$49.7 million in FY 2023, primarily due to new Appropriations being greater in FY 2023 as a result of Congress authorizing more than in FY 2022 as discussed in the Composition of and Trends in Financing Sources section.

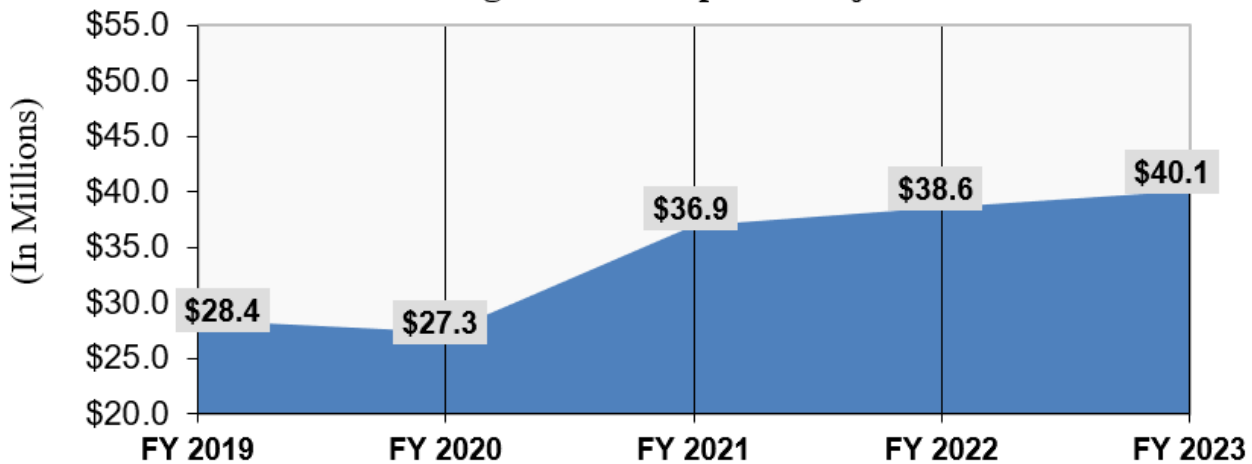
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**Trends on Selected Budgetary Information
For the Year Ended Sept 30
- Total Budgetary Resources**



The Board’s New Obligations and Upward Adjustments increased \$1.5 million, or 4 percent, from \$38.6 million in FY 2022 to \$40.1 million in FY 2023, mainly due to increases in obligations related to more in federal salaries and health care costs.

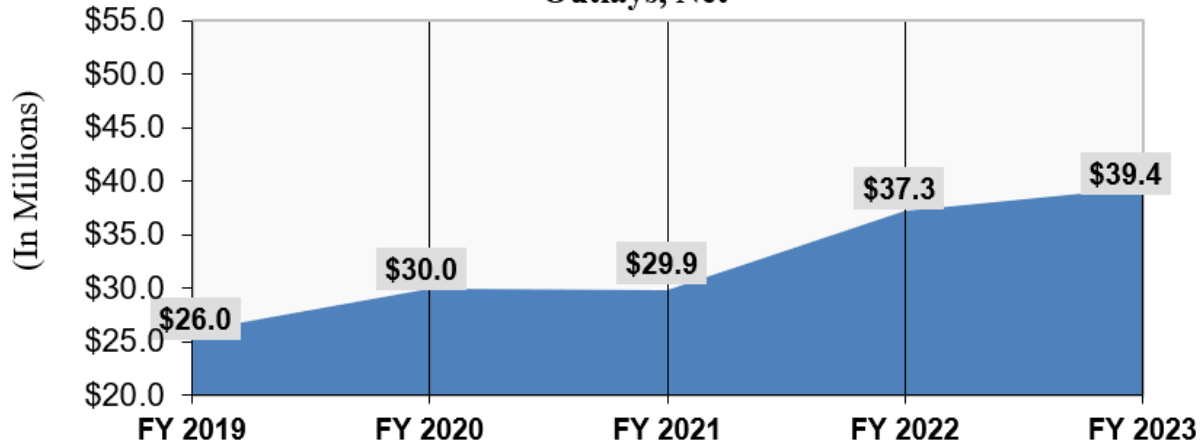
**Trends on Selected Budgetary Information
For the Year Ended Sept 30
- New Obligations and Upward Adjustments**



The Board’s Outlays, Net increased \$2.1 million, or 5.7 percent, from \$37.3 million in FY 2022 to \$39.4 million in FY 2023, largely due to an increase in expenditures for salaries/benefits, new contracts awarded and operational travel.

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**Trends on Selected Budgetary Information
For the Year Ended Sept 30
- Outlays, Net**



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 prior or current years; therefore, there are no expired or unexpired funds related to COVID-19 within DNFSB’s books and records as of September 30, 2023.

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 Section 3.1 within this AFR.

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, 2023. 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

November 1, 2023

MEMORANDUM FOR RECORD

SUBJECT: Annual Statement of Assurance Required Under the Federal Managers' Financial Integrity Act (FMFIA) for Fiscal Year 2023

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, 2023.

On October 24, 2023, 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, 2023. 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 Fiscal Year 2023, my point of contact is Ms. Katherine Herrera. She can be reached at katherineh@dnfsb.gov.


Joyce Connery
Chair

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1.5.2 Financial Management Systems Strategy and Framework

The Board's financial management systems strategy is to contract with GSA 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, GSA 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 GSA's OCFO. OCFO/PFS issued a system and organization controls (SOC) or SOC 1 Type 2 report on September 7, 2023. It contained the independent service auditor's report on the GSA PFS organization and stated that the GSA PFS controls operated effectively to provide reasonable assurance that the control objectives stated in GSA's description of controls were achieved throughout the period July 1, 2022, to June 30, 2023, and customer agency controls assumed in the design of GSA controls operated effectively through that period. PFS issued a memorandum on October 6, 2023, 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 GSA 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 2023, 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 continued its 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 is maintained by ensuring

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compliant data elements are consistently recorded in the accounting system and on contract documents. 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 2023 independent FISMA evaluation concluded that the Board did not have an effective information security program and provided one (1) new recommendation to strengthen DNFSB's information security risk management framework for consistency with FISMA. To implement the report's recommendation, the Board is making enhancements to adequately support the procurement, onboarding and implementation of requirements across all Event Logging (EL) maturity tiers to ensure events are logged and tracked for compliance with its information security program. In addition, DNFSB's 21 prior year recommendations were closed based on inspection of evidence received during fieldwork for the FY 2023 FISMA audit.

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.

DNFSB has no current open GAO recommendations.

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 of its programs and operations are conducted in accordance with the standards for audit of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States, and includes a list of each audit report completed by a federal or non-federal auditor during the reporting period and a summary of any particularly significant findings; and
- (C) Summarizes any matters relating to the personnel, programs, and operations of the federal entity referred to prosecutorial authorities, including a summary description of any preliminary investigation conducted by or at the request of the federal entity concerning these matters, and the prosecutions and convictions which have resulted.

The Board reports as follows for FY 2023:

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- (A) 42 USC § 2286k provides that the NRC inspector general serve as inspector general for the Board.
- (B) OIG conducted five assessments on Board programs in FY 2023: (1) *Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board in Fiscal Year 2024* (DNFSB-24-A-01); (2) *Audit of the Defense Nuclear Facilities Safety Board's Financial Statements for Fiscal Year 2022* (DNFSB-23-A-02); (3) *Audit of the DNFSB's Fiscal Year (FY) 2022 Compliance with Improper Payment Laws* (DNFSB-23-A-03); (4) *Audit of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2023* (DNFSB-23-A-04); and (5) *Audit of the DNFSB's Freedom of Information Act Process* (in progress).
- (C) 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); (3) *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2020* (DNFSB-21-A-04); (4) *Audit of the DNFSB's Process for Planning and Implementing Oversight Activities* (DNFSB-22-A-03); (5) *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2021* (DNFSB-22-A-04); and (6) *Audit of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for FY 2022* (DNFSB-22-A-07).

The Board fully implemented and closed all recommendations from the *Audit of the DNFSB's Compliance Under the Digital Accountability and Transparency Act of 2014* (DNFSB-22-A-02) and the *Audit of the DNFSB's Fiscal Year 2021 Compliance with Improper Payment Laws* (DNFSB-22-A-06).

The Board closed one recommendation from the *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2019* (DNFSB-20-A-05); three recommendations from the *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2020* (DNFSB-21-A-04); eight recommendations from the *Independent Evaluation Report of DNFSB's Implementation of FISMA 2014 for FY 2021* (DNFSB-22-A-04); and seven recommendations from the *Audit of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for FY 2022* (DNFSB-22-A-07).

- (D) In FY 2023, 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 in order to sustain technical competence and maintain efficient operations, but challenges remain. 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 and strives to approach its statutory personnel ceiling of 130 FTE. The DNFSB will face both a challenge recruiting the highly specialized technical staff and increasing operational support. Additionally, investments in IT Modernization and Cybersecurity are necessary to carry out essential, mission-critical activities that support the safety and security of DNFSB and its information management systems. 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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Financial Section

2.1 Message from the Chief Financial Officer



It is my honor to join the Chair in presenting the Board’s FY 2023 Agency Financial Report (AFR). The AFR provides financial data and high-level performance goals and objectives to demonstrate our continued commitment responsible stewardship of public funds. This report also fulfills several statutory requirements, including the Federal Managers Financial Integrity Act (FMFIA) of 1982, the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, the Reports Consolidation Act of 2000, and the Accountability of Tax Dollars Act of 2002. 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 Executive Director of

Operations, Office of the General Counsel, Office of the General Manager, and Office of the Technical Director, who partnered with DBF to ensure Board-wide financial accountability and transparency.

I am proud to report that the Board's FY 2023 financial statements received an unmodified opinion from its independent auditors, the Board’s 18th consecutive “clean” opinion since its FY 2004 financial statements were initially audited pursuant to the Accountability of Tax Dollars Act of 2002. FY 2023 marked the 17th consecutive year that the Board’s unmodified opinion was coupled with no instances of non-compliance with laws and regulations. The independent auditor noted that the FY 2023 financial statements of DNFSB present fairly, in all material respects, the Agency's financial position as of September 30, 2023, in accordance with accounting principles generally accepted in the United States of America. Delays with the receipt and validation of DNFSB’s FY 2023 financial statements and footnotes, which are needed for inclusion in the AFR, caused publication delays.

The Board has “contracts” (through interagency agreements) with the U.S. Department of Agriculture’s (USDA) National Finance Center (NFC) for personnel and payroll services and the General Services Administration (GSA) for accounting services. The Board’s financial staff worked diligently with GSA personnel in preparing the FY 2023 financial statements and providing the necessary supporting documentation to its auditors, and credit should be given to both those organizations for achieving these accomplishments.

The focus in FY 2023 was on business process improvements and enhanced compliance. Internal control over financial reporting was strengthened through more robust business process reviews and internal control testing. A complete policy refresh is underway to drive standardization and compliance across all financial operations. The Board launched its first Enterprise Risk

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Management program. G-invoicing was implemented with participating trading partners. Most notably, the implementation of a new Enterprise Resource Planning (ERP) system was initiated to automate and integrate human resources, contracting and finance functions. These improvements contributed to zero findings during the Payment Information and Integrity audit and a clean financial audit opinion.

In FY 2024, target areas will include integration and modernization of business operations through automated tools; standardization and documentation of policies and procedures to reinforce internal controls; and substantially complete implementation of an ERP system. DNFSB is dedicated to maintaining financial integrity and transparency and fostering greater financial management improvements.

Omolola Fawole

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

November 30, 2023

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2.2 FY 2023 Auditor's Report



MEMORANDUM

DATE: November 30, 2023

TO: Joyce L. Connery
Chair

FROM: Robert J. Feitel
Inspector General

Digitally signed by Robert J. Feitel
Date: 2023.11.30 14:32:54 -0500

SUBJECT: RESULTS OF THE INDEPENDENT AUDITOR'S REPORT OF THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2023 (DNFSB-24-A-02)

The Office of the Inspector General (OIG) contracted with an independent public accounting firm, CliftonLarsonAllen LLP (CLA), to audit the financial statements of the Defense Nuclear Facilities Safety Board (DNFSB) as of and for the fiscal years (FY) ended September 30, 2023 and 2022, to provide an opinion on internal control over financial reporting, and to report on compliance with laws and other matters. The contract required that the audit be performed in accordance with the generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Financial Audit Manual issued by the Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency.

In the audits of the FY 2023 and 2022 financial statements of the DNFSB, CLA found:

- The DNFSB's financial statements as of and for the FY ended September 30, 2023 and 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, 2023; and,
- No reportable noncompliance for FY 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

In connection with the contract, we reviewed CLA's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with generally accepted government auditing

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standards, was not intended to enable us to express, and we do not express, opinions on the DNFSB's financial statements or internal control over financial reporting, or conclusions on compliance with applicable laws and other matters. CLA is responsible for the attached Independent Auditor's Report, dated November 30, 2023, and the conclusions expressed therein. However, our review disclosed no instances where CLA did not comply, in all material respects, in accordance with the generally accepted government auditing standards.

We held an exit conference on November 28, 2023, with representatives of the DNFSB, the OIG, and CLA to discuss the results of the audit. The General Manager agreed with the report. The full text of his response follows this report.

If you have any questions, please contact Hruta Virkar, Assistant Inspector General for Audits, at 301.415.1982, or me at 301.415.5930.

Attachment:
As stated

cc: Vice Chairman Thomas Summers

FY 2023
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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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 audits of the fiscal years (FYs) 2023 and 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, 2023, and 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, 2023; and
- No reportable noncompliance for FY 2023 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, required supplementary information (RSI),¹ and other information² 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 sheets as of September 30, 2023, and 2022; the related statements of net cost, changes in net position, and budgetary resources for the FYs 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, 2023, and 2022, and its net cost of operations, changes in net position, and budgetary resources for the FYs then ended in accordance with U.S. GAAP.

We also have audited the DNFSB's internal control over financial reporting as of September 30, 2023, 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, 2023, based on criteria established under FMFIA.

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

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

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DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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Independent Auditors' Report (Continued)

During our FY 2023 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.³ 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 government 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 24-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 24-01). 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.

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

The DNFSB management is responsible for (1) preparing and fairly presenting the agency's 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) assessing the effectiveness of internal control over financial reporting as of September 30, 2023, included in the Federal Managers' Financial Integrity Act Statement 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.

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

³ 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)

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;
- 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 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.

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DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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Independent Auditors' Report (Continued)

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.

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.

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.

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DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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Independent Auditors' Report (Continued)

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 2023 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*.

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 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.

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 A. 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, 2023

FY 2023
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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Independent Auditors' Report (Continued)
Exhibit A
DNFSB's Response to Audit Findings and Recommendations

**DEFENSE NUCLEAR FACILITIES
SAFETY BOARD**

Washington, DC 20004-2901



November 30, 2023

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

RE: DNFSB Comments on the 2023 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 2023 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 significantly improved the processing of our financial statements and the preparation of the DNFSB Annual Financial Report. I believe these efforts are reflected in the clean audit report this year. We appreciate the collaborative approach taken by the OIG audit team under your leadership. That collaboration, in conjunction with the hard work of our agency staff, continues to improve our systems and processes.

Our DNFSB Board Members support our efforts and hold us accountable for presenting our financial statements fairly in all material respects, maintaining effective internal financial controls, and remaining compliant with applicable laws and regulations. As we transition this coming year to a new financial services provider, the Office of the General Manager's staff's diligence and attention to detail will become even more important.

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

Sincerely,

A handwritten signature in blue ink that reads "James Biggins".

James Biggins
General Manager

FY 2023
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Agency Financial Report

2.3 FY 2023 Financial Statements and Notes

2.3.1 Financial Statements – DNFSB General Fund

**Defense Nuclear Facilities Safety Board
BALANCE SHEETS**

As of September 30, 2023 and 2022

		2023	2022
Assets:			
Intragovernmental Assets:			
Fund Balance with Treasury	(Note 2)	\$ 18,656,424.13	\$ 16,870,692.35
Advances and Prepayments		49,980.00	-
Total Intragovernmental Assets		18,706,404.13	16,870,692.35
Other than Intragovernmental Assets:			
Accounts Receivable, net	(Note 3)	15,885.16	19,410.19
Property, Plant and Equipment, net	(Note 4)	9,006.51	106,929.10
Advances and Prepayments		-	12,625.06
Total Other than Intragovernmental Assets		24,891.67	138,964.35
Total Assets		\$ 18,731,295.80	\$ 17,009,656.70
Liabilities:	(Note 5)		
Intragovernmental Liabilities:			
Accounts Payable	(Note 6)	\$ 331,056.02	\$ 49,007.50
Other Liabilities	(Note 7)	351,021.38	306,637.12
Total Intragovernmental Liabilities		682,077.40	355,644.62
Other than Intragovernmental Liabilities:			
Accounts Payable		1,115,337.32	1,482,552.55
Federal Employee and Veteran Benefits Payable	(Note 8)	2,005,948.94	1,760,818.43
Other Liabilities	(Note 7)	1,186,117.77	1,017,601.91
Total Other than Intragovernmental Liabilities		4,307,404.03	4,260,972.89
Total Liabilities		\$ 4,989,481.43	\$ 4,616,617.51
Commitments and Contingencies	(Note 9 and Note 10)		
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		\$ 15,668,967.81	\$ 14,034,432.20
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		(1,927,153.44)	(1,641,393.01)
Total Net Position		\$ 13,741,814.37	\$ 12,393,039.19
Total Liabilities and Net Position		\$ 18,731,295.80	\$ 17,009,656.70

The accompanying notes are an integral part of these statements.

FY 2023
 DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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**Defense Nuclear Facilities Safety Board
 STATEMENTS OF NET COST**

For the Years Ended September 30, 2023 and 2022

		2023	2022
Program Costs:	(Note 11)		
Gross Program Costs		\$ 41,357,452.83	\$ 38,236,533.77
Net Program Costs		41,357,452.83	38,236,533.77
Net Cost of Operations		\$ 41,357,452.83	\$ 38,236,533.77

The accompanying notes are an integral part of these statements.

FY 2023
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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**Defense Nuclear Facilities Safety Board
STATEMENT OF CHANGES IN NET POSITION**

For the Year Ended September 30, 2023

	2023	
	All Other Funds (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:		
Beginning Balance	\$ 14,034,432.20	\$ 14,034,432.20
Corrections of errors (+/-)	(38,043.84)	(38,043.84)
Beginning balance, as adjusted	13,996,388.36	13,996,388.36
Appropriations received	41,401,000.00	41,401,000.00
Other Adjustments (+/-)	(242,976.44)	(242,976.44)
Appropriations used	(39,485,444.11)	(39,485,444.11)
Net Change in Unexpended Appropriations	1,672,579.45	1,672,579.45
Total Unexpended Appropriations	\$ 15,668,967.81	\$ 15,668,967.81
Cumulative Results of Operations:		
Beginning Balance	\$ (1,641,393.01)	\$ (1,641,393.01)
Corrections of errors (+/-)	55,642.88	55,642.88
Beginning Balance, as adjusted	(1,585,750.13)	(1,585,750.13)
Appropriations used	39,485,444.11	39,485,444.11
Imputed Financing	1,530,605.41	1,530,605.41
Net Cost of Operations	(41,357,452.83)	(41,357,452.83)
Net Change in Cumulative Results of Operations	(341,403.31)	(341,403.31)
Total Cumulative Results of Operations	\$ (1,927,153.44)	\$ (1,927,153.44)
Net Position	\$ 13,741,814.37	\$ 13,741,814.37

The accompanying notes are an integral part of these statements.

FY 2023
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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**Defense Nuclear Facilities Safety Board
STATEMENT OF CHANGES IN NET POSITION**

For the Year Ended September 30, 2022

	2022	
	All Other Funds (Consolidated Totals)	Consolidated Total
Unexpended Appropriations:		
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)
Net Change in Unexpended Appropriations	(1,191,289.27)	(1,191,289.27)
Total Unexpended Appropriations	\$ 14,034,432.20	\$ 14,034,432.20
Cumulative Results of Operations:		
Beginning Balance	\$ (1,489,734.80)	\$ (1,489,734.80)
Appropriations used	37,128,367.13	37,128,367.13
Imputed Financing	(Note 11) 956,508.43	956,508.43
Net Cost of Operations	(38,236,533.77)	(38,236,533.77)
Net Change in Cumulative Results of Operations	(151,658.21)	(151,658.21)
Total Cumulative Results of Operations	\$ (1,641,393.01)	\$ (1,641,393.01)
Net Position	\$ 12,393,039.19	\$ 12,393,039.19

The accompanying notes are an integral part of these statements.

FY 2023
 DEFENSE NUCLEAR FACILITIES SAFETY BOARD
 Agency Financial Report

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

For the Years Ended September 30, 2023 and 2022

	<u>2023</u> <u>Budgetary</u>	<u>2022</u> <u>Budgetary</u>
Budgetary Resources:		
Unobligated balance from prior year budget authority, net (discretionary and mandatory)	(Note 12) \$ 8,263,731.02	\$ 10,471,891.59
Appropriations (discretionary and mandatory)	41,401,000.00	36,000,000.00
Total budgetary resources	<u>\$ 49,664,731.02</u>	<u>\$ 46,471,891.59</u>
Status of Budgetary Resources:		
New obligations and upward adjustments (total)	(Note 13) \$ 40,134,585.09	\$ 38,573,395.19
Unobligated balance, end of year:		
Apportioned, unexpired account	8,388,679.51	6,810,133.43
Expired unobligated balance, end of year	1,141,466.42	1,088,362.97
Unobligated balance, end of year (total)	9,530,145.93	7,898,496.40
Total budgetary resources	<u>\$ 49,664,731.02</u>	<u>\$ 46,471,891.59</u>
Outlay, net:		
Outlays, net (total) (discretionary and mandatory)	\$ 39,372,291.78	\$ 37,256,667.99
Agency outlays, net (discretionary and mandatory)	<u>\$ 39,372,291.78</u>	<u>\$ 37,256,667.99</u>

The accompanying notes are an integral part of these statements.

FY 2023
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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2.3.2 Financial Statement Notes – DNFSB General Fund

2.3.2.1 Note 1 – Summary of Significant Accounting Policies

2.3.2.1.1 (a) Reporting Entity

The Board is an independent federal government agency with responsibility for overseeing Department of Energy (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.

2.3.2.1.2 (b) Basis of Presentation

These financial statements have been prepared from the Board’s accounting records in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and Office of Management and Budget (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.

2.3.2.1.3 (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.

FY 2023
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Agency Financial Report

2.3.2.1.4 (d) Basis of Accounting

Transactions are recorded on the accrual basis of accounting 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.

2.3.2.1.5 (e) Revenues and Other Financing Sources

The Board receives funding needed to support its activities through annual congressional appropriations. FY 2023 and FY 2022 appropriated funds are available for obligation until September 30, 2024, and September 30, 2023, respectively (i.e., two-year funds). None of the appropriations is a “funds from dedicated collections” fund. An imputed financing source is recognized to offset costs incurred by the Board and funded by another federal source. Board 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 current appropriations, carryover funding and recoveries of prior year obligations 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, 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).

2.3.2.1.6 (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 gifts or donations of money to the Government, and from intragovernmental transactions with other Government accounts.

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/>

2.3.2.1.7 (g) Assets and Liabilities

Intragovernmental assets and liabilities arise from transactions between the Board and other Federal entities.

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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.

Liabilities represent amounts that are likely to be paid by the Board as a result of transactions that have already occurred. The accounts payable portion of liabilities consist of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses 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.

2.3.2.1.8 (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.

2.3.2.1.9 (i) Advances and Prepayments

Advances are cash outlays made by the Board to its employees, contractors, grantees, or others to cover a part or all the recipients' anticipated expenses or as advance payments for the costs of goods and services the Board receives. Prepayments are payments made by the Board to cover certain periodic expenses before those expenses are incurred. Financing payments (such as progress payments, performance-based payments, etc.) on work in process are generally recognized as a cost for work performed and not included in advances and prepayments.

2.3.2.1.10 (j) Property, Plant, and Equipment, Net

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.

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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 (GSA). The cost approximates commercial rates for similar properties.

2.3.2.1.11 (k) Annual, Sick, and Other Leave

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

2.3.2.1.12 (l) 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.

2.3.2.1.13 (m) Correction of Errors

In FY 2023, the Board identified corrections needed for events that occurred in prior fiscal years. The adjustments were necessary to correct beginning balances for unexpended appropriations and cumulative results of operations reported on the Statement of Changes in Net Position. Restatement of prior year financial statements is not required because the errors did not result in any material misstatement.

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2.3.2.2 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, 2023, and 2022 is as follows:

	2023	2022
A. Fund Balance with Treasury		
General Fund	<u>\$ 18,656,424.13</u>	<u>\$ 16,870,692.35</u>
 B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	8,388,679.51	6,810,133.43
b) Unavailable	1,141,466.42	1,088,362.97
2) Obligated Balance not yet Disbursed	<u>9,126,278.20</u>	<u>8,972,195.95</u>
Total	<u>\$ 18,656,424.13</u>	<u>\$ 16,870,692.35</u>

2.3.2.3 Note 3 – Accounts Receivable, Net

Other than Intragovernmental Accounts Receivable, Net represents the accounts receivable from current employees. The Board has historically collected receivables due from employees and thus has not established an allowance for uncollectible accounts.

	2023	2022
Other than Intragovernmental Accounts Receivable	<u>\$ 15,885.16</u>	<u>\$ 19,410.19</u>
Total Accounts Receivable, Net	<u>\$ 15,885.16</u>	<u>\$ 19,410.19</u>

2.3.2.4 Note 4 – Property, Plant and Equipment, Net (PP&E)

The Board’s total cost, accumulated depreciation, and net book value for PP&E for the fiscal years ended September 30, 2023, and 2022 are as follows. The Board does not estimate for any PP&E costs. Depreciation expense for the fiscal years ended September 30, 2023, and 2022, was \$97,922.59 and \$107,510.26, respectively.

In FY23 DNFSB disposed of the software with a total acquisition cost of \$95,036.05 and equipment with a total acquisition cost of \$400,978.09. The total amount of PP&E disposed in FY23 was \$496,014.14. At the moment of disposal, the accumulated depreciation of the disposed items was equal to the acquisition costs, hence, no gain or loss was recognized.

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2023	Equipment	Furniture & Fixtures	Software	Total
Cost balance, beginning of the year	\$ 1,311,780.36	\$ 102,050.25	\$ 356,658.21	\$ 1,770,488.82
Dispositions	(400,978.09)	-	(95,035.95)	(496,014.04)
Cost balance, end of year	910,802.27	102,050.25	261,622.26	1,274,474.78
Accumulated depreciation	(901,795.76)	(102,050.25)	(261,622.26)	(1,265,468.27)
Net Book Value	\$ 9,006.51	\$ -	\$ -	9,006.51

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

2.3.2.5 Note 5 – Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources require future congressional action whereas liabilities covered by budgetary resources reflect prior congressional action. Regardless of when the congressional action occurs, when the liabilities are liquidated, Treasury will finance the liquidation in the same way that it finances all other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). The composition of liabilities not covered by budgetary resources as of September 30, 2023, and 2022 is as follows:

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Liabilities not Covered by Budgetary Resources

	2023	2022
Unfunded Accrued Leave Liabilities	\$ 1,952,045.11	\$ 1,712,089.42
Total Other than Intragovernmental Liabilities Not Covered By Budgetary Resources	1,952,045.11	1,712,089.42
Total Liabilities Not Covered by Budgetary Resources	\$ 1,952,045.11	\$ 1,712,089.42
Total Liabilities Covered by Budgetary Resources	3,037,436.32	2,904,528.09
Total Liabilities	\$ 4,989,481.43	\$ 4,616,617.51

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 years' budgetary resources. Unfunded Leave is part of the Federal Employee and Veteran Benefits Payable (see Note 8).

2.3.2.6 Note 6 - Intragovernmental Accounts Payable

Intragovernmental liabilities arise from transactions with other federal entities and are claims by other federal agencies listed in the table below. The Board receives goods and services such as background investigations, financial services, records management, and office space.

	2023	2022
Debt to Other Federal Agencies		
(1) Office of Personnel Management	\$ -	\$ 17,000.00
(2) Federal Occupational Health	11,125.77	32,007.50
(3) Defense Counterintelligence and Security	34,410.00	-
(4) GSA, OAD, Finance Division	847.50	-
(5) GSA, PBS Revenue Division-Rent	257,165.17	-
(6) Nat Information Technology Center	3,122.58	-
(7) National Archives and Records Administration	24,385.00	-
Total Intragovernmental Accounts Payable	\$ 331,056.02	\$ 49,007.50

2.3.2.7 Note 7 – Other Liabilities

As of September 30, 2023, and 2022, 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 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. The Other than Intragovernmental Other Liabilities consist of the Accrued Funded Payroll and Leave.

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	2023	2022
Intragovernmental		
Employer Contributions and Payroll Taxes Payable (Non-Reciprocal) and Other Federal Portion	\$ 351,021.38	\$ 306,637.12
Total Intragovernmental	\$ 351,021.38	\$ 306,637.12
Other than Intragovernmental		
Accrued Funded Payroll & Leave	\$ 1,186,117.77	\$ 1,017,601.91
Total Other than Intragovernmental	\$ 1,186,117.77	\$ 1,017,601.91
Total Other Liabilities	\$ 1,537,139.15	\$ 1,324,239.03

2.3.2.8 Note 8 – Federal Employee and Veteran Benefits Payable

While the Board does not administer pensions or benefit programs, it records the portion of the liability for which it is responsible. Liabilities for federal employee and veteran benefits include the funded accrued payroll portion of these benefits and unfunded accrued annual leave but not the liabilities related to employee funded accrued salary or annual leave, which are reported in Other Liabilities.

	2023	2022
Funded Accrued Payroll Benefits	\$ 53,903.83	\$ 48,729.01
Unfunded Accrued Leave Liability	1,952,045.11	1,712,089.42
Total Federal Employee and Veteran Benefits Payable	\$ 2,005,948.94	\$ 1,760,818.43

2.3.2.9 Note 9 – Leases

The Board has not entered into any existing capital leases and thus has incurred no liability resulting from such leases. The Board has also not directly entered into any operating leases but does have an occupancy agreement with GSA for its headquarters space. (GSA has an operating lease with the building owner, the costs of which are billed to the Board. The occupancy agreement is cancellable with four months written notice, without penalty to the Board.) Annual costs for office space for FY 2023 and FY 2022 amounted to \$2,957,741.08 and \$3,024,636.06, respectively. The Board entered into a new ten-year occupancy agreement effective March 8, 2016, which is due to expire on March 7, 2026. Estimated future payments under the terms of the occupancy agreement are as follows:

Fiscal Year Ending September 30	Payment
2024	\$3,083,008.00
2025	\$3,099,817.00
2026 (thru March 7, 2026)	\$1,282,444.42
Total Estimated Future Payments	\$7,465,269.42

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2.3.2.10 Note 10 – Commitments and Contingencies

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. A loss contingency is a liability when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is possible, and the future outflow or sacrifice of resources is measurable. For pending or threatened litigation and unasserted claims, a contingency is considered probable when the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may be incurred.

In the normal course of business, the Board may become involved in various legal disputes and claims. As of September 30, 2023, the Board had one pending litigation for which the likelihood of an unfavorable outcome is reasonably possible. However, the amount of any potential loss cannot be reasonably estimated at this time. As of September 30, 2022, no pending legal matters existed that were considered probable or reasonably possible, which require recognition as an accrual in the financial statements or require further disclosure.

The Board has not entered into any contractual arrangements which may require future financial obligations.

2.3.2.11 Note 11 – Inter-Entity and Program Costs

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Board are recognized as imputed cost and are offset by imputed revenue. The amounts of Imputed Costs and Financing Sources for FY 2023 and FY 2022 were \$1,530,605.41 and \$956,508.43, respectively. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgement Fund. However, unreimbursed costs of goods and services 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 costs incurred from exchange transactions with non-federal entities (i.e., all other program costs).

	Intragovernmental Costs	Other than Intragovernmental Costs	Total Program Costs
FY 2023	\$11,898,025.74	\$29,459,427.09	\$41,357,452.83
FY 2022	\$10,202,812.91	\$28,033,720.86	\$38,236,533.77

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The Board's program costs/Net Cost of Operations by OMB Object Class (OC) are as follows:

OC	Description	FY 2023	FY 2022
11	Personnel Compensation	\$19,588,337.55	\$17,514,624.58
12	Personnel Benefits	\$8,871,035.87	\$7,358,453.01
21	Travel & Transportation of Persons	\$925,008.05	\$617,013.40
22	Transportation of Things	\$33,001.62	\$77,238.22
23	Rent, Communications, & Utilities	\$3,318,692.06	\$3,376,025.83
24	Printing & Reproduction	\$7,759.04	\$7,341.18
25	Other Contractual Services	\$7,663,405.05	\$8,685,584.05
26	Supplies & Materials	\$657,109.02	\$369,916.25
31	Acquisition of Assets	\$293,104.57	\$230,337.25
	Total	\$41,357,452.83	\$38,236,533.77

2.3.2.12 Note 12 – Net Adjustments to Unobligated Balance Brought Forward, October 1

During the years ended September 30, 2023, and 2022, certain adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2022, and 2021. 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, 2023, and 2022 are presented below.

	2023	2022
Unobligated balance, brought forward from prior year	\$ 7,898,496.40	\$ 9,310,575.87
Adjustments made during the current year		
Recoveries of prior year unpaid obligations	606,470.61	1,224,237.86
Recoveries of prior year paid obligations	1,740.45	-
Balance withdrawn to Treasury (expiring fund)	(242,976.44)	(62,922.14)
Unobligated balance brought from prior year budget authority	\$ 8,263,731.02	\$10,471,891.59

2.3.2.13 Note 13 – 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*.

	2023	2022
Direct		
Category A	\$ 40,134,585.09	\$ 38,573,395.19
New Obligations	40,126,275.91	37,893,406.24
Upward Adjustments	8,309.18	679,988.95

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2.3.2.14 Note 14 – 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 the Board’s Undelivered Orders was \$6,138,821.88 and \$6,080,292.92 as of September 30, 2023, and 2022, respectively.

	2023	2022
Federal Undelivered Orders	\$ 1,087,874.17	\$ 773,301.73
Non-Federal Undelivered Orders	5,050,947.71	5,306,991.19
Total Federal/Non-Federal Undelivered Orders	\$ 6,138,821.88	\$ 6,080,292.92
Paid Undelivered Orders – Federal	\$ 49,980.00	\$ -
Paid Undelivered Orders - Non-Federal	-	12,625.06
Unpaid Undelivered Orders - Federal	1,037,894.17	773,301.73
Unpaid Undelivered Orders - Non-Federal	5,050,947.71	5,294,366.13
Total Paid/Unpaid Undelivered Orders	\$ 6,138,821.88	\$ 6,080,292.92
Total Undelivered Orders	\$ 6,138,821.88	\$ 6,080,292.92

2.3.2.15 Note 15 – 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 2023 actual budgetary execution information is scheduled for publication in February 2024, 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 2022 SBR and the related President’s Budget reflected the following:

FY 2022	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	\$46,471,891.59	\$38,573,395.19	\$37,256,667.99
Difference 1 – Expired Unobligated Balances	(\$1,088,362.97)	-	-
Difference 2 - Rounding (+/-)	(\$1,383,528.62)	\$426,604.81	\$743,332.01
Budget of the US Government	\$44,000,000.00	\$39,000,000.00	\$38,000,000.00

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

2.3.2.16 Note 16 – Reconciliation of Net Cost to Outlays

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

The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by presenting (1) components of net cost that are not part of budgetary outlays (e.g. depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities, other financing sources); and (2) components of budget outlays that are not part of net cost (e.g. acquisition of capital assets); and (3) other temporary timing difference (e.g. prior period adjustments due to correction of error).

The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays for the fiscal years ended September 30, 2023, and September 30, 2022.

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NOTE 16 – RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)

	FY2023		Total
	<u>Intragovernmental</u>	<u>Other Than Intragovernmental</u>	
Net Operating Costs (SNC)	\$ 11,898,025.74	\$ 29,459,427.09	\$ 41,357,452.83
Components of Net Operating Costs			
Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(97,922.59)	(97,922.59)
Increase(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable, net	-	(3,525.03)	(3,525.03)
Other assets	49,980.00	(12,625.06)	37,354.94
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(309,014.39)	367,215.23	58,200.84
Other liabilities	(10,081.31)	(168,515.86)	(178,597.17)
Federal employee and veteran benefits payable	-	(252,467.59)	(252,467.59)
Other Financing Sources			
Imputed costs	(1,530,605.41)	-	(1,530,605.41)
Total Components of Net Costs Not Part of the Budget Outlays	<u>(1,799,721.11)</u>	<u>(167,840.90)</u>	<u>(1,967,562.01)</u>
Miscellaneous Items			
Custodial/Non-exchange revenue	-	(230.00)	(230.00)
Non-Entity Activity	230.00	-	230.00
Other temporary timing differences	-	(17,599.04)	(17,599.04)
Total Miscellaneous Items	<u>230.00</u>	<u>(17,829.04)</u>	<u>(17,599.04)</u>
Net Outlays (Calculated Total)	<u>\$ 10,098,534.63</u>	<u>\$ 29,273,757.15</u>	<u>\$ 39,372,291.78</u>
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR Line 4190)			<u>\$ 39,372,291.78</u>
Agency Outlays, Net (SBR Line 4210)			<u>\$ 39,372,291.78</u>

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NOTE 16 – RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)

	FY2022		Total
	<u>Intragovernmental</u>	<u>Other Than Intragovernmental</u>	
Net Operating Costs (SNC)	<u>\$ 10,202,812.91</u>	<u>\$ 28,033,720.86</u>	<u>\$ 38,236,533.77</u>
Components of Net Operating Costs			
Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(107,510.26)	(107,510.26)
Increase(Decrease) in Assets not			
affecting Budget Outlays:			
Accounts receivable, net	-	(2,475.26)	(2,475.26)
Other assets	-	10,755.39	10,755.39
(Increase)/Decrease in Liabilities			
not affecting Budget Outlays:			
Accounts payable	301,197.35	(9,667.16)	291,530.19
Other liabilities	(10,352.68)	(150,198.91)	(160,551.59)
Federal employee and veteran			
benefits payable	-	(67,065.82)	(67,065.82)
Other Financing Sources			
Imputed costs	(956,508.43)	-	(956,508.43)
Total Components of Net Costs Not			
Part of the Budget Outlays	<u>(665,663.76)</u>	<u>(326,162.02)</u>	<u>(991,825.78)</u>
Miscellaneous Items			
Acquisition of capital assets	-	11,960.00	11,960.00
Total Miscellaneous Items	<u>-</u>	<u>11,960.00</u>	<u>11,960.00</u>
Net Outlays (Calculated Total)	<u>\$ 9,537,149.15</u>	<u>\$ 27,719,518.84</u>	<u>\$ 37,256,667.99</u>
Related Amounts on the Statement of			
Budgetary Resources			
Outlays, net (SBR Line 4190)			<u>\$ 37,256,667.99</u>
Agency Outlays, Net (SBR Line 4210)			<u>\$ 37,256,667.99</u>

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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 Assurances¹

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
Audit Opinion	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	N/A	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

¹ 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 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. Every year, each agency Inspector General (IG) reviews relevant improper payments (IP) and unknown payments (UP) reporting and records pertaining to the programs within an agency to determine whether the agency complies with PIIA and OMB guidance.

The Board conducts periodic reviews of all programs and activities to identify those that may be susceptible to improper payments. In FY 2023, the Board performed a risk assessment of outlays exceeding \$10 million. Based on OMB guidance M-21-19, annual IP or UP above \$10,000,000 and 1.5% of the program's total annual outlays are considered to be above statutory threshold. As a result, the overall DNFSB risk score is low, below the statutory threshold, and is deemed not susceptible to improper payments. Comprehensive risk assessments are not required for any DNFSB programs. Throughout the year, the Board maintains payment integrity by executing internal controls over each payment to mitigate any risk of improper payment and prevent fraud, waste and abuse.

In FY 2023, the OIG reviewed DNFSB's Payment Integrity Information Act (PIIA) program, and concluded the Board is compliant with all the applicable OMB Compliance Requirements listed below:

- Published Payment Integrity Information Act with the Agency Financial Report.
- Posted the Agency Financial Report and accompanying materials on the agency website.
- Conducted IP risk assessments for each program with annual outlays greater than \$10,000,000 at least once in the last three years.

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

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3.3 Inspector General’s Assessment of Management and Performance Challenges

November 3, 2023

DNFSB-24-A-01



**The Inspector General’s Assessment
of the Most Serious Management
and Performance Challenges Facing
the Defense Nuclear Facilities Safety
Board in Fiscal Year 2024**



Idaho National Laboratory, Materials and Fuels Complex
(Source: inl.gov)

All publicly available OIG Reports, including this report, are accessible through the OIG’s website:
nrc.oig.oversight.gov

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 its 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 performs its critical oversight 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).

With input from DNFSB leadership, the OIG has assessed, developed, and described the DNFSB's most serious challenges for fiscal year (FY) 2024, 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. Recruiting, retaining, and developing executive and technical staff; and,
5. Elevating the DNFSB's public visibility and credibility and maintaining constructive relationships with the DOE and external stakeholders.

By addressing these challenges, the DNFSB will execute its mission more efficiently and effectively, achieve progress toward its strategic goals, and maintain the highest level of accountability over taxpayer dollars.

AGENCY RESPONSE TO MANAGEMENT CHALLENGES FOR FY 2023

During FY 2023, the DNFSB made progress in addressing its most serious management challenges for the year, as identified by the OIG. The DNFSB's actions included implementing and closing out all OIG recommendations from the *Audit of the Defense Nuclear Facilities Safety Board's Fiscal Year 2021 Compliance with Improper Payment Laws* (DNFSB-22-A-06).

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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 2024.

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. This report provides the updated OIG 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 two Board members, one of whom also serves as its Chair, and three 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.

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

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Vice Chair. Prior to that, he served as the DNFSB Acting Chair from September 13, 2020, until Ms. Connery's designation.

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.



Los Alamos National Laboratory,
Radiation Control Technicians (Source: lanl.gov)

Under the Atomic Energy Act of 1954, as amended, and as stated in 42 U.S.C. § 2286a(a), the mission of the Board "shall be to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of the Secretary as operator and regulator of the defense nuclear facilities of the DOE, in providing adequate protection of public health and safety at such defense nuclear facilities, including with respect to the health and safety of employees and contractors at such facilities." 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 DNFSB's budget request for FY 2024 identified a budget of \$47,230,000 and 125 full-time equivalents (FTE) for the DNFSB to carry out its mission in FY 2024. This is a 14.1 percent increase from the agency's FY 2023 appropriation level of \$41,401,000. The DNFSB achieved a staffing level of 113 FTEs as of December 31, 2022. The additional FTE positions in the budget request will help ensure that the Board can recruit or develop the depth of resources in highly specialized technical disciplines. The budget request notes that the increase is

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driven by an enhanced need for oversight of defense nuclear facilities that aligns with the DOE's modernization efforts.

The DNFSB has executed an aggressive staffing plan focused on hiring highly skilled engineers, scientists, and professionals to support the agency's mission. Looking forward, the DNFSB is building a multi-year human capital strategic plan to guide training, development, recruiting, retention, and succession planning. The DNFSB's FY 2024 budget request also includes 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. Through the revised process, the DNFSB's Office of the Technical Director (OTD) has 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.



Savannah River Site,
Salt Waste Processing Facility,
(Source: srs.gov)

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. The continuing OTD goal is to select safety reviews based on priority and available resources, to ensure each safety oversight plan area includes appropriate coverage. The planning process is intended to focus DNFSB resources to ensure completion of a higher percentage of planned safety reviews.

As of August 1, 2023, the DNFSB expected to complete a total of 51 FY 2023 planned reviews by September 30, 2023. The DNFSB expected to carry over 35 reviews from the FY 2023 plan, and add 55 new reviews to the FY 2024 technical work plan. The FY 2024 technical work plan was scheduled to be completed during September 2023, prior to the new fiscal year. The OTD noted that carry-over work and cancellations of planned work 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.

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CLOSURE OF OIG AUDIT RECOMMENDATIONS TO THE DNFSB

During FY 2023, the DNFSB closed the remaining OIG audit recommendations from the *Audit of the Defense Nuclear Facilities Safety Board's Fiscal Year 2021 Compliance with Improper Payment Laws* (DNFSB-22-A-06). 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 for verification by the OIG. In addition, the DNFSB completed actions to close recommendations from four Federal Information Security Modernization Act (FISMA) of 2014 audits, as the agency worked to enhance its information technology infrastructure and systems to mitigate agency operational risks. The reports are:

- *Independent Evaluation of DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2019* (DNFSB-20-A-05);
- *Independent Evaluation of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2020* (DNFSB-21-A-04);
- *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); and,
- *Audit of the DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for Fiscal Year 2022* (DNFSB-22-A-07).

COORDINATION WITH THE DOE

During FY 2022, the Board executed both a bilateral Memorandum of Understanding (MOU) between the Chair and the Deputy Secretary of Energy, and a staff-level Supplementary Agreement to implement the MOU. The Board conducted training for all technical staff on the content and expectations relative to the MOU and Supplementary Agreement. The Board also reviewed and is revising, where needed, internal procedures and processes. However, in FY 2023, the DNFSB noted a trend of delayed and partially addressed DOE responses to DNFSB reporting requirements. The Board and DNFSB staff engaged with senior DOE leaders regarding timeliness and completeness in responding to DNFSB safety reviews. The DNFSB continues to focus on the effectiveness of the DOE's oversight framework for safe operations at its diverse and aging facilities.

STRATEGIC PLAN

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."

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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 forth 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 responded 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 DNFSB management’s continued focus.

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**DNFSB FY 2024 MANAGEMENT AND PERFORMANCE
CHALLENGES**

The OIG has assessed, developed, and described each of the DNFSB's most serious challenges for FY 2024. This report presents each challenge, noting actions already completed by the agency, and the DNFSB'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 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 the DNFSB must address in FY 2024:

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. Recruiting, retaining, and developing executive and technical staff; and,
5. Elevating the DNFSB's public visibility and credibility and maintaining constructive relationships with the DOE and external stakeholders.

By addressing these challenges, the DNFSB will execute its mission more efficiently and effectively, achieve progress toward its strategic goals, and maintain the highest level of accountability over taxpayer dollars.

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 an FY 2018 report by the National Academy of Public Administration 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 an 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 are ongoing concerns about employee morale, recruiting new hires, and retention. One significant area of concern has been the availability of sufficient technical specialists 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 funding for 125 FTEs to carry out its mission for FY 2024.

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ONGOING ACTIONS

The DNFSB is working to build a multi-year human capital strategic plan to guide training and development, recruiting and retention practices, and succession planning. The approach will allow the DNFSB to better target its human capital management activities to ensure that the highly technical expertise of its staff supports the critical nuclear safety oversight mission. Additional FTE positions will help ensure that the Board can recruit or develop the necessary reserves in highly specialized technical disciplines.

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 reported 106 full-time staff for FY 2022 (and 113 total positions filled as of December 31, 2022), with 22 new hires and 10 separations. This was a net increase from FY 2021.

In FY 2023, the DNFSB executed an aggressive staffing plan focused on hiring highly skilled engineers, scientists, and professionals to support the agency's mission and filling vacant operational staff positions. Filling these roles reversed a significant decrease in staffing during prior years, when DNFSB staffing dropped precipitously by more than 20 percent.

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 should enable the staff to do mission-critical work more efficiently and effectively.

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. 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.

Key IT and information management and security oversight challenges for the DNFSB include:

- Managing ongoing supply chain risks posed to IT and operational infrastructure;
- Executing actions required by the FISMA to strengthen information technology security;
- Planning for and assessing the impact of Artificial Intelligence and Machine Learning on operations, security, and technical reviews;

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- Managing rigorous patching to meet compliance targets in the face of evolving threats and vulnerabilities; and,
- Executing the insider threat prevention and detection program.

ONGOING ACTIONS

The DNFSB continues to implement OIG recommendations from past FISMA 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 is working toward a Zero Trust Architecture in response to Executive Order 14028, "Improving the Nation's Cybersecurity," and Office of Management and Budget Memorandum, M-22-09, "Federal Zero Trust Strategy."

The DNFSB integrated its Configuration Management Plan with risk management and continuous monitoring programs.

The DNFSB updated its Continuous Monitoring Policies and Procedures Guide, Risk Management Framework Handbook, Configuration Management Policy, and Incident Response Process Guide Cyber Playbook.

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 to provide 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. The DNFSB highlighted this critical function in its Strategic Plan for FY 2022–FY 2026.

Key technical program challenges for the Board include:

- Ensuring that operations are conducted in a manner that is accountable and transparent, and 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 both headquarters and 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 earns 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

In April 2023, the Board requested that the DOE provide to the Board a briefing and report that describe the planned actions and timeline to address the improper designation of specific administrative controls and inappropriate classification of fire protection equipment at the Savannah River National Laboratory or provide the DOE leadership position as to why additional corrective actions are not required.

In August 2023, the Board issued a letter to the DOE regarding the Savannah River Plutonium Processing Facility requesting a report and briefing on the DOE's position on the adequacy of the safety strategy for facility worker protection, focusing on impacts to long-lead procurements, such as glovebox systems.

COMPLETED ACTIONS

The Board held a public hearing in Santa Fe, New Mexico, in November 2022 to gather information regarding legacy cleanup activities, nuclear safety, and planned increases in production activities at the Los Alamos National Laboratory (LANL).

In February 2023, the Board provided the DOE with a letter on the results of its review of safety-related welding at the Pantex Plant for use by the National Nuclear Security Administration (NNSA).

In August 2023, the Board issued a letter to the DOE regarding seismic safety of the Plutonium Facility (PF-4) at the LANL, noting the LANL's commendable effort in assessing the seismic risk for PF-4.

Challenge 4: Recruiting, Retaining, and Developing Executive and Technical Staff

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

National policy to modernize the strategic nuclear program places renewed emphasis on the importance of the DNFSB's analysis, advice, and recommendations following a period in which hiring has not kept pace with attrition.

CHALLENGE SYNOPSIS

The DNFSB has requested funding for 125 FTEs to carry out its mission in FY 2024. This represents an increase of 5 FTEs compared to the agency's goal of reaching a total of 120 staff members in FY 2023. The requested personnel increase is driven by a need for enhanced oversight of defense nuclear facilities that aligns with DOE modernization efforts. The increase also reflects DNFSB efforts to reverse previously high attrition rates by hiring highly skilled engineers, scientists, and other professionals to fill operational vacancies. Additionally, the DNFSB is working to build a multi-year human capital strategic plan to guide training and development, recruiting and retention practices, and succession planning. This comprehensive approach can help the DNFSB target its human capital management to ensure its staff's technical expertise adequately supports the agency's nuclear safety oversight mission.

Despite recent improvements in recruiting and retaining technical staff, the DNFSB faces challenges in recruiting and retaining executive talent; for example, the agency's first Executive Director of Operations (EDO) left the agency and has only been replaced on an acting basis. The DNFSB's current Strategic Plan emphasizes the importance of the EDO position in enhancing functional alignments and creating a focal point for improved teamwork across agency offices. There is also a developing challenge at the leadership level: two of the five Board positions were vacant in FY 2023, and a third Board member stepped down in early FY 2024. The Board lacks a quorum. While the FY 2023 National Defense Authorization Act allows the Board Chair to run the agency with no quorum requirements for one year, the agency needs a full leadership complement to ensure strategic direction.

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ONGOING ACTIONS

The DNFSB needs to fill the vacant positions of the EDO and the Technical Director.

To increase effectiveness of its hiring practices, the DNFSB is coordinating supervisory training in various areas, including: the hiring process; prohibited personnel practices; merit system principles; and, the uniform guidelines for employment selection procedures.

The DNFSB is developing interim technical qualification standard guidance to support recruitment for technical positions.

COMPLETED ACTIONS

The DNFSB has completed a draft FY 2023–2026 human capital plan.

The DNFSB human resources contract partner has drafted a Workflow Analysis Workforce Restructure report for review and approval by DNFSB senior leadership.

Challenge 5: Elevating the DNFSB's Public Visibility and Credibility and Maintaining Constructive Relationships with the DOE and External Stakeholders

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The need for continued cooperation with the DOE and communication with external stakeholders is vital to ensuring adequate protection and increasing public confidence in the safety of nuclear weapons facilities and waste.

CHALLENGE SYNOPSIS

Congress established the DNFSB in 1988 as an independent federal agency with the mission of providing independent safety analysis, advice, and recommendations to the Secretary of Energy for the DOE's defense nuclear facilities. The term "defense nuclear facilities" is specific to the DOE's nuclear facilities that have a function related to national defense or storage of nuclear waste.

Congress granted the Board a suite of statutory tools to carry out its mission. Principal among these is the Board's authority to issue formal recommendations to the Secretary. In addition to issuing recommendations, the Atomic Energy Act requires the Board to review and evaluate DOE requirements and standards affecting safety at defense nuclear facilities.

The Board is empowered to hold public hearings, conduct investigations, and obtain information and documents needed for the Board's work from the DOE and its contractors. The DOE is required by law to grant the Board and DNFSB staff prompt and unfettered access to such facilities, personnel, and information as the Board considers necessary to carry out its responsibilities.

Congress directed the Board to work with the DOE to develop a bilateral MOU to address ongoing interface issues between them. The Board and the DOE executed the MOU in February 2022, as well as a Supplementary Agreement in June 2022 that defines additional staff-level interface agreements that are consistent with the MOU. However, in March 2023, the Board reported a trend of delayed and partially addressed DOE responses to Board reporting requirements.

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ONGOING ACTIONS

DNFSB staff continues to review DOE actions in response to Recommendation 2020-1, Nuclear Safety Requirements. Throughout FY 2023, the Board's staff worked with the DOE to identify appropriate nuclear safety requirements to include in a new safety order mandated under the Secretary's Implementation Plan for this recommendation.

COMPLETED ACTIONS

On October 20, 2022, the Board informed the Secretary of Energy that the DOE's delayed response to four open reporting requirements is affecting the DNFSB's safety oversight. Separately, the Board transmitted a December 19, 2022, letter to the Secretary of Energy that cited four examples from various sites where the NNSA provided responses to reporting requirements that only partially addressed the safety concerns identified in the DNFSB's correspondence.

As part of a November 2022 public hearing in Santa Fe, New Mexico, the DNFSB gathered comments from the public regarding legacy cleanup activities, nuclear safety, and planned increases in production activities at DOE sites in New Mexico.

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Address: U.S. Nuclear Regulatory Commission
Office of the Inspector General
Hotline Program
Mail Stop O12-A12
11555 Rockville Pike
Rockville, Maryland 20852

COMMENTS AND SUGGESTIONS

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

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

NOTICE TO NON-GOVERNMENTAL ORGANIZATIONS AND BUSINESS ENTITIES SPECIFICALLY MENTIONED IN THIS REPORT

Section 5274 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, amended the Inspector General Act of 1978 to require OIGs to notify certain entities of OIG reports. In particular, section 5274 requires that, if an OIG specifically identifies any non-governmental organization (NGO) or business entity (BE) in an audit or other non-investigative report, the OIG must notify the NGO or BE that it has 30 days from the date of the report's publication to review the report and, if it chooses, submit a written response that clarifies or provides additional context for each instance within the report in which the NGO or BE is specifically identified.

If you are an NGO or BE that has been specifically identified in this report and you believe you have not been otherwise notified of the report's availability, please be aware that under section 5274 such an NGO or BE may provide a written response to this report no later than 30 days from the report's publication date. Any response you provide will be appended to the published report as it appears on our public website, assuming your response is within the scope of section 5274. Please note, however, that the OIG may decline to append to the report any response, or portion of a response, that goes beyond the scope of the response provided for by section 5274. Additionally, the OIG will review each response to determine whether it should be redacted in accordance with applicable laws, rules, and policies before we post the response to our public website. Please send any response via email using this [link](#). Questions regarding the opportunity to respond should also be directed to this same address.