U.S.NRC

United States Nuclear Regulatory Commission

Protecting People and the Environment

Fiscal Year 2020

Agency Financial Report

UNITED STATES NUCLEAR REGULATORY COMMISSION

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About This Report

The Agency Financial Report (AFR) for the U.S. Nuclear Regulatory Commission (NRC) provides financial and summary performance information in accordance with Office of Management and Budget Circular A-136, "Financial Reporting Requirements." This AFR is an account of the agency's stewardship of its resources during fiscal year (FY) 2020, which covers the period from October 1, 2019, to September 30, 2020. The report is organized into the following three chapters:

- **Chapter 1: Management's Discussion and Analysis**
  This chapter provides an overview of the NRC financial information and summary-level program performance information. It includes an overview of program performance, current status of systems, internal controls, financial management, and the FY 2020 financial statement analysis.

- **Chapter 2: Financial Statements and Auditors' Report**
  This chapter contains details on the NRC's finances for FY 2020. It includes a message from the Chief Financial Officer, the financial statements and accompanying notes, required supplementary information, and the independent auditors' report.

- **Chapter 3: Other Information**
  This chapter provides the Office of the Inspector General's discussion of management and performance challenges, a summary of the financial statement audit, information on payment integrity and fraud, details on space occupancy, a glossary of acronyms, and other information.

NRC Reports on the Agency Web Site:

- The Annual Performance Plan is reflected in the NRC's FY 2021 Congressional Budget Justification and is posted on the NRC's Web site at https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1100/.

- Since FY 2017, AFRs are located at https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr2220/

- Before publication of the AFR, the NRC prepared Performance and Accountability Reports, which are located at https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/.

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NUCLEAR REGULATORY COMMIS

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The Commission

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

Chairman Kristine L. Svinicki

Commissioner Jeff Baran

Commissioner Annie Caputo

Commissioner Christopher T. Hanson

Commissioner David A. Wright

A Message from the Chairman

The U.S. Nuclear Regulatory Commission (NRC) is pleased to present its fiscal year (FY) 2020 Agency Financial Report (AFR). This AFR details the NRC's continuing success in achieving its mission, which is to license and regulate the Nation's civilian use of radioactive materials in a manner that provides reasonable assurance of adequate protection of public health and safety and promotes the common defense and security. The AFR provides key financial information and a summary of program performance to the President, Congress, and the American people, detailing how we used our resources during FY 2020. The AFR is available at http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr2220/.

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

The NRC is committed to good governance and the prudent management of its resources. I have concluded, based on assessments the agency conducted consistent with the *Federal Managers' Financial Integrity Act of 1982,* that there is reasonable assurance the agency is in substantial compliance with all requirements pertaining to internal controls, including program management, resource management, IT systems, laws and regulations, and communication. The FY 2020 Agency Financial Report includes the results of the independent audit of the NRC's FY 2020 financial statements, which I am pleased to announce is an unmodified opinion. However, the independent auditor reported two exceptions in NRC's internal controls, which were identified as a material weakness over leases and leasehold improvements and a significant deficiency over unliquidated obligations. The NRC will continue to take corrective actions to strengthen controls in these areas. The financial and summary performance data published in this report are complete, accurate, reliable, and timely, in accordance with the *Reports Consolidation Act of 2000* and Office of Management and Budget Circular A-136, "Financial Reporting Requirements." Additionally, I have concluded that the agency is in substantial compliance with the *Federal Financial Management Improvement Act of 1996 (FFMIA),* based on the NRC's application of the FFMIA risk model.

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

Kristine L. Svinicki
Chairman


NUCLEAR REGULATORY COMMIS

Chapter 1: Management's Discussion and Analysis

Mission

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

Vision

Demonstrate the Principles of Good Regulation in performing our mission.

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

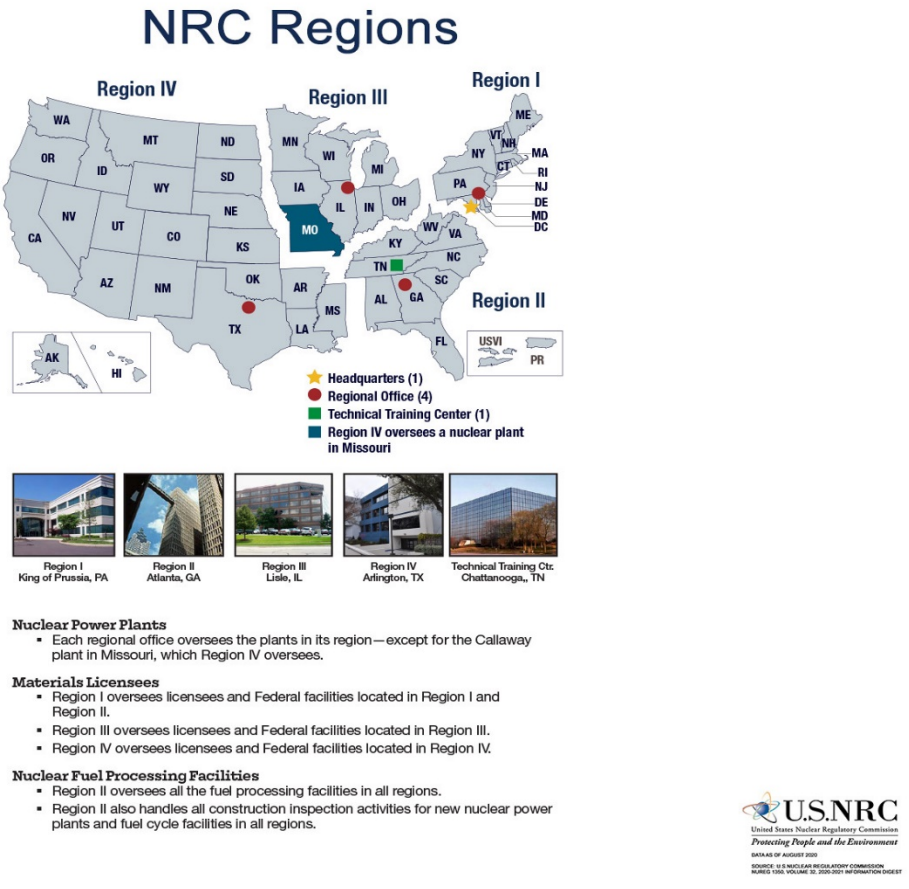
Principles of Good Regulation

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

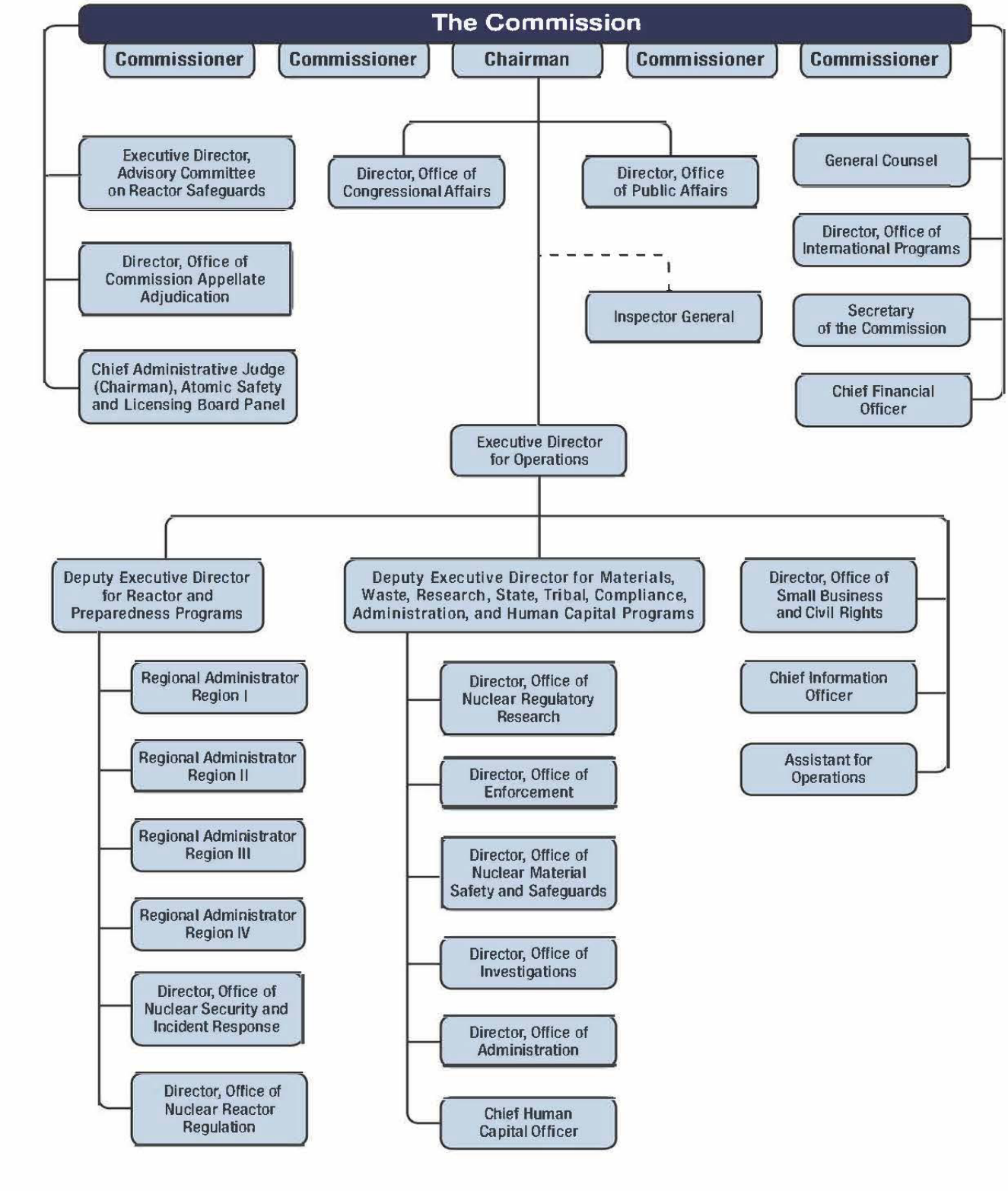
About the NRC

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

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



The NRC's Organizational Structure



The NRC's Regulatory Activities

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

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

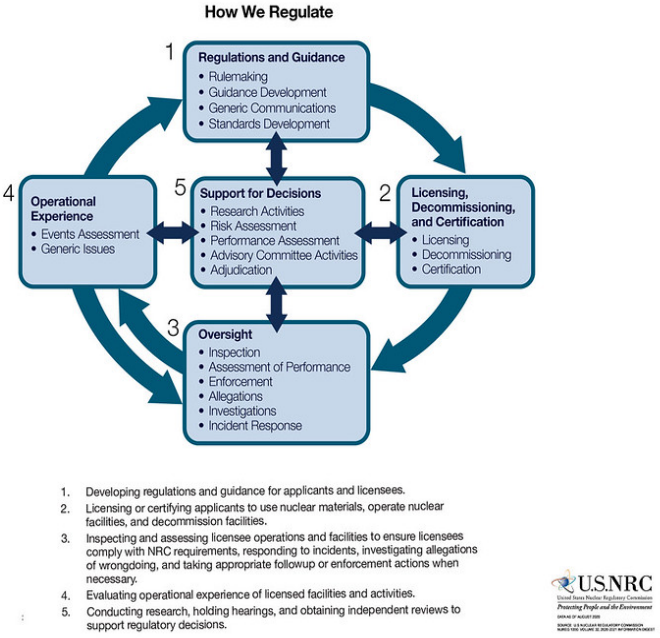


Figure 1 How the NRC Regulates

With a few exceptions, any organization or individual intending to have or use radioactive materials must obtain a license. A license identifies the type and amount of radioactive material that may be held and used. NRC scientists and engineers evaluate the license application to ensure that the potential licensee's use of nuclear materials meets the agency's safety and security requirements.

The NRC regulates 94 commercial nuclear power reactors operating in 28 states at 56 sites; 31 research and test reactors; 25 nuclear reactors in various stages of decommissioning; 80 independent spent fuel storage installations; 10 licensed fuel cycle facilities; 3 uranium recovery sites; and about 2,209 licenses for medical, academic, industrial, and general uses of nuclear materials. The agency conducts approximately 900 health and safety inspections of its nuclear materials licensees annually.

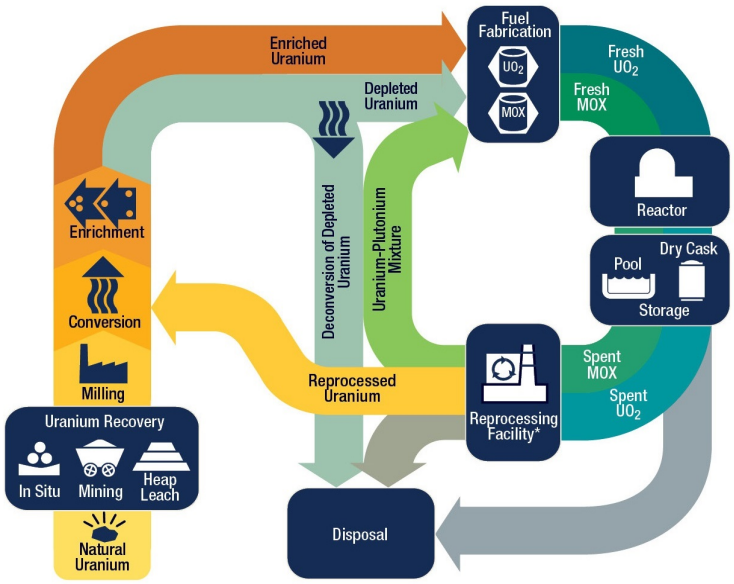
Under the NRC's Agreement State program, 39 states have assumed primary regulatory responsibility for the industrial, medical, and other users of nuclear materials within their states, accounting for approximately 16,455 licensees. The NRC works closely with these states to assist them in maintaining public safety through acceptable licensing and inspection procedures.

The Nuclear Industry

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

Fuel Facilities

The production of nuclear fuel begins at uranium mines where milled uranium ore is used to produce a uranium concentrate called "yellowcake." At a special facility, the yellowcake is converted into uranium hexafluoride (UF_6) gas and loaded into cylinders. The cylinders are sent to a gaseous diffusion plant, where uranium is enriched for use as reactor fuel. The enriched uranium is then converted into oxide powder, fabricated into fuel pellets (each about the size of a fingertip), loaded into metal fuel rods about 3.5 meters long, and bundled into reactor fuel assemblies at a fuel fabrication facility. Assemblies are then transported to nuclear power plants, non-power research reactor facilities, and naval propulsion reactors for use as fuel (see Figure 3). The NRC licenses eight major fuel fabrication and production facilities and three enrichment facilities in the United States. Because they handle extremely hazardous material, these facilities take special precautions to prevent theft, diversion, and dangerous exposures.



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

Figure 2 The Nuclear Fuel Cycle

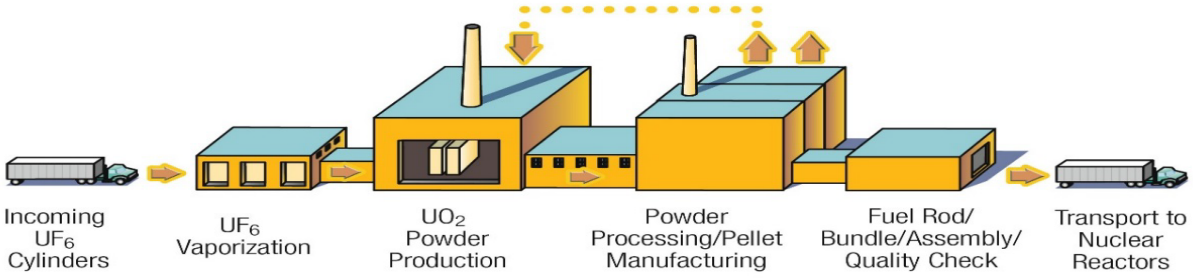


Figure 3 Simplified Fuel Fabrication Process

Reactors

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

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

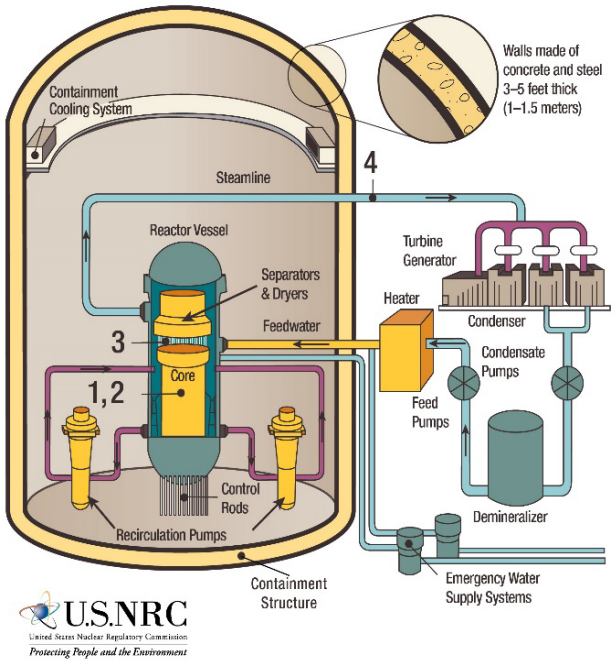


Figure 4 The Boiling-Water Reactor

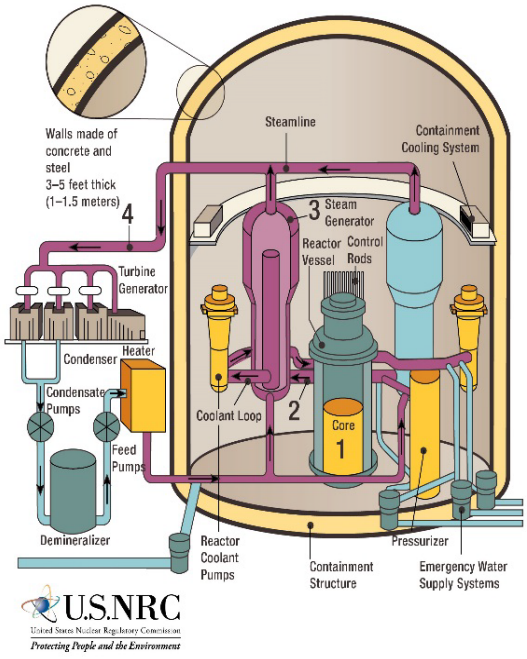


Figure 5 The Pressurized-Water Reactor

Materials Users

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

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

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

Waste Disposal

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

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

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

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

Spent Fuel Dry Cask Storage

Future Challenges

Many challenges and external factors influence the NRC's ability to achieve its strategic goals and associated objectives. The most significant challenges include industry operating experience, national priorities, a potential significant incident at a domestic or non-U.S. nuclear facility, the security and threat environment, legislation, Federal court litigation, market forces, new technologies, and resource availability. The NRC strives to respond promptly to shifts in Agency priorities necessitated by these challenges. The nuclear industry has maintained an excellent safety record at nuclear power plants over decades as both the nuclear industry and the NRC have gained substantial experience in the operation and maintenance of nuclear power facilities. Maintaining this excellent safety record requires that the agency take proactive measures to ensure the accomplishment of its mission. The performance and dedication of the NRC employees in achieving the agency's safety and security goals is evident by the efforts shown during the coronavirus (COVID-19) Pandemic. The COVID-19 has had minimum effect on NRC (i.e. increased telework, delayed annual fees and fees for services collections). The sections below highlight the key challenges the Agency faces.

Market Forces

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

Globalization and Development of Nuclear Technology

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

Incidents

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

infrastructure. An incident at a non-U.S. facility could also cause the NRC to reassess its safety and security requirements.

Legislative and Executive Branch Actions

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

International Treaties and Conventions

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

Workforce Dynamics

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

Information Technology Advances

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

Source of Funds

Appropriations

The NRC receives two appropriations: (1) Salaries and Expenses and (2) the Office of the Inspector General (OIG). For FY 2020, the NRC received total appropriations of $859.1 million, which included $845.5 million for the Salaries and Expenses appropriation and $13.6 million for the OIG. Of the 845.5 million, $3.3 million is from the *Coronavirus Aid, Relief, and Economic Security Act (*CARES Act) and all funds have been obligated in FY 2020. The NRC's Salaries and Expenses appropriation decreased $52.9 million compared to the prior-year. The appropriation for the OIG increased by $1.0 million.

The Salaries and Expenses appropriation is available until expended. This includes a provision that not more than $9.5 million be made available for the Office of the Commission; these funds are available for obligation by the NRC through September 30, 2021. After that date, the remaining funds that have not been obligated for the Office of the Commission are available until expended as part of the Salaries and Expenses appropriation.

The OIG appropriation is available to obligate for 2 years (FY 2020 and FY 2021) through September 30, 2021. This 2-year funding includes $1.2 million for Inspector General services provided to the Defense Nuclear Facilities Safety Board (DNFSB).

Total Budget Authority

The total budget authority available for the NRC to obligate in FY 2020 was $969.8 million and included $859.1 million for current year appropriations, $87.1 million from prior-year appropriations, $17.3 million from recoveries of prior-year obligations, and $6.3 million spending authority from offsetting collections. Funds available to obligate in FY 2020 decreased from the FY 2019 amount of $973.1 million by $3.3 million, primarily as a result of an decrease of $51.9 million in appropriations, offset by increase of $37.3 million in unobligated balances from prior-year budget authority, increase of $8.7 million in

Table 1 Total Budget Authority *(IN MILLIONS)*

For the fiscal years ended September 30,	2020	2019	Inc/(Dec)
Appropriations			
Salaries and Expenses	**$845.5**	**$898.4**	$(52.9)
Office of the Inspector General	**13.6**	**12.6**	1.0
Total Appropriations	**859.1**	**911.0**	(51.9)
Other Budget Authority			
Unobligated balance from prior-year budget authority, brought forward October 1	**87.1**	**49.8**	37.3
Recoveries of prior-year obligations	**17.3**	**8.6**	8.7
Spending Authority from Offsetting Collections	**6.3**	**3.7**	2.6
Total Other Budget Authority	**110.7**	**62.1**	48.6
Total NRC Budget Authority	**$969.8**	**$973.1**	$(3.3)

recoveries of prior-year obligations, and a decrease of $2.6 million in spending authority from offsetting collections.

Fee Collection Offset of Appropriations

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

Table 2 Sources of Funds for Appropriations (*IN MILLIONS*)

For the fiscal years ended September 30,	2020	2019	Inc/(Dec)
Reactor Fees Collected	**$639.2**	$ 696.0	$(56.8)
Materials Fees Collected	**65.8**	76.2	(10.4)
Nuclear Waste Fund	**0**	0	0
Treasury General Fund	**154.1**	138.8	15.3
Total Sources of Funds	**$859.1**	$911.0	$(51.9)

In FY 2020, the NRC collected fees of $705.0 million and the net received from the Treasury general fund was $154.1 million (see Table 2). The fees collected during FY 2019 totaled $772.2 million.

Uses of Funds by Function

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

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

For the fiscal years ended September 30,	2020	2019	Inc/(Dec)
Salaries and Benefits	**$545.8**	$540.2	$ 5.6
Corporate Support	**302.3**	313.2	(10.9)
Travel	**10.8**	22.2	(11.4)
Grants	**2.6**	15.9	(13.3)
Reimbursable Work	**3.7**	3.5	0.2
Total Obligations	**$865.2**	$895.0	$ (29.8)

The NRC incurred obligations of $865.2 million in FY 2020, which represented a decrease of $29.8 million from FY 2019 (see Table 3). Approximately 63 percent of obligations in FY 2020 were for salaries and benefits. The remaining 37 percent were used to obtain technical assistance for the NRC's principal regulatory programs, to conduct confirmatory safety research, to cover operating expenses (e.g., building rentals, transportation, printing, security services, supplies, office automation, and training), and to pay for staff travel.

The unobligated budget authority at the end of FY 2020 was $87.3 million, which was a $17.9 million increase from the FY 2019 amount of $69.4 million.

Analysis of the Financial Statements

Chapter 2 of this AFR presents the NRC's financial statements, accompanying notes, and required supplementary information, along with the report of the independent auditors. The independent auditors issued an unmodified opinion on the FY 2020 financial statements and identified a material weakness over leases and leasehold improvements and a significant deficiency over unliquidated obligations, for the fiscal year ended 2020. Additionally, the independent auditors found no reportable instances of noncompliance with laws and regulations.

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

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

Table 4 Key Measures (*IN MILLIONS*)

For the fiscal years ended September 30,	FY 2020	FY 2019	Inc/(Dec)	%
Assets:				
Fund Balance with Treasury	$390.7	$411.9	$(21.2)	(5.1%)
Accounts Receivable, Net	70.7	66.4	4.3	6.5%
Advances and Prepayments	5.0	7.0	(2.0)	(28.6%)
Property & Equipment, Net	46.7	55.6	(8.9)	(16.0%)
Other Assets	0.1	0.1	0.0	0.0%
Total Assets	**$513.2**	**$541.0**	$(27.8)	(5.1%)
Liabilities:				
Accounts Payable	$33.3	$35.4	$(2.1)	(5.9%)
Federal Employee Benefits	4.6	4.6	0.0	0.0%
Other Liabilities	94.6	85.2	9.4	11.0%
Total Liabilities	**$132.5**	**$125.2**	$7.3	5.8%
Net Position (Assets minus Liabilities)	**$380.7**	**$415.8**	$(35.1)	(8.4%)
COST BY PROGRAMS				
Nuclear Reactor Safety	$723.0	$729.9	$(6.9)	(0.9%)
Nuclear Materials and Waste Safety	204.6	208.4	(3.8)	(1.8%)
LESS: Earned Revenue (License Fees)	**715.7**	**767.9**	(52.2)	(6.8%)
Net Cost of Operations	**$211.9**	**$170.4**	$41.5	24.4%
COST BY STRATEGIC GOALS				
Safety	$884.0	$893.9	$(9.9)	(1.1%)
Security	43.6	44.4	(0.8)	(1.8%)
LESS: Earned Revenue (License Fees)	**715.7**	**767.9**	(52.2)	(6.8%)
Net Cost of Operations	**$211.9**	**$170.4**	$41.5	24.4%

Analysis of the Balance Sheet

Assets. The NRC's total assets were $513.2 million as of September 30, 2020, representing a decrease of $27.8 million from the fiscal year ended September 30, 2019. Changes in major categories include decreases of $21.2 million in the Fund Balance with Treasury, $2.3 million in Intragovernmental Accounts Receivable, $2.0 million in Advances and Prepayments, $8.9 million in Property and Equipment, net offset by an increase of $4.3 million in Accounts Receivable, net.

The Fund Balance with Treasury was $390.7 million as of September 30, 2020, which accounts for 76 percent of total assets. This account consists of cash or cash equivalents from appropriated funds, license fee collections, and other funds maintained at the U.S. Treasury to pay current liabilities and to finance authorized purchase commitments. The Fund Balance with Treasury can vary largely due to timing of disbursing payments and receiving collections as well as changes in the appropriations. The decrease of $21.2 million in the Fund Balance with Treasury is primarily the result of an increase in the beginning balance of $24.6 million and a decrease in Net Outlays of $6.1 million, offset by a decrease of $51.9 million in appropriations.

Accounts Receivable, Net consists mainly of amounts that other Federal agencies and the public owe to the NRC for license fees. As of September 30, 2020, Accounts Receivable, Net was $70.7 million, which includes an offsetting allowance for doubtful accounts of $3.6 million. This represents a net increase in Accounts Receivable, net of $4.3 million from the FY 2019 amount of $66.4 million. The increase is primarily due to reductions in intragovernmental billed fees receivable of $2.3 million and unbilled fees receivable of $6.7 million offset by increases in billed fees receivable of $13.0 million and miscellaneous receivables with the public of $1.4 million. In addition, there was an increase in the allowance of doubtful accounts of $1.1 million offset to accounts receivable.

Property and Equipment, Net consists primarily of office equipment, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The NRC has no real property. The land and buildings in which the NRC operates are leased from the U.S. General Services Administration (GSA). At the end of FY 2020, Property and Equipment, Net was $46.7 million, a $8.9 million decrease from the FY 2019 amount of $55.6 million. The decrease primarily results from the amortization expense of $4.6 million recognized on completed ADP Software Development projects and the removal from the NRC books of $21.8 million of Leasehold Improvement projects and $8.8 million amortization expense for released space on NRC office buildings; offset by an increase of $4.0 million in Equipment and $1.0 million in Internal Use Software Under Development.

Liabilities. Total Liabilities were $132.5 million as of September 30, 2020, representing an increase of $7.3 million from the FY 2019 balance of $125.2 million. Liabilities consist primarily of accounts payable to other Federal agencies and the public, grants payable, accrued salaries and benefits, and other accrued employee benefits.

Total Liabilities include liabilities not covered by budgetary resources, which represent expenses recognized in the financial statements that will be paid from future appropriations. The liabilities not covered by budgetary resources are $60.3 million for FY 2020, compared to $53.5 million for end of FY 2019, a $6.7 million increase. For FY 2020, the liabilities not covered by budgetary resources represent 46 percent of Total Liabilities and include $48.5 million in unfunded accrued annual leave that has been earned but not yet taken, $4.6 million

as an actuarial estimate of accrued future workers' compensation expenses included in Federal employee benefits, $1.0 million in accrued workers' compensation included in Other Liabilities, and a $5.8 million accrual to GSA for future annual rent increases on the rent of NRC office buildings.

Net Position. The difference between Total Assets and Total Liabilities, Net Position, was $380.7 million as of September 30, 2020, a decrease of $35.1 million from the FY 2019 year-end balance. Net Position comprises two components: Unexpended Appropriations and Cumulative Results of Operations which is the cumulative excess of financing sources over expenses. The analysis of the Statement of Changes in Net Position provides additional information on the significant changes to Net Position for FY 2020 year-end.

Analysis of the Statement of Net Cost

The Statement of Net Cost presents the gross cost of the NRC's two major programs (Nuclear Reactor Safety and Nuclear Materials and Waste Safety) as identified in the NRC Annual Performance Plan, offset by earned revenue. The purpose of this statement is to link program performance to the cost of programs. The NRC's net cost of operations for the year ended September 30, 2020, was $211.9 million, representing an increase of $41.5 million compared to the FY 2019 net cost of $170.4 million. This represents a decrease in gross costs of $10.7 million offset by a decrease in earned revenue of $52.2 million.

Gross Costs. The NRC's total gross costs were $927.6 million for FY 2020, a decrease of $10.7 million from the prior-year amount of $938.3 million. The gross costs in FY 2020 for the Nuclear Reactor Safety program were $723.0 million compared to FY 2019 gross costs of $729.9 million, a decrease of $6.9 million. The gross costs in FY 2020 for the Nuclear Materials and Waste Safety program were $204.6 million compared to FY 2019 gross costs of $208.4 million, a decrease of $3.8 million. Thus, the gross cost of both programs decreased a total of $10.7 million. The decrease is due to reductions in travel and transportation costs of $10.0 million, rent, telecommunications, and utilities of $6.2 million, and property and equipment of $1.3 million, and grants of $6.9 million offset by increases in employee salaries and benefits of $12.3 million and contract support of $1.4 million. The gross cost of $927.6 million as incurred by the NRC's goals of Safety and Security were $884.0 million for the Safety goal and $43.6 million for the Security goal.

Earned Revenue. Total earned revenue for FY 2020 was $715.7 million, a decrease of $52.2 million from the FY 2019 earned revenue of $767.9 million. Revenue for the Nuclear Reactor Safety program in FY 2020 was $644.7 million compared to $693.0 million in FY 2019, a decrease of $48.2 million. Revenue from the Nuclear Materials and Waste Safety program in FY 2020 was $71.0 million compared to $74.9 million in FY 2019, a decrease of $3.9 million. The decrease in earned revenue is primarily a result of reductions in the fee base, that is, the amount of the appropriated budget that Congress directs the NRC to recover in license fees.

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

Registrations, and Quality Assurance Program Approvals and Government Agencies Licensed by the NRC," at https://www.nrc.gov/reading-rm/doc-collections/cfr/part171/.

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position for the reporting period. Net position is affected by the changes in two components: (1) Cumulative Results of Operations and (2) Unexpended Appropriations. In FY 2020, the NRC had a decrease in Net Position of $35.1 million resulting from a decrease in Cumulative Results of Operations of $9.9 million, and $25.2 million in Unexpended Appropriations.

The change in Unexpended Appropriations results from appropriations received, net of license fee collections, being more or less than the appropriations used to finance the NRC operations. The decrease in FY 2020 Unexpended Appropriations of $25.2 million resulted from an increase in the beginning balance of $16.0 million and $16.1 million appropriations received, net of license fees collected offset by a decrease of $56.9 million in appropriations used to finance the NRC operations. The decrease in appropriations received, net of license fees collected, resulted from appropriations received for FY 2020 of $859.2 million, reduced by current year license fee collections of $704.3 million, as compared to appropriations received in FY 2019 of $911.0 million, reduced by FY 2019 license fee collections of $772.2 million.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) provides information on budgetary resources available to the NRC and their status at the end of the period. In FY 2020, the Total Budgetary Resources of $952.6 million were available. This was $11.8 million less than the $964.4 million available for FY 2019. The major component contributing to the decrease in Total Budgetary Resources resulted from a $51.8 million decrease in appropriations received, offset by an increase of $37.3 million in the beginning unobligated balance brought forward, net on October 1, and an increase of $2.7 million in spending authority from offsetting collections.

The SBR accounts for operational activities funded by NRC's budgetary resources during the fiscal year. The NRC's obligations for FY 2020 were $865.2 million, a decrease of $29.8 million from the prior year amount of $895.0 million. The decrease was due to reductions in grants $13.3 million; travel $11.7 million; rent, telecommunications, and utilities of $5.7 million; and $6.4 million for property and equipment; offset by an increase in employee salaries and benefits of $5.0 million, and contract support of $2.3 million.

The SBR also accounts for the funds that were not obligated and used for operations during the fiscal year. The balance of unobligated budgetary resources at the end of FY 2020 was $87.3 million, compared to $69.4 million for the prior year. The decrease in appropriations received offset against the decrease in current year obligations are the primary contributors resulting in the increase of $18.0 million in total budgetary resources not obligated at the end of the FY.

Management Assurances, Systems, Controls, and Legal Compliance

Federal Managers' Financial Integrity Act of 1982

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

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

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

Enterprise Risk Management and Programmatic Internal Control

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

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

The NRC's ERM Framework meets OMB requirements. The Framework includes the following:

- **incorporating** ERM and Performance Management into the Agency's Internal Control policy document
- **leveraging** appropriate Agency governance organizations and processes currently in place such as the NRC Internal Control Governance Framework, Quarterly Performance Review meetings, and Executive Committee on Enterprise Risk Management meetings
- **standing up** the Agency's Programmatic Senior Assessment Team as the Agency evaluation structure for enterprise risks

- **developing and disseminating** ERM and Internal Control awareness training, risk documentation instructions, and a "Be RiskSMART" initiative for NRC management and staff
- **incorporating** ERM into executive decision-making, and management's evaluation of the NRC's internal control and reasonable assurance processes

Under the NRC's FMFIA Governance Framework (see Figure 6), reading from left to right: the Chief Financial Officer (CFO) is responsible for ensuring that the Agency complies with the *Federal Financial Management Improvement Act of 1996* (Improvement Act), and Section 4 of the Integrity Act, "Financial Systems." The Senior Assessment Team (SAT), chaired by the CFO, is responsible for ensuring that the Agency complies with Appendix A of OMB Circular A-123, "Management of Reporting and Data Integrity Risk." The Executive Committee on Enterprise Risk Management (ECERM), co-chaired by the CFO and the Executive Director for Operations, is responsible for ensuring that the Agency's internal control over programmatic operations complies with the Integrity Act.

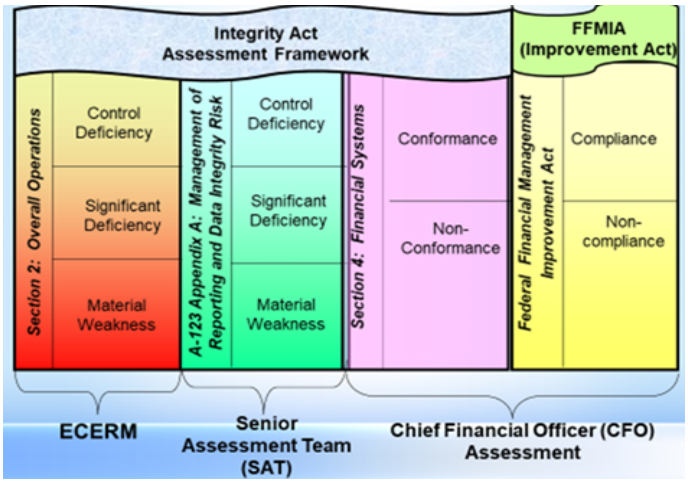


Figure 6
The NRC's FMFIA Governance Framework

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

The ECERM assessed the agency's programmatic operations, financial systems, and internal control over reporting and found there is reasonable assurance that NRC internal control is achieving its intended results. The ECERM voted to recommend that the Chairman sign the agency's Federal Managers' Financial Integrity Act Statement (see Figure 7).

Integrity Act Results

As required by Section 2 of the Integrity Act and under the guidance established in OMB Circular A-123, all NRC business line leads and corporate support product lines certified that, as of September 30, 2020, there was reasonable assurance that internal control was in place producing intended results. Based on management's certification of reasonable assurance, the NRC can provide a statement of assurance that its internal control met the objectives of the Integrity Act and conforms to Government-wide standards.

U.S. NUCLEAR REGULATORY COMMISSION
FISCAL YEAR 2020
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

The U.S. Nuclear Regulatory Commission (NRC) managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act of* 1982. The NRC is able to provide an unmodified statement of assurance that the internal control and financial management systems meet the objectives of the Integrity Act.

The NRC conducted its assessment of the agency's overall system of internal control and Enterprise Risk Management (ERM) in accordance with Office of Management and Budget (0MB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (A-123) guidelines. Based on the results of this evaluation, NRC can provide reasonable assurance that its internal control over programmatic operations, as well as its ERM efforts, are in compliance with applicable laws and guidance, as of September 30, 2020.

In addition, the NRC conducted its assessment of the effectiveness of internal control over reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of A-123. Based on the results of the evaluation, which included an analysis of NRC's Data Quality Plan and the Office of the Chief Information Officer non-financial reporting, the NRC can provide reasonable assurance of internal control over reporting as of September 30, 2020.

The Agency's independent auditor issued an unmodified opinion on the NRC's Fiscal Year 2020 financial statements. However, two exceptions in NRC's internal controls were reported, including a material weakness over leases and leasehold improvements and a significant deficiency over unliquidated obligations. The NRC will continue to take corrective actions to strengthen controls in these areas.

In accordance with the requirements of the *Federal Financial Management Improvement Act of 1996* and A-123 guidance, the Chief Financial Officer reviewed audit reports and other sources of information, and as of September 30, 2020, can provide reasonable assurance that NRC's financial systems substantially comply with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Department of Treasury standard general ledger at the transaction level.

Kristine L Svinicki
Chairman
U.S. Nuclear Regulatory Commission
November 12, 2020

Figure 7 FY 2020 Federal Managers' Financial Integrity Act Statement

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

Management of Reporting and Data Integrity Risk (Appendix A)

The NRC conducted its assessment of the effectiveness of internal control over reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of the evaluation, which included an analysis of NRC's Data Quality Plan and the OCIO non-financial reporting, the NRC can provide reasonable assurance of internal control over reporting as of September 30, 2020.

A Risk Management Framework for Government Charge Card Programs (Appendix B)

The Government Charge Card Abuse Prevention Act (Charge Card Act) of 2012 establishes reporting and audit requirement responsibilities for executive branch agencies. NRC's Office of Administration has procedures in place for use of Purchase Cards. Managed by the Office of the Chief Financial Officer, NRC's Travel Charge Card Management Plan was last updated in January 2019. NRC has reviewed the Purchase and Travel Card programs for compliance with the Charge Card Act and can provide reasonable assurance that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices in accordance with OMB Circular A-123, Appendix B.

Requirements for Payment Integrity Improvement (Appendix C)

In FY 2011, the NRC completed an initial risk assessment to determine whether any programs were susceptible to making significant improper payments in accordance with the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) , the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) and the Payment Integrity Information Act of 2019 (PIIA) . The results of that assessment allowed the Agency to conduct future risk assessments on a triennial basis. The NRC conducted the latest risk assessment in FY 2020.

The FY 2020 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2020 risk assessment identified programs as low risk, the NRC continues to monitor its payment processes, in addition to conducting periodic reviews of key controls for IPIA programs identified by management. The NRC will continue to conduct a risk assessment on a triennial basis, in accordance with IPIA, as amended by IPERA, IPERIA and PIIA, as well as, OMB guidance. The next NRC IPIA risk assessment will take place in FY 2023. In addition, the NRC will conduct additional risk assessments, as needed, if there are material changes in programs operations or if the NRC establishes new programs.

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

Federal Financial Management Improvement Act of 1996

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

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

Improvement Act Results

In January 2019, the Nuclear Energy Innovation and Modernization Act (NEIMA) was signed into law which included several reporting requirements. The NRC is required to identify anticipated expenditures for "requested activities of the Commission" in the annual budget justification beginning in FY 2021. NEIMA requires budgeting amounts for specific excluded activities (non-fee recoverable). Included in the excluded activities are amounts identified by the Commission as fee-relief activities (non-fee-recoverable). For budget execution and reporting in compliance with NEIMA, the Agency developed a strategy using a revised budget structure, and new and existing data elements in the Agency's core financial system - Financial Accounting and Integrated Management Information System (FAIMIS). The OCFO implemented system changes in FAIMIS as well as in the Agency Cost Activity Code System (CACS) and Budget Formulation System (BFS) that provides functionality to create and authorize labor accounting data and provides cost allocation processes that respond to NEIMA requirements.

The CFO reviewed audit reports and other sources of information and, as of September 30, 2020, can provide reasonable assurance that NRC's financial systems substantially comply with applicable Federal accounting standards as required by the Improvement Act.

For FY 2020, the NRC developed a proof-of-concept Robotic Process Automation (RPA) solution to automate manual resource intensive tasks and procedures.

Digital Accountability and Transparency Act (DATA Act) of 2014

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

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

The DATA Act requires that the OIG audit DATA Act compliance every 2 years. The results of the OIG audit of FY 2019 first quarter data issued in November 2019 reported that the Agency submitted complete and generally accurate data that conformed to OMB and Treasury requirements. However, the OIG audit identified a small percentage of discrepancies with contractual data elements between File C records generated from Agency source systems and File D1 records extracted from the Data Act Broker's government-wide source systems, and provided a recommendation for the NRC to improve its internal control and error detection and reconciliation procedures. Actions related to this recommendation are in process.

In order to address the reporting requirements of the CARES Act and guidance released in OMB Memorandum M-20-21, DATA Act Information Model Schema (DAIMS), version 2.0 was implemented in July 2020.

- Adds Disaster Emergency Fund Code data element
- Supports monthly Data Act submission and publishing to USASpending.gov, including CARES Act funds used by the NRC
- Supports quarterly certification for agencies who report monthly
- Requires all program activity starting FY 2021

NRC successfully implemented the required system changes in our core financial system and reporting system on time, submitted and published three sets of monthly files for the third quarter.

Financial Management Systems Strategies

The OCFO RPA team

- conducted workshops to understand process functional area walkthroughs and to assess business case: financial reporting, central allowance, financial services and operations, budget operations, and funds control and analytics
- prioritized list automation opportunities; sought top three manual resource intensive business processes as candidates for RPA
- selected a financial reporting process that has high value and high viability for the proof-of-concept and demonstration to OCFO management; generated monthly reports including data integrity, data reconciliation and static reports

RPA team demonstrated that software could be used to automate most of the financial reporting manual task, which would result in business efficiencies such as minimizing input errors and saving time. OCFO will evaluate the potential benefits of RPA and implementation feasibility in FY 2021.

Prompt Payment

The Prompt Payment Act of 1982, as amended, requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2020, the NRC paid 98.70 percent of the 5,523 invoices subject to the Prompt Payment Act on time.

Debt Collection

The Debt Collection Improvement Act of 1996 enhances the ability of the Federal Government to service and collect debts. The Agency's goal is to maintain the level of delinquent debt owed to the NRC at year end to less than 1 percent of its annual billings. The NRC met this goal. At the end of FY 2020, delinquent debt was $3.6 million or less than 1 percent of annual billings. The NRC was able to refer 96.4 percent of all eligible debt over 180 days delinquent to the Treasury for collection and 99.57 percent over 120 days old in accordance with the DATA Act. In addition, the NRC met the collections requirements of OBRA-90 which requires the Agency to recover through fees approximately 90 percent of its budget authority in the current fiscal year.

Biennial Review of User Fees

The *Chief Financial Officers Act of 1990* requires agencies to conduct a biennial review of fees, royalties, rents, and other charges imposed by agencies and to make revisions to cover program and administrative costs incurred. The NRC conducted the following reviews in FY 2020:

- Administrative Charges for Criminal History Checks – Completed October 2019
- Administrative Charges for Delinquent Debt – Completed October 2019
- U.S. Navy Porting Reviews – Completed July 2020
- Small Materials and Import and Export Licenses – Completed September 2020

On June 19, 2020, the NRC issued a final rule in the Federal Register (FR) amending the licensing, inspection, special project, and annual fees charged to its applicants and licensees.

The FY 2020 rule can be found at https://www.federalregister.gov/documents/2020/06/19/2020-13031/revision-of-fee-schedules-fee-recovery-for-fiscal-year-2020.

The amendments are necessary for the NRC to implement OBRA-90. OBRA-90 requires the NRC to recover approximately 90 percent of its budget authority for the fiscal year through fees, less certain amounts excluded from fee-recovery. By law, the following appropriated amounts are excluded from the fee-recovery requirement: the development of a regulatory infrastructure for advanced nuclear reactor technologies, international activities, generic homeland security activities, Waste Incidental to Reprocessing, and Inspector General services for the Defense Nuclear Facilities Safety Board. To mitigate the financial impact and economic disruption caused by the coronavirus (COVID-19) Pandemic, the NRC suspended billing of annual fees and fees for services for a 90-day period between April through June 2020. Deferred fees were billed in July 2020. Based on the Further Consolidated Appropriations Act, 2020, the final fee rule reflects a budget authority in the amount of $855.6 million. After accounting for the fee-recovery exclusions, the fee-relief activities, and net billing adjustments, the NRC must recover approximately $728.1 million in fees in FY 2020. The NRC issued its Fee Recovery Schedules

for FY 2020 in a FR notice dated June 19, 2020, available at https://www.federalregister.gov/documents/2020/06/19/2020-13031/revision-of-fee-schedules-fee-recovery-for-fiscal-year-2020.

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

Inspector General Act of 1978

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

Callaway Nuclear Generating Station

Program Performance Overview

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

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, consisting of the Operating Reactors and New Reactors business lines; and, Nuclear Materials and Waste Safety, consisting of the Fuel Facilities, Nuclear Materials Users, Decommissioning and Low-Level Waste, and Spent Fuel Storage and Transportation business lines. The Agency accomplishes its mission to provide reasonable assurance of adequate protection for public health and safety through regulatory activities that include licensing, oversight, and rulemaking. The NRC oversees licensees through inspection, assessment, investigation, and enforcement actions. Investigations and enforcement actions are a subset of oversight in cases of suspected or proven instances of noncompliance with safety or security regulations. The NRC's event response activities prepare for and respond to emergencies involving radioactive materials. The following narrative highlights the Agency's progress during FY 2020 in achieving its Safety and Security goals.

Performance Results

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

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

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

Strategic Goal 1: Ensure the Safe Use of Radioactive Materials

Strategic Objective

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

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

In FY 2020, the NRC achieved its Safety goal strategic objective. The NRC uses five performance indicators to determine whether it has met its Safety goal. The Agency met all five performance indicator targets in FY 2020. Table 5 shows the outcomes for the last 5 years (FY 2016-FY 2020). The cost of achieving the Agency's Safety goal in FY 2020 was $884.0 million.

Grey Water Pond at Palo Verde

Safety Performance Indicators: FY 2016–2020

Table 5 FY 2016–2020 Safety Performance Indicators

Goal–Safety: Ensure the Safe Use of Radioactive Materials

1. Prevent radiation exposures that significantly exceed regulatory limits.

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
New Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0
Nuclear Materials Users	≤ 3	2	≤ 3	0	≤ 3	1	≤ 3	1	≤ 3	2

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

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
New Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0
Nuclear Materials Users	0	0	0	0	0	0	0	0	0	0

3. Prevent the occurrence of any inadvertent criticality events.

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0

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

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0
New Reactors	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0

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

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Fuel Facilities	0	1*	0	0	0	0	0	0	0	0
Decommissioning and Low-Level Waste	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0

*Reported in the FY 2018 Congressional Budget Justification. As referenced in NUREG-0090, Volume 39, "Report to Congress on Abnormal Occurrences, Fiscal Year 2016," dated May 2, 2017 (Agency-wide Documents Access and Management System Accession No. ML17103A289), an event occurred at the Westinghouse Columbia Fuel Fabrication Facility, Columbia, SC (NRC16-03).

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

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

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

Discussion: This indicator tracks the effectiveness of the NRC's nuclear safety regulatory programs, in part through the number of significant radiation exposures to the public and occupational workers that exceed AO criteria. This indicator tracks exposures from both nuclear reactors and other uses of nuclear materials, such as hospitals and industrial uses. In FY 2020, two radiation exposures significantly exceeded regulatory limits.

In January 2020, a patient received radiation therapy treatment, and two weeks later the patient's physician informed the authorized user that the patient was pregnant at the time of the treatment. Additional information regarding this event (#EN54498) can be found at: https://www.nrc.gov/reading-rm/doc-collections/event-status/event/2020/20200206en.html#en54498.

In July 2020, two employees came into physical contact with a nuclear gauge source after the source tube broke off from the body of the gauge, and this resulted in a potential overexposure to the employees. Additional information regarding this event (#EN54706) can be found at: https://www.nrc.gov/reading-rm/doc-collections/event-status/event/2020/20200702en.html#en54706.

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

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

Discussion: This indicator tracks the effectiveness of the NRC's nuclear material regulatory programs. Exceeding the applicable regulatory limits is defined as a release of radioactive material that causes a total effective radiation dose equivalent to individual members of the public greater than 0.1 rem in a year, exclusive of dose contributions from background radiation. In FY 2020, there were no releases of this nature.

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

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

Discussion: This indicator tracks the effectiveness of the NRC's criticality safety regulatory programs through the number of unintended self-sustaining nuclear reactions occurring within a fiscal year. Intended criticality events include the startup of a nuclear power reactor. There were no inadvertent criticality events during FY 2020.

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

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

Discussion: The NRC's Reactor Oversight Process monitors nuclear power plant performance in three areas: (1) reactor safety, (2) radiation safety, and (3) security. Analysis of individual plant performance is based on both licensee-submitted performance indicators and NRC inspection findings, which are independent assessments of licensee performance that the NRC conducts as the regulatory authority. Each issue is evaluated and assigned one of four categories in order of increasing significance: green, white, yellow, or red. When the rating is higher (more severe), the NRC applies a greater level of oversight. A red finding or performance indicator is the most severe rating and signals a significant reduction in the safety margin in the measured area. The NRC issued no red findings in FY 2020.

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

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

Discussion: This indicator tracks the effectiveness of the NRC's regulatory safety programs for nonreactor facilities or during transportation of nuclear materials through the number of instances in which safety margins at nonreactor facilities are at unacceptable levels. No occurrences of this nature took place during FY 2020.

Safety Goal Strategies

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

Strategic Goal 2: Ensure the Secure Use of Radioactive Materials

Strategic Objectives

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

1. Ensure protection of nuclear facilities and radioactive materials.

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

materials to the environment occurs or obtaining enough radioactive material for malevolent use.

2. Ensure protection of classified and controlled unclassified information.

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

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

In FY 2020, the NRC achieved its Security goal strategic objectives. The NRC also uses three Security goal performance indicators to determine whether the Agency has met its Security goal. The Agency met all three performance indicator targets in FY 2020. Table 6 shows the outcomes from FY 2016–FY 2020. The cost of achieving the Agency's Security goal was $44.4 million in FY 2020.

Security Performance Indicators: FY 2016–2020

Table 6 FY 2016–2020 Security Performance Indicators

Goal – Security: Ensure Secure Use of Radioactive Materials

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

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
All Business Lines	0	0	0	0	0	0	0	1	0	0

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

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
All Business Lines	≤ 1	0	≤ 1	0	≤ 1	0	≤ 1	0	≤ 1	0

3. Prevent significant unauthorized disclosures of classified or Safeguards Information.

Business Line	FY 2016		FY 2017		FY 2018		FY 2019		FY 2020	
	Target	Actual	Target	Target	Actual	Actual	Target	Actual	Target	Actual
All Business Lines	0	0	0	0	0	0	0	0	0	0

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

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

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

Discussion: This indicator measures the Agency's effectiveness in preventing sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material through tracking any loss or

theft of radioactive nuclear sources that the NRC has determined to be of significant risk. The indicator also measures the Agency's performance in ensuring the proper accounting for radioactive sources of significant risk that could be used for malicious purposes. It also measures whether NRC-licensed facilities maintain adequate protective capabilities to prevent theft or diversion of nuclear material or sabotage that could result in substantial harm to the public health and safety. No such incidents took place during FY 2020.

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

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

Discussion: This indicator measures the Agency's effectiveness in maintaining security by tracking any substantial breakdowns in access control, containment, or accountability systems that significantly weakened the protection against theft, diversion, or sabotage for nuclear materials that the Agency has determined to be of significant risk. In FY 2020, there were no incidents of this nature.

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

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

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

Discussion: This indicator includes significant unauthorized disclosures of classified or safeguards information that cause damage to national security or public safety. This indicator reflects whether information that can harm national security (classified information) or cause damage to the public health and safety has been protected sufficiently to prevent its disclosure to terrorist organizations, other nations, or personnel without a need to know. No significant unauthorized disclosures occurred in FY 2020.

Security Goal Strategies

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

Chapter 2: Financial Statements and Auditors' Report


NUCLEAR REGULATORY COMM

A Message from the Chief Financial Officer

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

The independent auditor issued an unmodified opinion on the fiscal year (FY) 2020 financial statements and identified a material weakness over leases and leasehold improvements and a significant deficiency over unliquidated obligations. NRC management evaluated the auditors' findings and will continue to take corrective actions to strengthen controls in these areas. Moreover, the auditors concluded that the NRC was in substantial compliance with applicable laws and regulations.

The implementation of Public Law 115-439, "Nuclear Energy Innovation and Modernization Act" (NEIMA) resulted in some of the most significant changes to our fee and budget processes since the early 1990s. In FY 2020, the NRC continued to mandate significant business process changes, including identification of anticipated expenditures necessary for completion of requested activities of the Commission, meeting operating power reactors annual fee and corporate support requirements, and the new fee calculation. These changes were reflected in the FY 2021 Congressional Budget Justification that was released publicly in February 2020.

The NRC continued to focus on improving the efficiency and effectiveness of its revenue process. Specifically, the NRC successfully launched an eBilling system to improve the fee billing in support of fees transformation. In addition, the NRC was recognized by OMB with the Gears of Government award for standardized fee billing validation process that improved data quality, transparency, and accountability to licensees. The NRC also adjusted the fee billing processes to be responsive to the licensees and Congressional request during the COVID-19 emergency.

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

Digitally signed by Cherish K. Johnson
Date: 2020.11.12 15:40:27 -05'00'

Cherish K. Johnson
Chief Financial Officer

Financial Statements

Balance Sheet *(IN THOUSANDS)*

As of September 30,	2020	2019
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	**$ 390,731**	$ 411,871
Accounts receivable (Note 3)	**3,211**	5,501
Advances and prepayments	**4,950**	7,039
Total intragovernmental	**398,892**	424,411
Accounts receivable, net (Note 3)	**67,485**	60,902
Property and equipment, net (Note 4)	**46,764**	55,649
Other	**76**	45
Total Assets	**$ 513,217**	$ 541,007
Liabilities		
Intragovernmental		
Accounts payable	**$ 9,199**	$ 7,777
Other (Note 5)	**12,734**	11,524
Total intragovernmental	**21,933**	19,301
Accounts payable	**24,113**	27,671
Federal employee benefits (Note 6)	**4,607**	4,607
Other (Note 5)	**81,890**	73,628
Total Liabilities	**132,543**	125,207
Net Position		
Unexpended appropriations	**315,755**	340,983
Cumulative results of operations (Note 8)	**64,919**	74,817
Total Net Position	**380,674**	415,800
Total Liabilities and Net Position	**$ 513,217**	$ 541,007

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

Statement of Net Cost *(IN THOUSANDS)*

For the periods ended September 30,	2020	2019
Nuclear Reactor Safety		
Gross costs	**$ 723,021**	$ 729,946
Less: Earned revenue	**(644,719)**	(692,962)
Total Net Cost of Nuclear Reactor Safety (Note 9)	**78,302**	36,984
Nuclear Materials and Waste Safety		
Gross costs	**204,585**	208,364
Less: Earned revenue	**(70,966)**	(74,900)
Total Net Cost of Nuclear Materials and Waste Safety (Note 9)	**133,619**	133,464
Net Cost of Operations	**$ 211,921**	$ 170,448

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

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

For the periods ended September 30,	2020	2019
Unexpended Appropriations		
Beginning Balance	**$ 340,983**	$ 324,998
Adjustments (Note 8)	**-**	-
Beginning Balance, as adjusted	**$ 340,983**	$ 324,998
Budgetary Financing Sources		
Appropriations received	**154,852**	138,743
Appropriations used (Note 11)	**(179,642)**	(122,758)
Other adjustments	**(438)**	-
Total Budgetary Financing Sources	**(25,228)**	15,985
Total Unexpended Appropriations	**315,755**	340,983
Cumulative Results of Operations		
Beginning Balance	**$ 74,817**	$ 96,592
Adjustments (Note 8)	**-**	(6,692)
Beginning Balance, as adjusted	**$ 74,817**	$ 89,900
Budgetary Financing Sources		
Appropriations used (Note 11)	**179,642**	122,758
Nonexchange revenue (Note 11)	**797**	667
Other Financing Sources:		
Imputed financing from costs absorbed by others (Note 11)	**22,381**	32,608
Other	**(797)**	(667)
Total Financing Sources	**202,023**	155,366
Net Cost of Operations	**(211,921)**	(170,448)
Net Change	**(9,898)**	(15,082)
Cumulative Results of Operations	$ 64,919	$ 74,817
Net Position	**$ 380,674**	$ 415,800

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

Statement of Budgetary Resources *(IN THOUSANDS)*

For the periods ended September 30,	2020	2019
Budgetary Resources		
Unobligated balance from prior-year budget authority, net	**$ 87,091**	$ 49,770
Appropriations	**859,180**	910,959
Spending authority from offsetting collections	**6,322**	3,662
Total Budgetary Resources	**$ 952,593**	$ 964,391
Status of Budgetary Resources		
New obligations and upward adjustments (total) (Note 12)	**$ 865,239**	$ 895,020
Unobligated balance, end of year		
Apportioned, unexpired accounts	**84,983**	67,717
Exempt from apportionment, unexpired accounts	**756**	407
Unapportioned, unexpired accounts	**-**	-
Unexpired unobligated balance, end of year	**85,739**	68,124
Expired unobligated balance, end of year	**1,615**	1,247
Unobligated balance, end of year (total)	**87,354**	69,371
Total Budgetary Resources	**$ 952,593**	$ 964,391
Outlays Net and Disbursements Net		
Outlays Net and Disbursements Net	**879,882**	885,983
Distributed offsetting receipts (-)	**(704,328)**	(772,216)
Agency Outlays, net	**$ 175,554**	$ 113,767

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

Notes to the Financial Statements

(All tables are presented in thousands)

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

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

B. Basis of Presentation

These financial statements for Fiscal Year (FY) 2020 and FY 2019 (prior-year) are presented on a comparative basis. They report the financial position and results of operations of the NRC as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. These financial statements were prepared from the books and records of the NRC in conformance with GAAP for Federal entities of the United States and the form and content for entity financial statements specified in OMB Circular A-136. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the Federal government. These statements are different from the financial reports prepared by the NRC in compliance with OMB directives, which are used to monitor and control the NRC's use of budgetary resources.

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

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

C. Budgets and Budgetary Accounting

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

The *Further Consolidated Appropriations Act, 2020* funded the NRC's budget at a level of $842.2 million for FY 2020. Not more than $9.5 million of the appropriation was made available for the costs of the Office of the Commission until September 30, 2021. The Act contained a 2-year appropriation of $13.3 million for the OIG, which is available for obligation through September 30, 2021. Additionally, Congress passed the CARES Act that made available supplemental funding of $ 3.3 million until September 30, 2021 for costs to prevent, to prepare for, and to respond to COVID-19. As previously mentioned, the COVID-19 has had minimum effect on NRC (i.e. increase telework, delayed annual fees and fees for services collections).

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

D. Basis of Accounting

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

E. Revenues and Other Financing Sources

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

1. Fees assessed to recover the NRC's costs of providing individually identifiable services to specific applicants and licensees under 10 CFR Part 170, "Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the *Atomic Energy Act of 1954* , as Amended," for licensing, inspection, and other services under the authority of the *Independent Offices Appropriation Act of 1952.*

2. Annual fees assessed for nuclear facilities and materials licensees under 10 CFR Part 171, "Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Materials Licenses."

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

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

F. Fund Balance with Treasury

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

G. Accounts Receivable

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

H. Non-Entity Assets

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

I. Property and Equipment

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

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

J. Accounts Payable

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

K. Liabilities Not Covered by Budgetary Resources

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

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

- **Intragovernmental.** The NRC records a liability to the U.S. Department of Labor (DOL) for Federal Employees Compensation Act (FECA) benefits paid by the DOL on behalf of the NRC. The NRC also accrued a liability to GSA for Broker Commission Credits received by the NRC and annual step rent increases on the occupancy agreements for rent of NRC office space. The NRC amortizes the liability on a straight-line basis and paid to GSA over the life of the occupancy agreements.

- **Federal Employee Benefits.** Federal employee benefits represent the actuarial liability for estimated future FECA disability benefits. The DOL generates the future workers' compensation estimate from an application of actuarial procedures developed to estimate the liability for FECA, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases.

- **Other.** This category includes the amount of accrued annual leave earned by the NRC employees, but not yet taken; and contingent liabilities which have the probable likelihood of an adverse outcome.

L. Contingencies

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

A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. This type of contingency is recorded in the financial statements as a contingent liability (included in Other Liabilities) and as an expense. It should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. This type of contingency is disclosed in the notes to the financial statements (Note 17) if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

A contingency is considered remote when the chance of the future event or events occurring is slight. This type of contingency is not recognized as a liability and as an expense in the financial statements, nor is it disclosed in the notes when the chance of the future event or events occurring is remote.

M. Annual, Sick, and Other Leave

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

N. Retirement Plans

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

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

The NRC employees make mandatory contributions to their retirement plans through payroll deductions as required by law. For employees belonging to FERS and receiving an appointment before January 1, 2013, the NRC withheld 0.8 percent of base pay earnings and made an employer contribution of 13.7 percent in 2020 and 2019. In accordance with *Public Law 112-96, Section 5001 of the Middle Class Tax Relief and Job Creation Act of 2012* , employees hired after January 1, 2013, as Federal Employees Retirement System - Revised Annuity Employees (FERS-RAE) must pay 3.1 percent of their salary to retirement contributions with 11.9 percent in 2020 and 2019 for employer matching contributions. For employees hired after January 1, 2014, as FERS-RAE must pay 4.4 percent of their salary to retirement contributions with 11.9 percent in 2020 and 2019 for employer matching contributions. The sum is transferred to the Federal Employees Retirement Fund. For employees covered by CSRS, the NRC withholds 7 percent of base pay earnings. The NRC matched this withholding with a 7 percent contribution in 2020 and 2019.

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees belonging to either FERS or CSRS. The maximum percentage of base pay that an employee participating in FERS or CSRS may contribute is unlimited, but it is subject to the maximum contribution of $19,500 in 2020 and $19,000 in 2019. For employees participating in FERS, the NRC automatically contributes 1 percent of base pay to the employee's account and matches contributions up to an additional 4 percent. For employees participating in CSRS, the NRC does match the contribution. The sum of the employees' and the NRC's contributions is transferred to the Federal Retirement Thrift Investment Board.

O. Leases

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

Capital leases: Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. Capital leases are reported in the Balance Sheet as an asset under Property and Equipment and as a liability under Other Liabilities. If at its inception, a lease meets one or more of the following four criteria, the lessee should classify the lease as a capital lease:

1. The lease transfers the ownership of the property to the lessee by the end of the lease term.

2. The lease contains an option to purchase the leased property at a bargain price.

3. The lease term is equal or greater than 75 percent of the estimated economic life of the leased property.

4. The present value of rental or other minimum lease payments, excluding that portion of the payments representing executor cost, equals or exceeds 90 percent of the fair value of the leased property.

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

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

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

P. Pricing Policy

The NRC provides nuclear reactor and materials licensing and inspection services to the public and other Government entities. In accordance with OMB Circular A-25, "Transmittal Memorandum #1, User Charges," and the *Independent Offices Appropriation Act of 1952* , the NRC assesses fees under 10 CFR Part 170 for licensing and inspection activities to recover the full cost of providing individually identifiable services.

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

Q. Net Position

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

R. Use of Management Estimates

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

S. Transfers

In prior years, the NRC was a party to non-expenditure transfers of funds, as a receiving entity, from the U.S. Agency for International Development. The transfers were for the international development of nuclear safety and regulatory authorities in other countries. Transfers are legal delegations by one Agency of its authority to obligate budget authority and outlay funds to another Agency.

T. Statement of Net Cost

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

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

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

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

U. 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.

Note 2 – Fund Balance with Treasury

As of September 30,	2020	2019
Fund Balances		
Appropriated funds	**$ 389,975**	$ 411,438
Nuclear Waste Fund	**426**	433
Other fund types	**330**	-
Total	**$ 390,731**	$ 411,871
Status of Fund Balance with Treasury		
Unobligated balance		
Available - Appropriated funds	**$ 85,739**	$ 68,124
Unavailable		
Unapportioned, unexpired accounts	**-**	-
Expired accounts	**1,615**	1,247
Obligated balance not yet disbursed	**303,377**	342,500
Non-budgetary funds with Treasury	**-**	-
Anticipated Appropriation	**-**	-
Total	**$ 390,731**	$ 411,871

The Fund Balance with Treasury consists of the unobligated and obligated budgetary account balances, including NWF activity. The NWF unobligated balance was $0.4 million as of September 30, 2020 and $0.4 million as of September 30, 2019.

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

Note 3 – Accounts Receivable

As of September 30,	2020	2019
Intragovernmental		
Fee receivables and reimbursements	**$ 3,211**	$ 5,501
Receivables with the Public		
Materials and facilities fees-billed	**$ 16,995**	$ 4,026
Materials and facilities fees-unbilled	**51,925**	58,622
Other	**2,119**	671
Total Receivables with the Public	**71,039**	63,319
Less: Allowance for uncollectible accounts	**(3,554)**	(2,417)
Total Receivables with the Public, Net	**$ 67,485**	$ 60,902
Total Accounts Receivable	**$ 74,250**	$ 68,820
Less: Allowance for uncollectible accounts	**(3,554)**	(2,417)
Total Accounts Receivable, Net	**$ 70,696**	$ 66,403

Note 4 – Property and Equipment, Net

As of September 30,				2020	2019
Fixed Assets Class	**Service Years**	**Acquisition Value**	**Accumulated Depreciation and Amortization**	**Net Book Value**	**Net Book Value**
Equipment	5	$ 13,925	$ (8,402)	**$ 5,523**	$ 1,513
Leased equipment	5-8	924	(924)	**-**	-
IT software	5	78,715	(69,504)	**9,211**	13,775
IT software under development	-	2,292	-	**2,292**	1,403
Leasehold improvements	4-16	63,152	(34,798)	**28,354**	38,171
Leasehold improvements in progress	-	1,384	-	**1,384**	787
Total		$ 160,392	$ (113,628)	**$ 46,764**	$ 55,649

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

In September 2020, NRC corrected an overstatement of amortization expenses in leasehold improvements by $2.1 million. In addition, NRC wrote-off a total of $21.8 million in leasehold improvement costs and accumulated amortization expenses of $8.8 million with a net book value of $13.1 million.

Note 5 – Other Liabilities

As of September 30,		2020	2019
Intragovernmental			
Liability to the U.S. Treasury General Fund for misc. receipts	**$**	**65**	$ 14
Liability for advances from other agencies		**15**	10
Accrued workers' compensation		**953**	970
Accrued unemployment compensation		**1**	9
Employee benefit contributions		**5,893**	4,596
Other liabilities		**5,807**	5,925
Total Intragovernmental Other Liabilities	**$**	**12,734**	$ 11,524
Other Liabilities			
Accrued annual leave	**$**	**48,531**	$ 42,004
Accrued salaries and benefits		**19,539**	16,553
Employer Contributions & Payroll Taxes Payable		**898**	746
Contract holdbacks, advances, capital lease liability, and other		**1,447**	815
Contingent Liabilities		**354**	-
Grants Payable		**11,121**	13,510
Total Other Liabilities	**$**	**81,890**	$ 73,628
Total Intragovernmental and Other Liabilities	**$**	**94,624**	$ 85,152

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

Other liabilities are current except for the $5.8 million accrual for BCC and annual step rent increases on the existing occupancy agreements with GSA.

Note 6 – Liabilities Not Covered by Budgetary Resources

As of September 30,	2020	2019
Intragovernmental		
FECA paid by DOL	**$ 953**	$ 970
Accrued unemployment compensation	**1**	9
Federal Employee Benefits		
Future FECA	**4,607**	4,607
Employer Contributions & Payroll Taxes Payable	**-**	-
Other		
Accrued annual leave	**48,531**	42,004
Contingent Liabilities	**354**	-
Other Liabilities	**5,807**	5,925
Total Liabilities Not Covered by Budgetary Resources	**60,253**	53,515
Total Liabilities Covered by Budgetary Resources	**72,290**	71,692
Total Liabilities	**$ 132,543**	$ 125,207

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of September 30, 2020, and 2019. These liabilities are not funded from current or prior-year appropriations and assessments, but rather they should be funded from future appropriations and assessments. Accordingly, future funding requirements have been recognized for the expenses that will be paid from future appropriations.

The projected annual benefit payments for FECA are discounted to present value. For FY 2020 and FY 2019, projected annual payments were discounted to present value based on the OMB's interest rate assumptions, which were interpolated to reflect the average duration in years for income payments and medical payments. The interest rate assumptions used for FY 2020 discounting were 2.414 percent in year 1 and year 2 for wage benefits, and 2.303 percent in year 1 and year 2 for medical benefits. The amount for FY 2020 is $4,573; however, this was not applied in FY 2020, thus reflects the same as FY 2019. The interest rate assumptions used for FY 2019 discounting were 2.716 percent in year 1 and year 2 for wage benefits, and 2.379 percent in year 1 and year 2 for medical benefits.

Note 7 – Leases

As of September 30,	2020	2019
Assets Under Capital Leases:		
Copiers and booklet maker	**$ 924**	$ 924
Accumulated depreciation	**(924)**	(924)
Net Assets Under Capital Leases	**$ -**	$ -

Future Lease Payments Due:

As of September 30,			2020
Fiscal Year	**Capital**	**Operating**	
2021	$ –	$ 33,111	**$ 33,111**
2022	–	31,637	**31,637**
2023	–	31,742	**31,742**
2024	–	30,561	**30,561**
2025	–	28,976	**28,976**
2026 and thereafter		145,864	**145,864**
Total Lease Liability	–	301,891	**301,891**
Subtract: Imputed Interest	–	–	**–**
Total Future Lease Payments	$ –	$ 301,891	$ 301,891

For Future Lease Payments, the NRC calculated the Capital Lease Liability as of September 30, 2020 and subtracted the imputed interest to arrive at the Total Future Lease Payments. The reproduction equipment is generally depreciated over 5 years using the straight-line method with no salvage value. The lease agreement ended in the first quarter of FY 2019.

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

In the Three White Flint North (3WFN) office building, the NRC occupies 30,052 useable square feet and the NRC is no longer the primary tenant. The NRC occupies the Data center (half of fourth floor), Operations center (floor B2), and the Conference center. The FDA and NIH occupy the other floors. In early FY 2020, NRC released an additional two and a half floors of 3WFN. The lease bill for 3WFN will be approximately $8.0 million less per year. The NRC will not recognize savings for these floors until another Federal Agency leases the space.

The GSA leases for land and buildings occupied by NRC, and their corresponding Occupancy Agreements (OAs) between GSA and NRC do not have renewal options or contingent rental restrictions. Consistent with leases ten years and over, some OAs such as the OA for the 3WFN, TWFN, and the four regional office buildings, have or had escalation clauses. The OAs for OWFN (GSA owned), the warehouse, and the TTC do not have escalation clauses.

Note 8 – Cumulative Results of Operations

As of September 30,	2020	2019
Liabilities not covered by budgetary resources (Note 6)	$ (60,253)	$ (53,515)
Investment in property and equipment, net (Note 4)	46,764	55,649
Contributions from foreign cooperative research agreements	8,587	6,070
Nuclear Waste Fund	430	436
Office of the Commission (financed by Fees)	-	-
Accounts receivable	68,957	63,920
Fee Collection Revenue Not Transferred	330	-
Other	104	2,257
Cumulative Results of Operations	**$ 64,919**	$ 74,817

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

Note 9 – Statement of Net Cost

For the fiscal years ended September 30,	2020	2019
Nuclear Reactor Safety:		
Intragovernmental gross costs	$ 207,385	$ 208,573
Less: Intragovernmental earned revenue	(44,062)	(49,153)
Intragovernmental net costs	163,323	159,420
Gross costs with the public	515,636	521,373
Less: Earned revenues from the public	(600,657)	(643,809)
Net costs with the public	(85,021)	(122,436)
Total Net Cost of Nuclear Reactor Safety	**$ 78,302**	$ 36,984
Nuclear Materials and Waste Safety:		
Intragovernmental gross costs	$ 56,762	$ 57,961
Less: Intragovernmental earned revenue	(4,625)	(5,639)
Intragovernmental net costs	52,137	52,322
Gross costs with the public	147,823	150,403
Less: Earned revenues from the public	(66,341)	(69,261)
Net costs with the public	81,482	81,142
Total Net Cost of Nuclear Materials and Waste Safety	**$ 133,619**	$ 133,464

Nuclear Reactor Safety and Nuclear Materials and Waste Safety represent the NRC's two major programs as identified in the NRC Strategic Plan.

Note 10 – Exchange Revenues

For the periods ended September 30,	2020	2019
Fees for licensing, inspection, and other services	$ 709,471	$ 762,148
Revenue from reimbursable work	6,215	5,714
Total Exchange Revenues	$ 715,686	$ 767,862

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

Note 11 – Financing Sources Other Than Exchange Revenue

For the periods ended September 30,	2020	2019
Appropriations Used		
Collections are used to reduce the fiscal year's appropriations:		
Funds consumed	$ 883,647	$ 895,002
Less: Collection of fees assessed	(703,998)	(772,216)
Less: Nuclear Waste Fund Expense	(7)	(28)
Less: Office of the Commission (financed by Fees)	-	-
Total Appropriations Used	$ 179,642	$ 122,758

Funds consumed include $62.5 million and $34.7 million through September 30, 2020, and 2019, respectively, of available funds from prior years. Current year funds consumed were $821.1 million and $860.3 million through September 30, 2020 and 2019, respectively.

For the fiscal years ended September 30,	2020	2019
Non-Exchange Revenue		
Civil penalties	$ 455	$ 413
Miscellaneous receipts	342	254
Non-Exchange Revenue	797	667
Contra-Revenue	(797)	(667)
Total Non-Exchange Revenue, Net of Funds Returned to the U.S. Treasury General Fund	$ –	$ –

For the periods ended September 30,	2020	2019
Imputed Financing		
Civil Service Retirement System	$ 2,972	$ 3,649
Federal Employees Retirement System	(498)	8,777
Federal Employee Health Benefit	19,830	18,810
Federal Employee Group Life Insurance	77	78
Judgments/Awards	-	1,294
Total Imputed Financing	$ 22,381	$ 32,608

Note 12 – Total Obligations Incurred

For the periods ended September 30,	2020	2019
Direct Obligations		
Category A	$ 861,428	$ 891,493
Exempt from Apportionment	5	28
Total Direct Obligations	861,433	891,521
Reimbursable Obligations	3,806	3,499
Total Obligations Incurred	**$ 865,239**	**$ 895,020**

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

Note 13 – Undelivered Orders at the End of the Period

For the periods ended September 30,	2020	2019
Undelivered Orders - Unpaid		
Salaries and Expenses	$ 235,096	$ 271,894
Inspector General	1,221	2,279
Nuclear Waste Fund	-	26
Total Undelivered Orders - Unpaid	$ 236,317	$ 274,199
Undelivered Orders - Paid Salaries and Expenses	$ 4,703	$ 6,364
Inspector General	336	685
Nuclear Waste Fund	-	-
Total Undelivered Orders - Paid	5,039	7,049
Total Undelivered Orders	**$ 241,356**	**$ 281,248**

Note 14 – Nuclear Waste Fund

For FY 2020 and FY 2019, the NRC's budget did not include funds from the NWF. The funding provided to the NRC carried forward to subsequent years was for the purpose of performing activities associated with the U.S. Department of Energy's application for a high-level waste repository at Yucca Mountain, NV.

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

- A statute committing the Federal government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal government by a non-federal source only for designated activities, benefits or purposes;

- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and

- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal government's general revenues.

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

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

For the periods ended September 30,	2020	2019
Appropriations Received	$ -	$ -
Expended Appropriations	$ 7	$ 28
Obligations Incurred	$ 5	$ 28
Unobligated Balances (includes recoveries of prior year obligations)	$ 426	$ 407

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

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

The NRC does not have any material differences between the budgetary resources reported on the SBR for FY 2019 and the FY 2019 actuals in the proposed President's Budget for FY 2021. The reconciliation was based on actual numbers for FY 2019 because the Budget of the United States (also known as the President's Budget) was not published at the time that these financial statements were issued.

The FY 2020 actual budgetary resources numbers will be available in the FY 2022 President's Budget which is expected to be published in 2021, and will be available on the OMB Web site http://www.whitehouse.gov/omb and through the U.S. Government Publishing Office.

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Note 16 – Reconciliation of Net Cost to Net Outlays

For the fiscal year ended September 30, 2020			
	Intra-governmental	With the Public	
Net Cost of Operations	$ 215,460	$ (3,539)	$ 211,921
Components of the Net Cost That Are Not Part of Net Outlays			
Property, plant, and equipment depreciation	-	(9,490)	(9,490)
	-	(13,076)	(13,076)
Property, plant, and equipment disposal & revaluation	-	535	535
Other- ADP Software Cost Capitalization			
Subtotal	-	(22,031)	(22,031)
Increase/(decrease) in assets:			
Accounts receivable	(2,355)	6,647	4,292
Other assets	(2,088)	31	(2,057)
Subtotal	(4,443)	6,678	2,235
(Increase)/decrease in liabilities:			
Accounts payable	(1,426)	3,260	1,834
Salaries and benefits	(1,298)	(3,139)	(4,437)
Other liabilities	(263)	(4,477)	(4,740)
Subtotal	(2,987)	(4,356)	(7,343)
Other Financing sources:			
Federal employee retirement benefit cost paid by OPM and imputed to the Agency	(22,381)	-	(22,381)
Other imputed financing — Judgement Fund with Treasury	-	-	-
Subtotal	(22,381)	-	(22,381)
Total Components if Net Cost That Are Not Part of Net Outlays	**$ (29,811)**	**$ (19,709)**	**$ (49,520)**
Components of Net Outlays That Are Not Part of Net Cost			
Acquisition of capital assets	7,475	5,317	12,792
Other	816	(455)	361
Other Timing Differences			
Prior Period Adjustment	-	-	-
Total Components of Net Outlays That Are Not Part of Net Cost	**8,291**	4,862	13,153
Net Outlays	**$ 193,940**	**$ (18,386)**	**$ 175,554**

Note 17 – Commitments and Contingencies

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

Probable Likelihood of an Adverse Outcome:

As of September 30, 2020, the NRC was involved in a case with the likelihood of an adverse outcome being probable. NRC accrued a legal contingency of $354 thousand. The estimated range of loss is $354 thousand on the lower end to $585 thousand on the upper end. As of September 30, 2019, the NRC was not involved in a case in which the likelihood of loss is probable.

Reasonably Possible Likelihood of an Adverse Outcome:

As of September 30, 2020, the NRC was involved in four cases with the likelihood of an adverse outcome being reasonably possible and the expected range of legal contingency loss being unknown. As of September 30, 2019, the NRC was involved in a case with the likelihood of an adverse outcome being reasonably possible and as of September 30, 2020, the range of expected legal contingency loss is unknown.

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

There were no material adjustments to correct the unobligated balance brought forward, October 1 for FY 2020 and FY 2019.

Note 19 – Financial Statements to Reclassified Financial Statements

For the period ending September 30, 2020

NRC Financial Statement			Line Items Used to Prepare the Government-wide Balance sheet	
Assets				**Assets**
Intra-Governmental Assets				**Intra-Governmental Assets**
FBWT	$ 390,731		$ 390,731	FBWT
Accounts Receivable	3,211		2,820	Accounts Receivable
Total Accounts Receivable	3,211		2,820	*Total Reclassified A/R*
Other	4,950		4,950	Advances to Others and Prepayments
Total Other	4,950		4,950	*Total Reclassified Other*
Total Intra-Governmental Assets	398,892		398,501	**Total Intra-Governmental Assets**
Accounts Receivable, Net	67,485		67,876	Accounts and Taxes Receivable, Net
General PP&E, Net	46,764		46,764	PP&E, Net
Other	76		76	Other Assets
Total Assets	$ 513,217		$ 513,217	**Total Assets**
Liabilities				**Liabilities**
Intra-Governmental Liabilities				**Intra-Governmental Liabilities**
Accounts Payable		$ 9,199	$ 15,006	Accounts Payable
Total Accounts Payable		9,199	15,006	*Total Reclassified Accounts Payable*
Other - Custodial Liability		65	65	Liability to GF for Custodial and Other Non-Entity Assets
Other - Miscellaneous Liabilities		12,669	5,413	Benefit Program Contributions Payable
			14	Advances from Other & Deferred
			1,435	Other Liabilities
Total Other - Miscellaneous Liabilities		12,669	6,862	*Total Reclassified Other - Miscellaneous Liabilities*
Total Intra-Governmental Liabilities		21,933	21,933	**Total Intra-Governmental Liabilities**
Accounts Payable		24,113	24,113	Accounts Payable
Federal Employee and Veteran Benefits		4,607	54,036	Federal Employee and Veteran Benefits Payable
Miscellaneous Liabilities		81,890	32,461	Other Liabilities
Total Liabilities	$ 132,543		$ 132,543	**Total Liabilities**

Net Position					Net Position
Unexpended Appropriations - Funds from Dedicated Collections		315,755		380,674	Net Position - Funds from Dedicated Collections
Cumulative Results of Operations - Funds from Dedicated Collections		64,919			
Total Net Position		380,674		380,674	**Total Net Position**
Total Liabilities & Net Position	$	513,217	$	513,217	**Total Liabilities & Net Position**

Statement of Net Cost to Reclassified Statement of Net Cost

For the period ending September 30, 2020

NRC Financial Statement			Line Items Used to Prepare the Government-wide SNC		
					Non-Federal Costs
			$	663,459	Non-Federal Gross Cost
				663,459	***Total Non-Federal Costs***
					Intragovernmental Costs
				90,165	Benefit Program Costs
Gross Costs	$	927,606		22,381	Imputed Costs
				124,388	Buy/Sell Costs
				7,475	Purchase of Assets
				(7,475)	Purchase of Assets Offset
				27,213	Other Expenses (w/o Reciprocals)
				264,147	***Total Intragovernmental Costs***
Total Gross Costs		927,606		927,606	*Total Reclassified Gross Costs*
				666,871	Non-Federal Earned Revenue
Earned Revenue		715,685		666,871	***Total Non-Federal Revenue***
				48,814	Buy/Sell Revenue
				48,814	***Total Intragovernmental Earned***
Total Earned Revenue		715,685		715,685	*Total Reclassified Earned Revenue*
Net Cost	$	211,921	$	211,921	**Net Cost**

For the period ending September 30, 2020

NRC Financial Statement			Line Items Used to Prepare the Government-wide SCNP	
Unexpended Appropriation				
Unexpended Appropriations, Beginning Balance	$ 340,983	$ 340,983		Net Position, Beginning of Period
Corrections of Errors	-	-		Correction of Errors - years Preceding the Prior Year
Total Corrections of Errors	-	-		*Total Reclassified Corrections of Errors*
Appropriations Received	154,852	154,414		Appropriations Received as Adjusted
Other Adjustments	(438)			
Appropriations Used	(179,642)	(179,642)		Appropriations Used (Federal)
Total Unexpended Appropriations	$ 315,755	$ 315,755		**Total Unexpended Appropriations**
Cumulative Results of Operations				
Cumulative Results, Beginning Balance	$ 74,871	$ 74,817		Net Position, Beginning of Period
Appropriations Used Correction of Errors	-	-		Appropriations Used Correction of Errors - Years Preceding the Prior Year
	797			***Non-Federal Non-Exchange Revenues***
Non-Exchange Revenues		797		Other Taxes and Receipts
		797		***Total Non-Federal Non-Exchange Revenues***
Total Non-Exchange Revenues	797	797		*Total Reclassified Non-Exchange Revenues*
		-		Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources
Transfers In/Out w/o Reimbursement - Budgetary	-	-		Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources
		-		*Total Reclassified Transfers In/Out w/o Reimbursement - Budgetary (Federal)*

Total Transfers-In/Out w/o Reimbursement - Budgetary		-	-	*Total Reclassified Transfers-In/Out w/o Reimbursement – Budgetary*
Other		(797)		***Intragovernmental Other***
			(679)	Accrual of Collections Yet to be Transferred to a TAS Other than the General Fund
			(118)	Other Budgetary Financing Sources
			(797)	***Total Intragovernmental Other***
Total Other		(797)	(797)	*Total Reclassified Other*
Imputed Financing		22,381	22,381	Imputed Financing Sources (Federal)
Total Financing Sources		202,023	202,023	**Total Financing Sources**
Net Cost of Operations		(211,921)	(211,921)	**Net Cost of Operations**
Ending Balance - Cumulative Results of Operations		64,919	64,919	**Net Position - Ending Balance**
Total Net Position	$	380,674	$ 380,674	**Total Net Position**

Required Supplementary Information

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

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

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

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

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

For the NRC leased facilities and capital equipment purchases, the NRC typically does not have any DM&R. The NRC had no DM&R for facilities, other structures, and capital equipment as of September 30, 2020, and 2019.

Defining and Implementing Maintenance and Repair Policies in Practice

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

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

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

Ranking and Prioritization of Maintenance and Repair Activities

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

Factors Considered in Determining Acceptable Condition

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

Deferred Maintenance and Repairs for Information Technology Infrastructure and Systems

The NRC had no DM&R for IT Infrastructure and Systems as of September 30, 2020 and 2019.

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

- End-user systems and support and end-user hardware includes desktop, laptop, and handheld devices; peripherals (local printers, shared printers); software (personal computer operating systems, office automation suites, messaging, and groupware), and hardware and software for help desks. Also included are network operations command centers, wire closets, and cable management. For regional offices, this includes regional end-user support similar to that provided by the Customer Support Center at the NRC Headquarters, which includes contract support and Federal full-time equivalent (FTE).

- Telecommunications services includes data networks and telecommunications (including wireless, multimedia, and local and long-distance telephone); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. For regional offices, this includes local telecommunications, which includes contract support and Federal FTE.

- Production operations include mainframes and servers (including Web hosting, but not Web content development and management); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. Also included resources related to carrying out Homeland Security Presidential Directive-12, which requires all Federal Executive departments and agencies to implement a Government-wide standard for secure and reliable forms of identification for access to Federal facilities and information systems.

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

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

Defining and Implementing Maintenance and Repair Policies in Practice

All of the NRC IT infrastructure M&R activities are performed under various contracts which includes leasing of servers, computers, printers, and software and provides provisions for periodic monitoring, maintenance, and repairs. Replacement of miscellaneous equipment components and software is scheduled as needed when the equipment reaches the end of its

useful life and before the equipment and software become obsolete. Desktops and laptops are upgraded on a 3-year rolling schedule so that they do not become obsolete.

Ranking and Prioritization of Maintenance and Repair Activities

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

Factors Considered in Determining Acceptable Condition

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

Combining Statement of Budgetary Resources *(IN THOUSANDS)*

For the fiscal year ended September 30, 2020	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
Budgetary Resources:				
Unobligated balance from prior-year budget authority, net	$ 83,343	$ 3,748	$ –	**$ 87,091**
Appropriations	845,536	13,314	330	**859,180**
Spending authority from offsetting collections	6,322	–	–	**6,322**
Total Budgetary Resources	$ 935,201	$ 17,062	$ –	**$ 952,593**
Memorandum Entry:				
Net adjustments to unobligated balance brought forward October 1	$ 17,312	$ 845	$ –	**$ 18,157**
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 12)	$ 853,085	$ 12,154	$ –	**$ 865,239**
Unobligated balance, end of period:				
Apportioned, unexpired accounts	81,598	3,385	–	**84,986**
Exempt from apportionment, unexpired accounts	426	–	330	**756**
Unapportioned, unexpired accounts	–	–	–	**–**
Unexpired unobligated balance, end of year	82,024	3,385	330	**85,739**
Expired unobligated balance, end of year	92	1,523	–	**1,615**
Unobligated balance, end of year	82,116	4,908	330	**87,354**
Total Status of Budgetary Resources	$ 935,201	$ 17,062	$ 330	**$ 952,593**
Outlays Net:				
Outlays, net	867,622	12,260	–	**879,882**
Distributed offsetting receipts	–	–	(704,328)	**(704,328)**
Agency Outlays, Net	$ 867,622	$ 12,260	$(704,328)	**$ 175,554**

For the fiscal year ended September 30, 2019	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
Budgetary Resources:				
Unobligated balance from prior-year budget authority, net	$ 46,760	$ 3,010	$ –	**$ 49,770**
Appropriations	898,350	12,609	–	**910,959**
Spending authority from offsetting collections	3,662	–	–	**3,662**
Total Budgetary Resources	$ 948,772	$ 15,619	$ –	**$ 964,391**
Memorandum Entry:				
Net adjustments to unobligated balance brought forward October 1	$ 8,579	$ 47	$ –	**$ 8,626**
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 12)	$ 882,673	$ 12,347	$ –	**$ 895,020**
Unobligated balance, end of period:				
Apportioned, unexpired accounts	66,557	2,160	–	**67,717**
Exempt from apportionment, unexpired accounts	407	–	–	**407**
Unapportioned, unexpired accounts	–	–	–	**-**
Unexpired unobligated balance, end of year	65,964	2,160	–	**68,124**
Expired unobligated balance, end of year	136	1,111	–	**1,247**
Unobligated balance, end of year	66,100	3,271	–	**69,371**
Total Status of Budgetary Resources	$ 948,773	$ 15,618	$ –	**$ 964,391**
Outlays Net:				
Outlays, net	874,413	11,570	–	**885,983**
Distributed offsetting receipts	–	–	(772,216)	**(772,216)**
Agency Outlays, Net	$ 874,413	$ 11,570	$(772,216)	**$ 113,767**

Inspector General's Letter Transmitting Independent Auditors' Report

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

OFFICE OF THE
INSPECTOR GENERAL

November 16, 2020

MEMORANDUM TO: Chairman Kristine L. Svinicki

FROM: Robert J. Feitel
Inspector General

Robert J. Feitel
Digitally signed by Robert J. Feitel
Date: 2020.11.16 13:16:35 -05'00'

SUBJECT: RESULTS OF THE AUDIT OF THE UNITED STATES NUCLEAR REGULATORY COMMISSION'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2020 (OIG-21-A-02)

The *Chief Financial Officers Act of 1990*, as amended (*CFO Act*), requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the United States Nuclear Regulatory Commission's (NRC) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) retained CliftonLarsonAllen (CLA) to conduct this annual audit. Transmitted with this memorandum is CLA's audit report. CLA examined NRC's Fiscal Year (FY) 2020 Agency Financial Report, which includes financial statements for FY 2020. CLA's audit report contains the following reports:

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

Objective of a Financial Statement Audit

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

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

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

FY 2020 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion.

Internal Control over Financial Reporting

- Adverse opinion.

Compliance with Laws and Regulations

- No instances of noncompliance noted.

OIG Oversight of CLA's Performance

To fulfill our responsibilities under the *CFO Act* and related legislation for ensuring the quality of the audit work performed, we monitored CLA's audit of NRC's FY 2020 financial statements by:

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

CLA is responsible for the attached auditor's report, dated November 12, 2020, and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight,

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

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

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

Meeting with the Chief Financial Officer

At the exit conference on November 12, 2020, representatives of the Office of the Chief Financial Officer, OIG, and CLA discussed the results of the audit.

Comments of the Chief Financial Officer

In her response, the Chief Financial Officer agreed to the recommendations in the report. However, the CFO does not believe the leases/leasehold improvement deficiency rises to the level of a material weakness. The full text of her response follows this report.

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

Attachment: As stated

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

Independent Auditors' Report

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

To: Inspector General
United States Nuclear Regulatory Commission

Chairman
United States Nuclear Regulatory Commission

In our audits of the fiscal years (FYs) 2020 and 2019 financial statements of the United States Nuclear Regulatory Commission (NRC), we found

- NRC's financial statements as of and for the FY ended September 30, 2020 and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- NRC's internal control over financial reporting was not effective as of September 30, 2020; and
- No reportable noncompliance or other matters for FY 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more details (1) our report on the financial statements and on internal control over financial reporting, required supplementary information (RSI)[1], and other information (OI)[2] included in the financial statements; (2) our report on compliance with laws, regulations, contracts, and grant agreements and other matters; and (3) NRC management's response to the findings and recommendations.

Report on the Financial Statements and on Internal Control over Financial Reporting

In accordance with our contract with NRC's Office of Inspector General, we have audited NRC's financial statements in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No.19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). NRC's financial statements comprise the balance sheets as of September 30, 2020, and 2019; 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. We also have audited NRC's internal control over financial reporting as of September 30, 2020, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA). We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

[1] The RSI consists of Management's Discussion and Analysis (MD&A) and the Combining Statement of Budgetary Resources, which are included with the financial statements.
[2] Other Information consists of information included with the financial statements, other than RSI and the auditors' report.

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INDEPENDENT AUDITORS' REPORT, CONTINUED

Management's Responsibility

NRC management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (5) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and (6) its assessment included in the MD&A about the effectiveness of internal control over financial reporting as of September 30, 2020.

Auditors' Responsibility

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

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Opinion on Financial Statements

In our opinion, NRC's financial statements present fairly, in all material respects, NRC's financial position as of September 30, 2020 and 2019, and its net cost of operations, changes in net position, and budgetary resources for the FYs then ended in accordance with U.S. generally accepted accounting principles.

However, misstatements may nevertheless occur in unaudited financial information reported internally or externally by the NRC as a result of the internal control deficiencies described in this report.

Opinion on Internal Control over Financial Reporting

In our opinion, because of a material weakness in internal control over leases and leasehold improvements, the NRC did not maintain, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on criteria established under FMFIA.

Although the NRC had a material weakness in internal control over leases and leasehold improvements, the NRC made any necessary adjustments to its records and was therefore able to prepare financial statements that were fairly presented in all material respects for FY 2020. This material weakness, which is discussed in Exhibit A and summarized below, is a significant deficiency in NRC's assessment and is not required to be reported in its FY 2020 FMFIA assurance statement. NRC's conclusion was based on the results of its evaluation of the agency's overall system of internal control and enterprise risk management procedures performed. In addition, the NRC indicated in its assurance statement that CLA reported a material weakness and the NRC will continue to take corrective actions to strengthen controls in this area.

INDEPENDENT AUDITORS' REPORT, CONTINUED

We considered this material weakness in determining the nature, timing, and extent of our audit procedures on the NRC's FY 2020 financial statements.

Material Weakness in Internal Control over Leases and Leasehold Improvements

The NRC needs to strengthen controls over leases and leasehold improvements to ensure the accuracy of the financial statements and related notes. Finding details are included in Exhibit A.

In addition, we identified a significant deficiency[3] related to aged unliquidated obligations as described below with details in Exhibit B.

Significant Deficiency in Internal Control over Aged Unliquidated Obligations

The NRC needs to strengthen its internal controls over review of aged unliquidated obligations for validity and de-obligate on a timely basis.

During our FY 2020 audits, we also identified other deficiencies in NRC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant NRC management's attention. We have communicated these matters to NRC management and, where appropriate, will report on them separately.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the 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 NRC's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We

[3] A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

INDEPENDENT AUDITORS' REPORT, CONTINUED

read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. In addition, management has included references to information on websites or other data outside the Agency Financial Report (AFR). Our audits were conducted for the purpose of forming an opinion on NRC's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

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

In connection with our audits of NRC's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*. We also performed tests of compliance with certain provisions of the Federal Financial Management Improvement Act (FFMIA). However, providing an opinion on compliance was not an objective of our audit, and accordingly, we do not express such an opinion.

Management's Responsibility

NRC management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the NRC, including ensuring NRC's financial management systems are in substantial compliance with FFMIA requirements.

Auditors' Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the NRC that have a direct effect on the determination of material amounts and disclosures in NRC's financial statements, including whether NRC's financial management systems substantially comply with the FFMIA Section 803(a) requirements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the NRC. Also, our work on FFMIA would not necessarily disclose all instances of noncompliance with FFMIA requirements.

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 2020 that would be reportable under *Government Auditing Standards*. In addition, our tests of compliance with the FFMIA Section 803(a) requirements disclosed no instances in which NRC's financial management systems did not substantially comply with (1) federal financial management systems requirements, (2) applicable federal accounting standards, or (3) the U.S. Government Standard General Ledger (USSGL) at the transaction level. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the NRC. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT, CONTINUED

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.

NRC Management's Response to the Findings and Recommendations

NRC's response to the findings and recommendations identified in our report is included in Exhibit C. In their response the NRC concurs with the deficiencies in the areas of leases/ leasehold improvements and de-obligating aged unliquidated orders timely; however, the NRC does not believe that the leases/leasehold improvement deficiency rises to the level of a material weakness. We believe that properly designed and effective review of leases/ leasehold improvements is critical to NRC's internal control systems. The NRC states that it will implement corrective actions to eliminate these deficiencies. We did not audit NRC's response, and accordingly, we express no opinion on it.

CliftonLarsonAllen LLP

Arlington, Virginia
November 12, 2020

INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit A
Material Weakness
FY 2020

Improve Controls over Leases and Leasehold Improvements

Criteria
Per NRC's Management Directive 4.1, *Accounting Policies and Practices*, section 4.1-02 d and g, the Chief Financial Officer:

> Established, maintains, and oversees the interpretation and implementation of policies, standards, and general procedures of accounting and related reporting essential to the financial integrity and efficient financial management of the NRC and to the safeguarding of NRC funds and property.
>
> Establishes and maintains an internal control program for NRC program and administrative activities, including a system that reasonably ensures NRC's managers take the necessary action to determine that controls are functioning as intended or are modified as conditions change.

The U.S. Government Accountability Office, *Standards for Internal Control in the Federal Government*, requires that management ensure accurate and timely recording of transactions.

Internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with the applicable financial reporting framework and includes those policies and procedures that:

i. pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;
ii. provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the applicable financial reporting framework, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and
iii. provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements

Condition
The NRC did not effectively perform its internal control in reviewing the:

- schedule of future lease payments included in the notes to the financial statements; and
- leasehold improvements reported in the financial statements.

We noted several errors that impacted prior and current year balances in the calculation of the future lease payments such as missing occupancy agreements, amounts not agreeing to the occupancy agreements, or incorrect adjustments. Additionally, the NRC did not consistently write-off leasehold improvements associated with space no longer being leased by the NRC which resulted in the following before correction in FY 2020:

$21.8 million overstatement of Leasehold Improvements
$10.8 million overstatement of Accumulated Depreciation

INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit A
Material Weakness
FY 2020

$2.1 million overstatement of Depreciation Expense
$13.1 million understatement of Loss on Disposal of Asset.

Cause
The review process and communication between the Office of the Chief Financial Officer and other departments with information on leasehold improvements and current occupancy agreements was not effective in identifying errors related to leases and leasehold improvements.

Effect
The effect of the lease or leasehold improvement findings were as follows:

1. After CLA questioned amounts, the future lease payment notes in the 9/30/19 and 6/30/20 financial statements were determined to be overstated by $82.8 million and $74.6 million respectively.
2. After CLA questioned amounts, the NRC recorded a write-off of $21.8 million in leasehold improvement assets, $10.8 million in accumulated depreciation, $2.1 million correction of overstatement in depreciation expense, and a $13.1 million loss on disposal of asset. The NRC recorded an $11 million write-off of property, plant, and equipment, net in FY 2020 ($21.8 million - $10.8 million) of which $7.7 million should have been expensed in FY 2019 and $3.3 million should have been expenses in FY 2018 when the NRC gave up leased space.
3. The NRC identified and recorded a $5.3 million leasehold improvement in FY 2020, which was erroneously recorded in expense in FY 2019.

Impact on the FY 2019 Financial Statements
FY 2019 expense was understated by $2.4 million ($7.7 million for leasehold improvement write-offs recorded in FY 2020 instead of FY 2019 less $5.3 million for a leasehold improvement erroneously expensed in FY 2019 instead of being capitalized). Leasehold improvement was overstated by $5.7 million ($2.4 million noted above plus $3.3 million related to amounts that should have been expensed in FY 2018) or 10% of property, plant and equipment, net.

In FY 2020 we noted the future lease payment note for FY 2019 was overstated by $82.8 million. This is 20% of the $419.1 million future lease payments total in the note in FY 2019.

Impact on the FY 2020 Financial Statements
For FY 2020 the NRC expensed $5.7 million related to prior years ($11 million expense for leasehold improvements write-offs related to giving up space in prior years ($7.7 million related to FY 2019 and $3.3 million related to FY 2018) less $5.3 million reduction in expense for the leasehold improvement erroneously expensed in FY 2019 and move to capitalized leasehold improvement in FY 2020). The $5.7 million error is 12% of property, plant and equipment, net.

Recommendations
CLA recommends that the NRC Chief Financial Officer:

1. Perform a more robust review of the future lease payments schedule to ensure it reflects all changes and updates to occupancy agreements. This review should include a documented review by the group responsible for negotiating and signing occupancy agreements since they would be most familiar with all current occupancy agreements.
2. Perform a more robust review of leasehold improvements and require accurate communication from accountable property managers to ensure that as occupancy

INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit A
Material Weakness
FY 2020

agreements change, projects begin, or projects are completed, any impact to leasehold improvements in the financial statements is recorded timely and accurately. This review should also include timely and completely documenting the status of leasehold improvements in process.

INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit B
Significant Deficiency
FY 2020

Improve Controls to De-Obligate Aged Unliquidated Obligations on a Timely Basis

Criteria
NRC Work Practice: Guidance for NRC Staff on De-obligating Excess Fund is FAR 4.804-1, *Closeout by the Office Administering the Contract* and NRC's Management Directive 4.2, *Administrative Control of Funds* Part VII C1. See below:

Per FAR 4.804-1, *Closeout by the Office Administering the Contract:*

(a) Except as provided in paragraph (c) of this section, time standards for closing out contract files are as follows:

(1) Files for contracts using simplified acquisition procedures should be considered closed when the contracting officer receives evidence of receipt of property and final payment, unless otherwise specified by agency regulations.

(2) Files for firm-fixed-price contracts, other than those using simplified acquisition procedures, should be closed within 6 months after the date on which the contracting officer receives evidence of physical completion.

(3) Files for contracts requiring settlement of indirect cost rates should be closed within 36 months of the month in which the contracting officer receives evidence of physical completion.

(4) Files for all other contracts should be closed within 20 months of the month in which the contracting officer receives evidence of physical completion.

(b) When closing out the contract files at 4.804-1(a)(2), (3), and (4), the contracting officer shall use the closeout procedures at 4.804-5. However, these closeout actions may be modified to reflect the extent of administration that has been performed. Quick closeout procedures (see 42.708) should be used, when appropriate, to reduce administrative costs and to enable de-obligation of excess funds.

(c) A contract file shall not be closed if-

(1) The contract is in litigation or under appeal; or

(2) In the case of a termination, all termination actions have not been completed.

NRC Management Directive 4.2, *Administrative Control of Funds*, Handbook Part VII C1 requires that an initial contract funds status review should be conducted within 90 days of completion of a contract, and where appropriate, excess funds should be de-obligated.

INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit B
Significant Deficiency
FY 2020

Condition
The NRC's review control was not operating effectively as aged unliquidated orders (ULOs) or obligations that were no longer valid were not de-obligated timely. ULOs were considered aged if there was no activity since 2017 and the period of performance ended in 2017 or prior. CLA noted:

1. Ten out of 11 aged ULO samples tested, totaling $327 thousand with no recent activity and a period of performance end date ranging from 2010 to 2017, were not de-obligated timely. These amounts should have been de-obligated in fiscal year 2018 or prior.

2. At September 30, 2020, there was a $6 million unreconciled difference between the subsidiary details (management report) of outstanding ULO balances and the general ledger. The general ledger was less than the management report. It is possible this difference may be related to about $4 million in amounts on the management report related to change of station that are not true ULOs and should not be on the management report.

Cause
Requests for de-obligation were not processed timely in accordance with FAR 4.804. Some of the requests for de-obligation were not prepared timely and some requests for de-obligation were not posted timely.

Effect
By not ensuring timely review and de-obligation of aged ULOs, the agency is unnecessarily tying up funds that could be used for other mission critical activities. Moreover, the balances in the statement of budgetary resources could be misstated. Based on extrapolating the test results of 10 ULOs that should be de-obligated to the aged population, ULOs were overstated by approximately $8.5 million throughout fiscal year 2020 and at yearend.

Recommendations
CLA recommends that the NRC Chief Financial Officer:

3. Strengthen its internal control to ensure funds are de-obligated timely including identifying amounts to be de-obligated and posting the de-obligation to the accounting system.

4. Maintain adequate documentation, including correspondence, for the reasons why an aged unliquidated obligation should not be de-obligated.

5. Review the process for generating the unliquidated obligation subsidiary details report (management report); ensure that amounts that are not ULOs are not included in the management report; and reconciles the management report to the general ledger.

Management's Response to the Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit C
Management's Response to Findings and Recommendations
FY 2020

CHIEF FINANCIAL OFFICER

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

November 13, 2020

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

FROM: Cherish K. Johnson
Chief Financial Officer
Cherish K. Johnson
Digitally signed by Cherish K. Johnson
Date: 2020.11.13 15:02:38 -05'00'

SUBJECT: AUDIT OF THE FISCAL YEARS 2020 and 2019 FINANCIAL STATEMENTS

This memorandum responds to the draft report on the audit of the Nuclear Regulatory Commission's (NRC) fiscal years 2020 and 2019 financial statements, provided on November 12, 2020. The audit was conducted by the firm CliftonLarsonAllen LLP (CLA) under contract to the NRC Office of the Inspector General (OIG).

We concur that we have deficiencies in the areas of leases/leasehold improvements and deobligating aged unliquidated orders timely. We strive to continuously improve, and we have more improvements to make. We will implement corrective actions to eliminate these deficiencies. However, we do not believe that the leases/leasehold improvement deficiency rises to the level of a material weakness.

The recommendations and NRC's response are outlined below. We appreciate the collaborative relationship between the Office of the Inspector General, the auditors, and the Office of the Chief Financial Officer in supporting our continuing effort to improve financial reporting.

Recommendation No. 1:

Perform a more robust review of the future lease payments schedule to ensure it reflects all changes and updates to occupancy agreements. This review should include a documented review by the group responsible for negotiating and signing occupancy agreements since they would be most familiar with all current occupancy agreements.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the review of future lease payments, including coordinating with the Office of Administration.

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INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit C
Management's Response to Findings and Recommendations
FY 2020

Recommendation No. 2:

Perform a more robust review of leasehold improvements and require accurate communication from accountable property managers to ensure that as occupancy agreements change, projects begin, or projects are completed, any impact to leasehold improvements in the financial statements is recorded timely and accurately. This review should also include timely and completely documenting the status of leasehold improvements in process.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the review of leasehold improvements. This includes improving communication with the Office of Administration and other program offices that have responsibility for leasehold improvements.

Recommendation No. 3:

Strengthen internal control to ensure funds are de-obligated timely including identifying amounts to be de-obligated and posting the de-obligation to the accounting system.

NRC Response:

Agree. The Office of Administration has implemented a focused effort to eliminate the contract close out backlog.

Recommendation No. 4:

Maintain adequate documentation, including correspondence, for the reasons why an aged unliquidated obligation should not be de-obligated.

NRC Response:

Agree. Documentation will be maintained if reasons that unliquidated obligation should not be deobligated are identified.

Recommendation No. 5:

Review the process for generating the unliquidated obligation subsidiary details report (management report); ensure that amounts that are not ULOs are not included in the management report; and reconcile the management report to the general ledger.

NRC Response:

Agree. The Office of the Chief Financial Officer will review the unliquidated obligations management report.

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INDEPENDENT AUDITORS' REPORT, CONTINUED
Exhibit C
Management's Response to Findings and Recommendations
FY 2020

cc: M. Doane EDO
C. Haney AO/OEDO
J. Jolicoeur, OEDO
C. Cook, OEDO

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NUCLEAR REGULATORY COMMIS

Chapter 3: Other Information

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

Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission in Fiscal Year 2021
OIG-21-A-01
October 16, 2020

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

AT A GLANCE October 16, 2020

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

WHAT WE FOUND The Nuclear Regulatory Commission (NRC) is viewed as the world leader among nuclear regulatory bodies as it licenses and regulates the nation's civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. The NRC's proposed FY 2021 budget is $863.4 million, including 2,868 full-time equivalents (FTE), most of whom work in five primary locations in the United States. Beyond its nuclear safety and security mission, as a federal agency, the NRC must be a responsible steward of taxpayer dollars and expend its budgeted funds properly.

This year we are continuing the approach developed in 2019 for the structure and content of the management challenges report, in which we use a single-page format to identify each challenge, actions taken by the agency, and work left to do by the agency. Based on feedback from the agency and our desire to ensure that each challenge is specific and clear, we have identified the following 8 actionable challenges that require the NRC's continued attention.

1. Strengthening Risk Informed Regulation.[1]
2. Regulatory Oversight of Decommissioning Trust Funds (DTF)
3. Management of the NRC Response to the COVID-19 Pandemic
4. Readiness for New Technologies for Reactor Design and Operation
5. Continuous Improvement Opportunities for Information Technology (IT), Internal IT Security and Information Management
6. Strategic Workforce Planning
7. NRC and Agreement State Coordination on Oversight of Materials and Waste
8. Management and Transparency of Financial and Acquisitions Operations

By responding to these challenges, the NRC will strengthen progress towards the effective and efficient execution of its mission as well as achievement of its strategic goals and the highest level of accountability over taxpayer dollars.

AGENCY RESPONSE TO MANAGEMENT CHALLENGES FOR FY 2020 The NRC has worked to respond to OIG report recommendations throughout the year. The agency is engaging in transformation initiatives to examine many aspects of its operations as it seeks to prepare for the immediate, near term and future regulatory landscape and to become a more "Modern, Risk Informed Regulator". The NRC leadership's input to the OIG for management challenges has noted its own assessment of key challenges for the agency.

FOR FURTHER INFORMATION, CONTACT US: U.S. Nuclear Regulatory Commission
Office of the Inspector General, Mail Stop O5-E13, 11555 Rockville Pike, Rockville, MD 20852
Telephone: 301-415-5930 Fax: 301-415-5091 For posted Inspector General audit reports, click here.

[1] The NRC regulates the Nation's civilian commercial, industrial, academic and medical uses of nuclear materials via regulations and guidance, licensing and certification, research, inspection and enforcement, and incident response.

Table of Contents

Introduction

From the Inspector General: I am pleased to present our assessment of the most significant management and performance challenges facing the NRC in Fiscal Year (FY) 2021.

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

The NRC leads the world as an innovative agency dedicated to effective regulation of nuclear materials while ensuring public health and safety and protection of the environment. Beyond its nuclear safety and security mission, as a federal agency, the NRC must be a responsible steward of taxpayer dollars and expend its budgeted funds properly.

About the Inspector General:

In accordance with the 1988 amendment to the *Inspector General Act of 1978*, the NRC's Office of the Inspector General (OIG) was established on April 15, 1989, as an independent and objective unit to conduct and supervise audits and conduct investigations relating to the NRC's programs and operations. 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 NRC 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 serves under the general supervision of the NRC Chairman but operates with personnel, contracting, and budget authority independent of the NRC. The Inspector General keeps the Chairman and the Congress fully and currently informed about problems, recommends corrective actions, and monitors the NRC's progress in implementing such actions.

About the NRC:

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

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

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

The NRC's FY 2018–2022 Strategic Plan describes the agency's mission, vision, and principles of good regulation, along with strategic goals, objectives, and strategies. The safety strategic goal is to ensure the safe use of radioactive materials. The security strategic goal is to ensure the secure use of radioactive materials.

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, consisting of the Operating Reactors and New Reactors business lines; and, Nuclear Materials and Waste Safety, consisting of the Fuel Facilities, Nuclear Materials Users, Decommissioning and Low-Level Waste, Spent Fuel Storage and Transportation, and High-Level Waste business lines. The agency accomplishes its mission to provide reasonable assurance of adequate protection for public health and safety through regulatory activities that include licensing, oversight, and rulemaking. The NRC's incident response activities prepare for and respond to emergencies involving radioactive materials. The following narrative highlights the agency's progress during FY 2020 in achieving its safety and security goals.

The NRC has continued to advance its mission and make progress toward the agency goal of becoming a modern risk informed regulator. Some examples are listed below.

- SA-109, Interim Guidance "Reviewing the Non-Common Performance Indicator, Low-Level Radioactive Waste Disposal Program" was issued. This document describes the procedure for conducting reviews of an Agreement State radiation control program for the Non-Common Performance Indicator "Low-Level Radioactive Waste Disposal Program".
- Agreement State and NRC Materials Program performance, as measured by the Integrated Materials Performance Evaluation Program (IMPEP), has continued to be consistently strong.
- The NRC is switching from using Skype, which is at its end-of-life, to using Microsoft Teams. This move is anticipated to provide better, cloud-based integration with Microsoft Office 365.
- On February 14, 2020, the NRC released its Advanced Reactors Program Status paper, which updated the Commission on the NRC's progress and a path forward regarding advanced reactors licensing.

The NRC has also made significant progress during FY 2020 in several other areas. For example,

- The NRC has developed, maintained, and implemented a structured multi-phased approach for dealing with COVID-19 related issues. This approach continues to be in line with Office of Personnel Management (OPM) guidance, with a focus on workforce safety.
- The NRC's Reactor Oversight Process (ROP) Enhancement Project that began in October 2018 has subsequently led to the creation of a lessons learned document on the enhancement project process as well as the acceptance of several recommendations from stakeholders to

enhance the ROP throughout the process. The results of the ROP Enhancement project are documented in SECY-19-0067, Recommendations for Enhancing the Reactor Oversight Process.

- The NRC created Draft Management Directive (MD) 9.26, "Organization and Functions, Office of Nuclear Material Safety and Safeguards (NMSS)," which outlines the functions, organizational structure, and reporting requirements for a major NRC program office. If finalized, this management directive would replace the prior version which has been in place for 30 years and will re-integrate a previously separate program office back into NMSS.

During FY 2020, the NRC had several noteworthy activities in the area of licensing reviews, regulatory reports, inspections, public interaction and COVID-19 pandemic actions:

- In December 2019, the NRC staff completed all 21 chapters of the Final Safety Evaluation Report (FSER), a Safety Evaluation Report with No Open Items, for the NuScale small modular reactor design certification application review and issued these chapters to the Advisory Committee on Reactor Safeguards (ACRS). Following the ACRS review, the FSER was issued to NuScale Power, LLC on 8/28/20.
- The NRC issued an early site permit to the Tennessee Valley Authority for one or more small modular reactors at the Clinch River site in Tennessee.
- The staff recently completed the technical acceptance review of a custom combined license application for the Aurora micro-reactor, submitted by Oklo Inc. The staff is currently engaged in review activities of the Aurora combined license application. Oklo Power LLC, a wholly owned subsidiary of Oklo, Inc., is a privately funded, U.S. based company focused on commercializing advanced fission power.
- The NRC staff also completed its review and approved a renewed license for the Honeywell Uranium Conversion Facility's operating license.
- The first ever subsequent license renewals were issued for Turkey Point Units 3 and 4. In March 2020, the NRC staff completed its review and issued subsequent license renewals for Peach Bottom Units 2 and 3.
- The agency submitted four reports to Congress, as required by the Nuclear Energy Innovation and Modernization Act, describing the licensing process for research and test reactors, the status of the licensing process for accident tolerant fuel, the best practices for establishment and operation of local community advisory boards for decommissioning activities at nuclear power plants, and the uranium recovery flat fee pilot initiative.
- From October 2019 to March 2020, the NRC staff conducted 56 security inspections at commercial nuclear power plants and Category I fuel cycle facilities, including five force-on-force inspections involving simulated attacks on the facilities to test the effectiveness of the licensee's physical protection program. When NRC inspectors identify a security finding during an inspection, they confirm that the licensee implements appropriate compensatory measures to correct the situation.
- From October 2019 through March 2020, the agency conducted just over 300 public meetings in the Washington, D.C. area and in states with NRC-licensed or proposed facilities to address a range of NRC issues.
- On January 31, 2020, the U.S. Department of Health and Human Services declared a public health emergency (PHE) for the United States to aid the nation's healthcare community in responding to the Coronavirus Disease 2019 (COVID-19). On March 11, 2020, the COVID-19 outbreak was characterized as a pandemic by the World Health Organization. The NRC began taking precautionary measures in response to COVID-19 to ensure the health and safety of its

workforce in accordance with guidance provided by the federal government, including the Centers for Disease Control and Prevention, as well as State and local authorities. The NRC reported minimal impacts to NRC licensing activities and regulatory duties during this reporting period.

- In particular, the agency's preparatory activities included notification in a March 28, 2020, letter by the Director of the Office of Nuclear Reactor Regulation to the industry explaining the process by which the NRC will be prepared to grant, upon request from individual licensees, exemptions from the work hour controls specified in 10 CFR 26.205(d)(1)-(d)(7) in accordance with the NRC's regulations in 10 CFR 26.9, "Specific exemptions." This process included the conduct of teleconference meetings with industry and other stakeholders to discuss the NRC's approach, expectations for information required to consider exemptions and License Amendment Requests from the industry and to provide a forum for questions and answers to clarify and address concerns brought forward.

NRC Management and Performance Challenges for FY 2021

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

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

The following list of 8 critical management and performance challenges for the NRC in FY 2021 is followed by a more detailed discussion of each challenge in the new single page format.

1. Strengthening Risk Informed Regulation
2. Regulatory Oversight of Decommissioning Trust Funds (DTF)
3. Management of the NRC response to the COVID-19 Pandemic
4. Readiness for New Technologies for Reactor design and Operation
5. Continuous Improvement Opportunities for Information Technology (IT), internal IT security and Information Management
6. Strategic Workforce Planning
7. NRC and Agreement State Coordination on Oversight of Materials and Waste
8. Management and Transparency of Financial and Acquisitions Operations

Challenge 1: *Strengthening Risk Informed Regulation*

Why is this a serious management and performance challenge?	The NRC's increasing emphasis on risk informed regulation necessitates guidance changes, as well as efforts to raise staff awareness of these changes and ensure regulatory consistency. The NRC must also engage external stakeholders to ensure transparency of resulting changes to its licensing and oversight processes.

It has been NRC policy since 1995 to inform regulatory activities with risk insights, thereby balancing deterministic engineering judgment with quantitative analysis based on operating experience. The agency has placed increasing emphasis on this policy in recent years as risk analysis models have become more sophisticated, and as nuclear power licensees have increasingly used probabilistic safety risk assessments to support changes to their license conditions.

Nevertheless, the NRC and the nuclear industry have methodological differences in their respective approaches to probabilistic risk assessment, and agency staff sometimes disagree on the use of risk analysis in regulatory actions such as license amendments and inspection findings. In light of these challenges, agency management has prioritized updates to existing guidance and procedures, as well as staff training on risk informed decision-making in the regulatory environment.

Completed Actions

- The NRC implemented web-based staff training regarding risk-informed completion time technical specifications for nuclear power plants.
- The NRC's Office of Nuclear Reactor Regulation revised staff guidance for integrating risk-informed decision making in reactor licensing reviews and for improving risk determinations for inspection findings for Operating Reactors and the AP1000 units under construction.
- The NRC revised materials inspection program guidance (IMC 2800) to further risk-inform the program.

Ongoing Actions

- The NRC is engaged in rulemaking to establish a risk-informed, technology inclusive regulatory framework for advanced reactors.
- Office of Nuclear Material Safety and Safeguards staff are updating program guidance in accordance with recommendations from the Building a Smarter Fuel Cycle Inspection Program Working Group.
- The NRC continues developing guidance and training for its "Be Risk-Smart" initiative to support risk-informed decision making across different functional areas such as technical, legal, and corporate.

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

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Challenge 2: ***Regulatory Oversight of Decommissioning Trust Funds (DTF)***

Why is this a serious management and performance challenge?	NRC staff perform an independent analysis of Decommissioning Funding Status reports, provided by licensees for power reactors to determine whether licensees have provided reasonable assurance that sufficient funding for radiological decommissioning of the reactor and site will remain available until license termination.

The NRC must obtain reasonable assurances from nuclear reactor licensees that funds will be available for the decommissioning process before operations begin. As a means of oversight of licensees' decommissioning funding assurance (DFA), licensees are required to provide a DFA status report to the NRC biennially. Five years prior to permanent cessation of operations, licensees are required to provide the DFA status reports annually. Prior to, or within two years after permanent cessation of operations, licensees are required to submit a Post Shut-Down Decommissioning Activity Report that includes a description and schedule for the planned decommissioning activities and a site-specific cost estimate. There are 21 power reactors currently undergoing decommissioning with a total combined trust fund balance of approximately $10.3 billion as of December 31, 2018.

In addition, for permanently shut down plants, NRC inspection procedures require inspectors to assess licensee cost management information and determine whether licensee-docketed decommissioning cost estimates and projections reasonably correlate to actual costs and whether funds from decommissioning funding assurance requirements described in 10 CFR 50.75 are being used for decommissioning activities. Moreover, inspectors are required to verify whether licensee decommissioning costs are within the schedular and expenditure requirements of 10 CFR 50.82.

Key decommissioning trust fund challenges include the following:

- Managing oversight of DTF shortfalls in both operating and decommissioning reactors
- Oversight of licensee use of DTF's in accordance with 10 CFR 50.82
- Maintaining reasonable assurance that operating reactors will have sufficient funds to decommission safely
- Improving decommissioning guidance

Completed Actions

- NRC staff completed the 2018 annual review of decommissioning funding status reports for plants in decommissioning.

Ongoing Actions

- The NRC is conducting power reactor decommissioning rulemaking to clarify regulations
- The NRC is revising Regulatory Guide 1.184 to clarify decommissioning guidance

Looking Ahead: The OIG is continuing efforts to analyze the agency's decommissioning program. An Audit of NRC's Oversight of Licensee Use of Decommissioning Trust Funds commenced in Q4, FY 2020.

Challenge 3: ***Management of The NRC Response to the COVID-19 Pandemic***

Why is this a serious management and performance challenge?	The NRC's ability to continue to perform its vital oversight, licensing and regulatory mission to protect public health and safety and the environment while also protecting its workforce is undergoing a major challenge, requiring innovation and flexibility.

On March 13, 2020, the President of the United States declared a national emergency associated with the novel coronavirus (COVID-19) outbreak. Soon thereafter, the Office of Management and Budget issued updated guidance for agencies regarding steps to take in minimizing the risks of spread and exposure to the Coronavirus and agencies were directed to "immediately adjust operations and services to minimize face-to-face interactions" and, further, "non-mission critical functions that cannot be performed remotely or that require in-person interactions may be postponed or significantly curtailed." The NRC subsequently directed most employees to work from home with recently issued agency laptops, minimizing safety-based leave claims or other disruptions to agency business. Nevertheless, NRC offices remained open to support work that could not be performed remotely, such as intelligence analysis and processing of classified and safeguards information. Additionally, NRC inspectors continued their oversight work at nuclear power plants, while using information technology to minimize face-to-face interaction with licensee personnel. The NRC also held public meetings with external stakeholders using teleconference applications including Webinar, Skype or other leading technologies to discuss regulatory actions.

Completed Actions

- The NRC issued guidance for nuclear power licensees needing regulatory exemptions or approvals to deviate temporarily from specific requirements. The NRC required licensees to justify their regulatory relief requests, and to implement compensatory measures where appropriate.
- The NRC deferred fee billing from April-June to mitigate financial impacts and economic disruptions.
- The NRC issued guidance for safe conduct of inspections and operator licensing examinations at Operating Plants in the COVID environment, use of existing technologies to conduct remote inspections, and adjusted inspection targets accordingly.

Ongoing Actions

- The NRC continues to oversee activities using information technology to protect worker safety and has adjusted some inspection schedules in accordance with local health conditions.
- The NRC has adopted enhanced policies for building access and sanitation, while supporting employee telework and enabling regional office managers to adjust their respective policies and procedures in accordance with local health conditions.

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

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Challenge 4: ***Readiness for New Technologies for Reactor Design and Operation***

Why is this a serious management and performance challenge?	Industry development of new technologies to extend the life of existing reactors, combined with Congressional support for development of new reactor and fuel technologies, will require the NRC to adapt existing licensing processes and capabilities.

Unfavorable electric power market conditions have slowed construction of new commercial nuclear power plants in the United States and led to plant closures in recent years. Nevertheless, some domestic utilities have expressed interest in alternative reactor designs, which could produce electricity at lower cost with greater scalability than current operating reactors. Domestic utilities are developing technologies that can extend the operating lifetimes of existing reactors, and Congress has passed legislation designed to facilitate research, development, and licensing of new reactor technologies. The technical complexity of these initiatives, combined with their experimental nature, has challenged the NRC to adapt its regulatory processes to accommodate technologies that cannot be readily assessed using existing approaches.

Completed Actions

- The NRC held public meetings and issued internal technical guidance pertaining to accident tolerant fuels, digital instrumentation and controls, and advanced reactor designs.
- In August 2020, the NRC completed the final phase of the Design Certification Application (DCA) review for the small modular reactor (SMR) by issuing the Final Safety Evaluation Report (FSER). The FSER represents completion of the technical review and approval of the NuScale SMR design.

Ongoing Actions

- The NRC is conducting a rulemaking to create new emergency preparedness regulations and requirements for small modular reactors and other new technologies such as non-light water reactors.
- The NRC is preparing for a Generic Environmental Impact Statement that will apply to advanced reactors with low power outputs.
- The NRC continues licensing and inspection activities of two AP1000 reactors under construction at Vogtle units 3 and 4 and is revising baseline inspection procedures for AP1000 reactors to better reflect the AP1000's unique design and potentially lower risk profile.
- The NRC is working with utilities and DOE to determine the best path forward to use innovative technologies to monitor key plant parameters remotely and are taking steps that could one day lead to use of artificial intelligence and machine learning to improve performance awareness.

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

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Challenge 5:	*Continuous Improvement Opportunities for Information Technology (IT), Internal IT Security and Information Management*
Why is this a serious management and performance challenge?	Technology continues to advance rapidly. The challenge is supporting a future-ready workforce equipped with modern tools, technologies, skills, and knowledge necessary to meet both current and future mission needs.

The NRC must continue to meet the regulatory and statutory federal mandates for Information Technology/ Information Management (IT/IM). The responsibility of the NRC's IT/IM program is to maintain and enhance services and infrastructure to enable the agency's mission. The NRC must continue to use robust, proactive measures to protect its buildings, personnel, and information from both internal and external threats. The NRC faces evolving cyber threats and challenges with oversight of the protection of operating and decommissioning facilities, use of nuclear materials, sharing of sensitive information, emergency preparedness and incident response.

The NRC requested supplemental appropriations under the Coronavirus Aid, Relief, and Economic Security Act to support remote access, expanded teleworking, and operational and security activities related to coronavirus prevention, preparation, and response. Licensing funds were requested to support increases in mobile and collaborative licensing and telecommunications services. Commodity IT funds were requested to optimize staff productivity (e.g., audio headsets) and availability of replacement parts. Contractor support funds were requested to support increased operational and security activities (e.g., patch management). Re-engineering systems and work processes funds were requested to expand the use of optimized electronic process solutions. Key internal security oversight challenges for the NRC include:

- Patch management in the face of increasing demand for bandwidth
- Increasing numbers, types, and sophistication of cyber threats highlight the need to reinforce IT security
- Directing agency-wide information resource planning to help the agency select and manage IT, information management, and IT security resources to provide maximum value
- Executing the insider threat prevention and detection program to protect classified and safeguards information
- Managing risk-based information security strategies to protect against sophisticated cyber-attacks
- Executing the Federal Information Security Modernization Act of 2014, to strengthen computer network security

Completed Actions

- The NRC transitioned to a Microsoft cloud-based solution so agency-managed IT end-points could directly down-load applications, patches and updates.
- The NRC developed an automated process and online web form to streamline the submission and processing of COVID-19 related exemption requests.

Ongoing Actions

- Staff is investing in HR IT systems and tools to modernize the Agency's core HR business processes and enhance the delivery of critical HR services.
- The NRC is expanding Virtual Private Network Availability.

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

Challenge 6: *Strategic Workforce Planning*

Why is this a serious management and performance challenge?	Strategic workforce planning is critical to the NRC because it will help maintain focus on longer-term workforce development and organizational goals.

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

The NRC's proposed FY 2021 budget is $863.4 million, including 2,868 FTE. The FY 2021 budget has been modified from previous years in order to reflect the changes directed by Public Law 115-439, "Nuclear Energy Innovation and Modernization Act" (NEIMA). Section 102(a)(3)(A) of the NEIMA dictates that the agency has limitations on corporate support costs to the maximum extent practicable.

The NRC faces the challenges of fulfilling the agency mission with mandates on limiting corporate costs and further reductions in staff. These challenges make it clear that effective future workforce planning is even more important.

Completed Actions

•The NRC has completed two of the three recommendations from GAO-17-233, Strategic Human Capital Management: "NRC Could Better Manage its Size and Composition of its Workforce by Further Incorporating Leading Practices". The GAO report addresses strategic human capital management, which is based on the strategic workforce plan.

•The NRC has completed actions to close out all recommendations contained in OIG-19-A-04, Audit of NRC's Early Out/Buyout Program. This audit recommendation involves a solution to the reduction in budget and staffing stemming from Project AIM.

Ongoing Actions

•The NRC is currently working with GAO to resolve actions on the remaining recommendation from GAO-17-233. Although the NRC's SWP process is used to forecast the anticipated workload and associated skill sets needed to perform this work 5 years in the future, it does not establish specific targets. NRC staff continue to be concerned with the ability of SWP to project the workforce size in five-years with a sufficient level of accuracy.

Looking Ahead: The OIG will conduct the audit of NRC's Knowledge Management Program in FY 2021.

Challenge 7:	*NRC and Agreement State Coordination on Oversight of Materials and Waste*
Why is this a serious management and performance challenge?	This challenge involves sustained, high level coordination between the NRC and 39 Agreement States to ensure a consistent understanding and implementation of regulations associated with the oversight of materials and waste.

The NRC is responsible for maintaining an established regulatory framework for the safe and secure use of nuclear materials; medical, industrial, and academic applications; uranium recovery activities; and high-level and low-level radioactive waste. Part of the NRC's regulatory framework includes Agreement States. These are states that have entered into an agreement with the NRC to regulate certain radioactive materials and limited quantities of special nuclear material.

The State must demonstrate that its regulatory program is adequate to protect public health and safety, and the environment, and is compatible with the NRC's program. Currently, with the 2019 addition of Vermont, there are 39 Agreement States. Together, the broad collective effort of the NRC and Agreement States to carry out their respective regulatory programs is called the National Materials Program (NMP).

Recently, the OIG completed an audit focused on the Integrated Materials Performance Evaluation Program (IMPEP). IMPEP ensures uniform nationwide regulation by reviewing the regulatory performance of both the NRC and Agreement States using a common set of performance criteria. The objective was to assess and evaluate the IMPEP program, determine if the program is meeting its stated objectives, and to identify any areas for improvement. The audit identified opportunities for improvement with the development and implementation of detailed guidance relating to how an NRC consolidated IMPEP will function.

Completed NRC Actions

- The NRC completed a revision to procedure SA-600, "Training Selection Process and Criteria for Agreement State Personnel", to more accurately reflect the training selection process and the roles and responsibilities of the parties involved.
- The NRC completed an Agreement State survey on their per diem rate(s) and whether States have a policy that prohibits their staff from receiving travel reimbursement at any rate other than the prescribed State per diem rate, and a cost-benefit analysis of establishing travel expense reimbursements contracts with Agreement States.

Ongoing NRC Actions

- NRC Staff is finalizing existing IMPEP guidance that addresses the organization, structure, and procedures to consistently implement the NRC's consolidated IMPEP Program.

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

Challenge 8:	*Management and Transparency of Financial and Acquisitions Operations*

Why is this a serious management and performance challenge?

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

The NRC is required by the Omnibus Budget Reconciliation Act of 1990 to collect fees totaling approximately 90 percent of its annual budget authority. The NRC is required to establish a schedule of charges that fairly and equitably assesses the fees to license holders and license applicants. Because of the COVID-19 pandemic, the NRC deferred fee billing from April 2020 through June 2020 to mitigate financial impacts on licensees. To improve efficiency, the NRC has initiated projects to improve its fee calculation process and fee billing structure.

The agency requested supplemental funds in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and to maintain transparency, the NRC must continue to implement solid internal controls over financial management and reporting. Sound acquisitions practices are also an important aspect of NRC operations. The agency has continued to promote sound acquisition award practices, improvements in the management of contracts and timely closeout of contracting actions. In addition, the agency must continue to administer their grants program in accordance with the prescribed federal regulations.

Key financial and acquisition challenges include the following:

- Developing and implementing the agency's budget in accordance with federal laws, regulations, and guidelines
- Maintaining a fee structure in accordance with laws and regulations that is fair to agency licensees
- Improving controls over license fee billing
- Reporting to the Pandemic Response Accountability Committee on CARES Act funds
- Maintaining effective controls over financial reporting, contracts, and grants
- Continuing to explore ways to improve the award, management and timely closeout of acquisition actions

Completed Actions

- The NRC implemented a new fee billing validation process.
- The NRC completed corrective actions related to previous OIG audits affecting the agency's grants program.

Ongoing Actions

- The NRC is addressing non-compliance and false compliance with the New Fee Billing Validation Process.
- The NRC is continuing to pursue various internal control efforts in accordance with federal internal control guidelines that involve agency management and promote sound financial management.

Looking ahead: The OIG is continuing efforts to analyze the agency's financial and budgeting information, as well as the agency's contract administration and grants award actions.

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TO REPORT FRAUD, WASTE, OR ABUSE

Please Contact:

Email:	Online Form
Telephone:	1-800-233-3497
TTY/TDD:	7-1-1, or 1-800-201-7165
Address:	U.S. Nuclear Regulatory Commission Office of the Inspector General Hotline Program Mail Stop O5-E13 11555 Rockville Pike Rockville, MD 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.

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Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit for FY 2020					
Audit Opinion	Unmodified opinion on the financial statements and adverse opinion on internal controls over financial reporting as a result of the material weakness in the Auditors' report. NRC assessed the material weakness reported by the auditor to be a significant deficiency and not required to be reported in its FMFIA assurance statement. NRC's conclusion was based on the results of its evaluation of the agency's overall system of internal control and enterprise risk management procedures performed. NRC will continue to take corrective action to strengthen controls in this area.				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Controls over Leases/Leasehold Improvements	0	1	0	0	1
Total Material Weaknesses	0	1	0	0	1

Summary of Management Assurances for FY 2020						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal systems conform to financial management system requirements					
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Non-conformances	0	0	0	0	0	0

Compliance with Section 803 (a) of the *Federal Financial Management Improvement Act* (FFMIA)		
	Agency	**Auditor**
1. Federal Financial Management Systems Requirements	No Lack of Compliance Noted	No Lack of Compliance Noted
2. Applicable Federal Accounting Standards	No Lack of Compliance Noted	No Lack of Compliance Noted
3. United States Standard General Ledger at the Transaction Level	No Lack of Compliance Noted	No Lack of Compliance Noted

Payment Integrity

Risk Assessment

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

The NRC performed a risk assessment as of September 30, 2020. Management identified commercial payments, grant payments, employee payments, payroll, and Government charge cards as potential areas to include in the IPIA risk assessment. In FY 2020, the NRC reviewed FY 2019 disbursements of selected programs to determine the appropriate threshold to conduct a risk assessment and possible testing. For FY 2019, total commercial payments were $194.8 million; total grants payments were $16.3 million; total employee payments were $12.9 million; total payroll payments were $428.0 million; total purchase cards were $2 million; and travel cards were $4.8 million.

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

The results of the FY 2020 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2020 risk assessment identified programs as low risk, the NRC continues to monitor its payment processes, in addition to conducting periodic reviews of key controls for IPIA programs identified by management. The NRC will continue to conduct risk assessments on a triennial basis, in accordance with the IPIA, as amended by IPERA, IPERIA and PIIA, as well as, OMB guidance. The next IPIA risk assessment will take place in FY 2023. In addition, the NRC will conduct risk assessments, as needed, if there are material changes in the way programs operate or if the Agency establishes new programs. More detailed information on improper payments can be found at https://paymentaccuracy.gov.

Recapture of Improper Payments Reporting

As noted above, the NRC conducted a risk assessment in FY 2020 and discovered no improper payments. Based on no improper payments at the NRC and the substantial cost of conducting recapture audits, the Agency determined that recovery or recapture audits are not cost effective. The NRC conducts risk assessments every 3 years as required by IPERIA.

Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

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

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

Fraud Reduction Report

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

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

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

- Pursuant to the requirements established in OMB Circular A-123, NRC has implemented an ERM. Through this framework, the NRC conducts quarterly enterprise risk assessments, including an assessment of fraud risk within the NRC operational activities. In FY 2013, OCFO's Internal Control Team updated the Agency's Internal Control Framework, which included conducting facilitated risk assessments with each of the NRC's business lines to identify programmatic and cross- cutting risks. The cross-cutting risks identified during these risk assessments became the initial baseline ERM risks. As part of the ERM Framework, beginning in FY 2017, the Agency transformed its quarterly performance review process into its current ERM risk analysis process.

- NRC's Internal Control Program, as required by the Integrity Act, includes Internal Control Planning where the Business Line Internal Control Plans are formally and independently reviewed by OCFO's Internal Control Team on a quarterly basis. At a summary level, this review centers on the relatively high-risk areas including those that have recently been affected by changes or are perceived to have the potential for fraud, waste, or abuse.

- The NRC consistently adheres to the requirements of OMB Circular A-123, Appendix A (reporting processes), Appendix B (purchase cards), and triennial implementation of Appendix C (improper payments). As the NRC has previously determined and documented that it is at low risk of improper payments, it performs a risk assessment every 3 years to determine whether there is sufficient risk to apply additional IPERIA requirements. The FY 2020 risk assessment confirmed that the NRC remains at low risk with regard to improper payments, including those that would arise from fraud.

- The NRC uses analytical tools to monitor and manage the NRC's issued travel charge cards, including an automated comparison of travel charges against the eTravel System, a creditworthiness check that will result in reduced credit limits for those with lower credit scores, and the analysis of Merchant Category Codes so that the NRC travel cards may not be used at inappropriate locations.

- The NRC's operational units conduct self-assessments and a variety of other reviews to measure their effectiveness and efficiency and validate that fraud, waste, and abuse are minimized.

Real Property

The NRC's end of fiscal year (FY) 2020 real property portfolio comprises a total of approximately 992,000 usable square feet (USF), which represents a reduction of approximately 87,000 USF from the FY 2019 end of year portfolio. The Agency plans on releasing an additional 141,000 USF from FY 2021 through FY 2023. The square footage to be released is 40,000 USF greater than the previously reported reductions due anticipated reductions in Region 3 (as a result of a new, smaller footprint lease) and the application of updated estimates and actual measurements.

NRC is well into the process of implementing its space reduction strategy of releasing a total of approximately 271,000 USF of office and warehouse space (including FY 2019 reductions), at its Rockville, MD, headquarters and four regional office locations. The plan (updated annually and periodically) reduces the total portfolio from 1.134M USF in FY 2018 to approximately 0.863M USF by FY 2024. This will represent a reduction of over 24% of NRC's real property portfolio over the five-year period of FY 2019 through FY 2024. Once complete, the reductions are anticipated to save the Agency $9.2M million in annual rent and related costs. NRC does not own or lease real property, and therefore does not report expenses on owned and direct lease facilities. The Agency does however have delegated authority to operate and maintain two of its office locations in Rockville, MD. https://www.gsa.gov/policy-regulations/policy/real-property-policy/asset-management/federal-real-property-profile-frpp/federal-real-property-public-data-set

Civil Monetary Penalty Adjustment for Inflation

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

As displayed in the table below, the NRC annually adjusts two civil penalty amounts for inflation, most recently on January 15, 2020. With respect to civil penalties for violations of the *Atomic Energy Act of 1954*, as amended, the NRC codifies the maximum civil penalty amount at 10 CFR 2.205, "Civil Penalties," although individual penalties are assessed based on the class of licensee and severity of violation in accordance with the NRC Enforcement Policy (available at https://www.nrc.gov/docs/ML1935/ML19352E921.pdf). With respect to monetary penalties under the *Program Fraud Civil Remedies Act*, the NRC codifies the maximum penalty amount at 10 CFR 13.3, "Basis for Civil Penalties and Assessments."

Penalty (Name of Penalty)	Statutory Authority	Year Enacted	Date of Current Adjustment	Current Penalty Level	Location for Penalty Update Details
Maximum civil penalty for violations of the *Atomic Energy Act*	*Atomic Energy Act of 1954*, as amended (42 U.S.C. 2282)	1980	January 2020)	$303,471	*Federal Register*; 85 FR 2281 (January 15, 2020) as corrected by 85 FR 9661 (February 20, 2020
Fraudulent false claims and statements	*Program Fraud Civil Remedies Act* (31 U.S.C. 3802)	1986	January 2020	$11,665	*Federal Register*; 85 FR 2281 (January 15, 2020)

Grants Oversight and New Efficiency Act Requirements

Category	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	11	17	-
Number of Grants/Cooperative Agreements with Undisbursed Dollar Balances	13	7	1
Total Amount of Undisbursed Balances	$214,094.26	175,545.03	$12,500.00

The NRC has 49 grants that expired before September 30, 2018, all of which are in the process of being closed out. Delays in grant closeouts occurred primarily during FY 2019 and FY 2020 as a result of allocating resources to higher priority operational activities. The NRC has created a grants closeout plan that includes measurable metrics for deobligation of funds and procedures for identifying and closing expired grants. Adherence to this plan will help to decrease the amount of older grants that have not yet been closed.

Acronyms and Abbreviations

Acronym	
3WFN	Three White Flint North
10 CFR	Title 10 of *the Code of Federal Regulations*
AFR	Agency Financial Report
AO	abnormal occurrence
BCC	Broker Commission Credits
CARES Act	Coronavirus Aid, Relief, and Economic Security Act, 2020
CFO	Chief Financial Officer
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
COVID-19	coronavirus disease 2019
CSRS	Civil Service Retirement System
DATA Act	Digital Accountability and Transparency Act of 2014
DM&R	Deferred maintenance and repairs
DNFSB	Defense Nuclear Facilities Safety Board
DOL	U.S. Department of Labor
ECERM	Executive Committee on Enterprise Risk Management
ERM	Enterprise Risk Management
FAIMIS	Financial Accounting and Integrated Management Information System
FASAB	Federal Accounting Standards Advisory Board
FDA	U.S. Food and Drug Administration
FECA	Federal Employees Compensation Act of 1993
FERS	Federal Employees Retirement System
FERS-RAE	Federal Employees Retirement System-Revised Annuity Employees
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
FR	*Federal Register*
FTE	full-time equivalent
FY	fiscal year
GAAP	generally accepted accounting principles
GAO	U.S. Government Accountability Office
GSA	U.S. General Services Administration
IPERA	Improper Payments Elimination and Recovery Act of 2010

Acronym	
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act of 2002
IT	information technology
NEIMA	Nuclear Energy Innovation and Modernization Act
NIH	National Institutes of Health
NRC	U.S. Nuclear Regulatory Commission
NUREG	Nuclear Regulatory Commission document identifier
NWF	Nuclear Waste Fund
OBRA-90	Omnibus Budget Reconciliation Act of 1990
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PIIA	Payment Integrity Information Act of 2019
PP&E	property, plant, and equipment
RPA	Robotic Process Automation team
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SFFAS	Statement of Federal Financial Accounting Standards
Treasury	U.S. Department of the Treasury
TTC	Technical Training Center
UF_6	uranium hexafluoride
UO_2	uranium dioxide
U.S.C.	United States Code
USF	usable square feet

NRC FORM 335
(12-2010)
NRCMD 3.7

U.S. NUCLEAR REGULATORY COMMISSION

BIBLIOGRAPHIC DATA SHEET

(See instructions on the reverse)

1. REPORT NUMBER
(Assigned by NRC, Add Vol., Supp., Rev., and Addendum Numbers, if any.)

NUREG-2220, Vol. 4

2. TITLE AND SUBTITLE

U.S Nuclear Regulatory Commission
Fiscal Year 2020
Agency Financial Report

3. DATE REPORT PUBLISHED

MONTH: November
YEAR: 2020

4. FIN OR GRANT NUMBER

5. AUTHOR(S)

Patrice Williams-Johnson, Rosalyn Jones, Susan Jones, et al

6. TYPE OF REPORT

Annual

7. PERIOD COVERED (Inclusive Dates)

Fiscal Year 2020

8. PERFORMING ORGANIZATION - NAME AND ADDRESS (If NRC, provide Division, Office or Region, U. S. Nuclear Regulatory Commission, and mailing address; if contractor, provide name and mailing address.)

Division of the Comptroller
Office of the Chief Financial Officer
U.S Nuclear Regulatory Commission
Washington, DC 20555-0001

9. SPONSORING ORGANIZATION - NAME AND ADDRESS (If NRC, type "Same as above", if contractor, provide NRC Division, Office or Region, U. S. Nuclear Regulatory Commission, and mailing address.)

Same as above

10. SUPPLEMENTARY NOTES

11. ABSTRACT (200 words or less)

The Fiscal Year 2020 Agency Financial Report (AFR) presents the agency's financial results of operations which includes the audited annual financial statements of the NRC. The AFR also provides a summary of NRC program performance and cost. The information is presented in accordance with applicable statutes and OMB requirements in OMB Circular A-136, Financial Reporting Requirements.

12. KEY WORDS/DESCRIPTORS (List words or phrases that will assist researchers in locating the report.)

Agency Financial Report (AFR) Fiscal Year (FY) 2020

13. AVAILABILITY STATEMENT

unlimited

14. SECURITY CLASSIFICATION

(This Page)
unclassified

(This Report)
unclassified

15. NUMBER OF PAGES

16. PRICE

United States
Nuclear Regulatory Commission
NUREG-2220, Vol. 4
November 2020