U.S.NRC

United States Nuclear Regulatory Commission

Protecting People and the Environment

Fiscal Year 2021

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 2021, which covers the period from October 1, 2020, to September 30, 2021. 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 2021 financial statement analysis.

- **Chapter 2: Financial Statements and Auditors' Report**
  This chapter contains details on the NRC's finances for FY 2021. 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 2022 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. At the end of FY 2021, two of the five Commissioner positions were vacant.

Chairman Christopher T. Hanson

Commissioner Jeff Baran

Commissioner David A. Wright

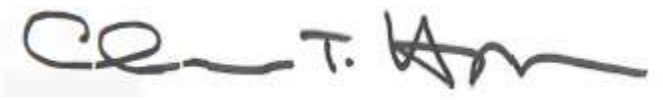
A Message from the Chairman

The U.S. Nuclear Regulatory Commission (NRC) is pleased to present its fiscal year 2021 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 2021. The AFR is available at https://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. Based on assessments the agency conducted consistent with the *Federal Managers' Financial Integrity Act of 1982* (Integrity Act), I have concluded 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 FY 2021 AFR includes the results of the independent audit of the NRC's FY 2021 financial statements, which I am pleased to announce is an unmodified opinion. The audit does include a material weakness to management controls over financial reporting and a significant deficiency due to management controls over user accounts. The NRC will continue to take corrective actions and 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.



Christopher T. Hanson
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 the agency's 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 with 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

U.S.NRC
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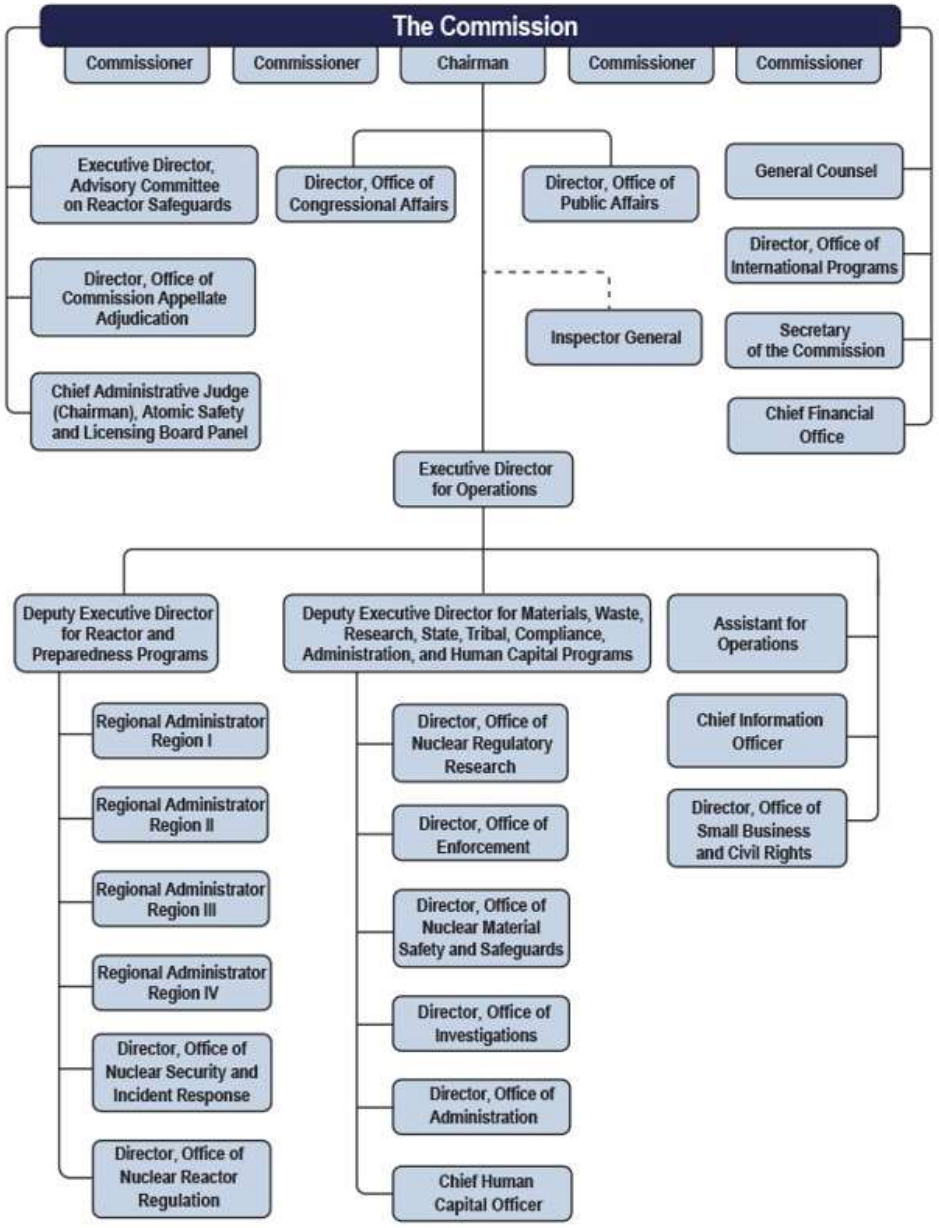
Protecting People and the Environment
October 2021

NRC ORGANIZATION CHART



Note: For the most recent information, go to the NRC Organization Chart at https://www.nrc.gov/about-nrc/organization.html.

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 93 commercial nuclear power reactors operating in 28 states at 55 sites; 31 research and test reactors; 25 nuclear reactors in various stages of decommissioning; 81 independent spent fuel storage installations; 9 licensed fuel cycle facilities; 3 uranium recovery sites; and nearly 2,200 licenses for medical, academic, industrial, and general uses of nuclear materials. The agency conducts approximately 600 to 800 safety and security 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 more than 16,000 licenses. 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 4. 3 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.

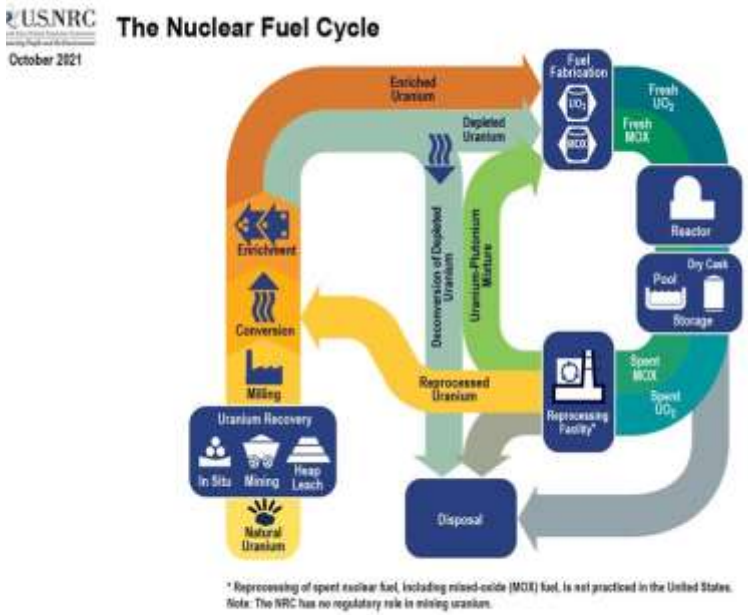


Figure 2 The Nuclear Fuel Cycle

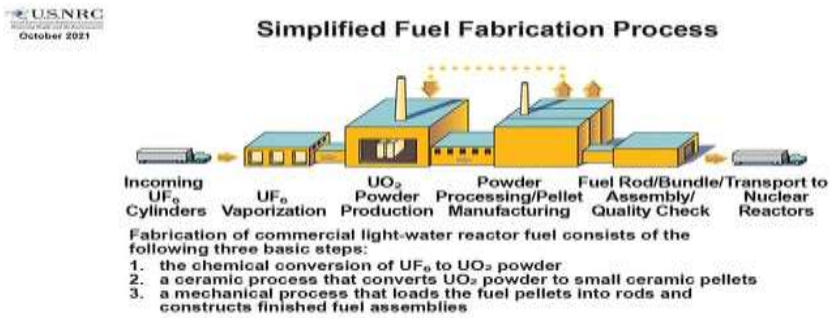


Figure 3 Simplified Fuel Fabrication Process

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.

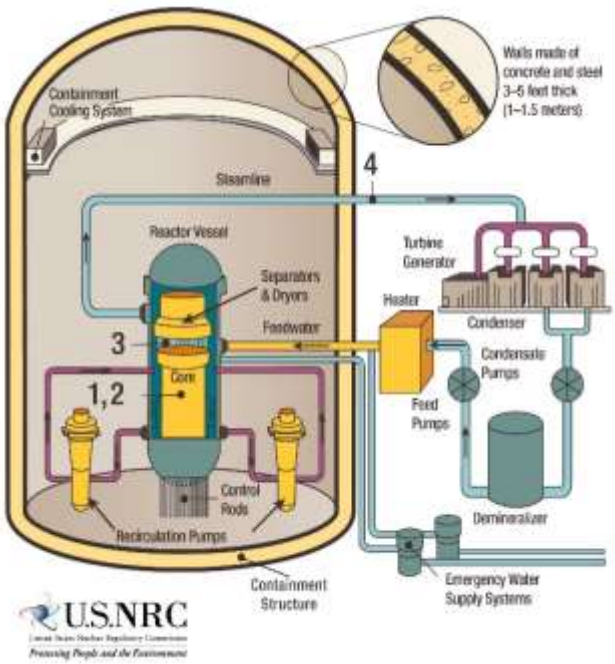


Figure 4 The Boiling-Water Reactor

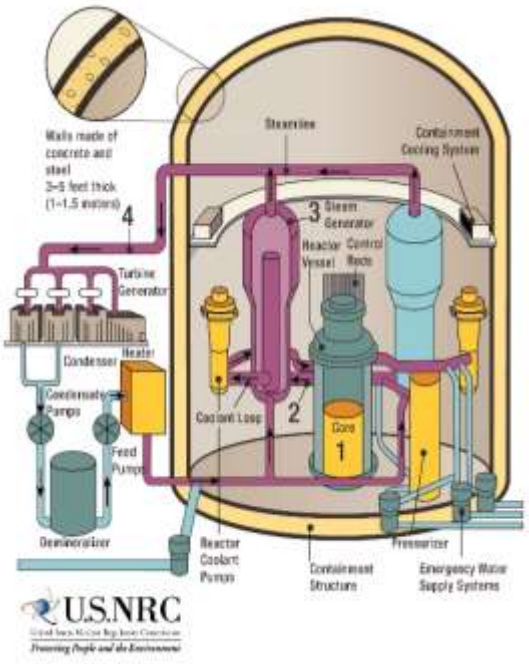


Figure 5 The Pressurized-Water Reactor

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. COVID-19 has had minimum effect on NRC (i.e., increased telework). 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 2021, the NRC received total appropriations of $844.4 million, which included $830.9 million for the Salaries and Expenses appropriation and $13.5 million for the OIG. The NRC's Salaries and Expenses appropriation decreased $14.6 million compared to the prior-year. The appropriation for the OIG decreased by $0.1 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, 2022. 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 2021 and FY 2022) through September 30, 2022. 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 2021 was $982.7 million and included $844.4 million for current year appropriations, $109.7 million from prior-year appropriations, $22.5 million from recoveries of prior-year obligations, and $6.1 million spending authority from offsetting collections. Funds available to obligate in FY 2021 increased from the FY 2020 amount of $969.8 million by $12.0 million, primarily as a result of a decrease of $14.7 million in appropriations, offset by increase of $22.6 million in unobligated balances from prior-year budget authority, increase of $4.3 million in recoveries of prior-year obligations, and a decrease of $0.2 million in spending authority from offsetting collections.

Table 1 Total Budget Authority *(IN MILLIONS)*

For the fiscal years ended September 30,	2021	2020	Inc/(Dec)
Appropriations			
Salaries and Expenses	**$830.9**	$845.5	$(14.6)
Office of the Inspector General	**13.5**	13.6	(0.1)
Total Appropriations	**844.4**	859.1	(14.7)
Other Budget Authority			
Unobligated balance from prior-year budget authority, brought forward October 1	**109.7**	87.1	22.6
Recoveries of prior-year obligations	**22.5**	18.2	4.3
Spending Authority from Offsetting Collections	**6.1**	6.3	(0.2)
Total Other Budget Authority	**138.3**	111.6	26.7
Total NRC Budget Authority	**$982.7**	$969.8	$12.0

Fee Collection Offset of Appropriations

Nuclear Energy Innovation and Modernization Act (NEIMA), which, beginning with FY 2021, requires the NRC to recover, to the maximum extent practicable, approximately 100 percent of its annual budget less certain amounts excluded from this fee recovery requirement. 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,	2021	2020	Inc/(Dec)
Reactor Fees Collected	**$645.0**	$639.2	$5.8
Materials Fees Collected	**69.6**	65.8	3.8
Nuclear Waste Fund	**0**	0	0
Treasury General Fund	**129.8**	154.1	(24.3)
Total Sources of Funds	**$844.4**	$859.1	$(14.7)

In FY 2021, the NRC collected and transferred fees of $714.6 million to the Treasury and the net received from the Treasury general fund was $129.8 million (see Table 2). The fees collected during FY 2020 and transferred to the Treasury totaled $705.0 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 2021 financial statements and identified a material weakness over management controls over financial reporting and a significant deficiency over user account management controls for users with access to NRC financial data, for the FY ending 2021. 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 3 Key Measures (*IN MILLIONS*)

For the fiscal years ended September 30,	FY 2021	FY 2020	Inc/(Dec)	%
Assets:				
Fund Balance with Treasury	$376.8	$390.7	**$(13.9)**	**(3.6%)**
Accounts Receivable, Net	64.7	70.7	**(6.0)**	**(8.5%)**
Advances and Prepayments	3.8	5.1	**(1.3)**	**(25.5%)**
Property & Equipment, Net	37.1	46.7	**(9.6)**	**(20.6%)**
Total Assets	**$482.4**	**$513.2**	**$(30.8)**	**(6.0%)**
Liabilities:				
Accounts Payable	$29.7	$33.3	**$(3.6)**	**(10.8%)**
Federal Employee Benefits	4.1	4.6	**(0.5)**	**(10.9%)**
Other Liabilities	93.5	94.6	**(1.1)**	**(1.2%)**
Total Liabilities	**$127.3**	**$132.5**	**$(5.2)**	**(3.9%)**
Net Position (Assets minus Liabilities)	**$355.1**	**$380.7**	**$(25.6)**	**(6.7%)**
COST BY PROGRAMS				
Nuclear Reactor Safety	$692.8	$723.0	$(30.2)	**(4.2%)**
Nuclear Materials and Waste Safety	201.4	204.6	(3.3)	**(1.6%)**
LESS: Earned Revenue (License Fees)	**711.9**	**715.7**	**(3.8)**	**(0.5%)**
Net Cost of Operations	**$182.2**	**$211.9**	**$(29.7)**	**(14.0%)**
COST BY STRATEGIC GOALS				
Safety	$855.5	$884.0	**$(28.5)**	**(3.2%)**
Security	38.6	43.6	**(5.0)**	**(11.5%)**
LESS: Earned Revenue (License Fees)	**711.9**	**715.7**	**(3.8)**	**(0.5%)**
Net Cost of Operations	**$182.2**	**$211.9**	**$(29.7)**	**(14.0%)**

Analysis of the Balance Sheet

Assets. The NRC's total assets were $482.4 million as of September 30, 2021, representing a decrease of $30.8 million from the fiscal year ended September 30, 2020. Changes in major categories include decreases of $13.9 million in the Fund Balance with Treasury, $0.3 million in Intragovernmental Accounts Receivable, $5.7 million in With the Public Accounts Receivable, $1.3 million in Advances and Prepayments, and $9.6 million in Property and Equipment, net.

The Fund Balance with Treasury was $376.8 million as of September 30, 2021, which accounts for 78 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.

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, 2021, Accounts Receivable, Net was $64.7 million, which includes an offsetting allowance for doubtful accounts of $2.8 million. This represents a net decrease in Accounts Receivable, net of $6.0 million from the FY 2020 amount of $70.7 million. The decrease is primarily due to reductions in intragovernmental billed fees receivable of $0.3 million and billed fees receivable of $13.0 million offset by increases in unbilled fees receivable of $6.2 million and miscellaneous receivables with the public of $0.3 million. In addition, there was a decrease in the allowance of doubtful accounts of $0.8 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 2021, Property and Equipment, Net was $37.1 million, a $9.6 million decrease from the FY 2020 amount of $46.7 million. The decrease primarily results from the amortization expense of $1.6 million recognized on equipment and the removal from the NRC books of $2.4 million of Leasehold Improvement projects and $10.5 million of ADP Internal Use Software and $1.5 million depreciation expense for equipment; offset by an increase from amortization expense of $5.9 million of ADP Internal Use Software.

Liabilities. Total Liabilities were $127.3 million as of September 30, 2021, representing a decrease of $5.2 million from the FY 2020 balance of $132.5 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 $60.2 million for FY 2021, compared to $60.3 million for end of FY 2020, a $0.1 million decrease. For FY 2021, the liabilities not covered by budgetary resources represent 47 percent of Total Liabilities and include $49.2 million in unfunded accrued annual leave that has been earned but not yet taken, $4.1 million as an actuarial estimate of accrued future workers' compensation expenses included in

Federal employee benefits, $0.9 million in accrued workers' compensation included in Other Liabilities, and a $5.7 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 $355.1 million as of September 30, 2021, a decrease of $25.6 million from the FY 2020 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 2021 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, 2021, was $182.2 million, representing a decrease of $29.7 million compared to the FY 2020 net cost of $211.9 million. This represents a decrease in gross costs of $33.5 million and a decrease in earned revenue of $3.8 million.

Gross Cost. The NRC's total gross costs were $894.1 million for FY 2021, a decrease of $33.5 million from the prior-year amount of $927.6 million. The gross costs in FY 2021 for the Nuclear Reactor Safety program were $692.8 million compared to FY 2020 gross costs of $723.0 million, a decrease of $30.2 million. The gross costs in FY 2021 for the Nuclear Materials and Waste Safety program were $201.3 million compared to FY 2020 gross costs of $204.6 million, a decrease of $3.3 million. Thus, the gross cost of both programs decreased a total of $33.5 million. The decrease is due to reductions in travel and transportation costs of $4.1 million, rent, telecommunications, and utilities of $3.7 million, and property and equipment of $11.7 million, and grants of $3.9 million, and contract support of $12.8 million offset by an increase in employee and salaries and benefits of $2.7 million. The gross cost of $894.1 million as incurred by the NRC's goals of Safety and Security were $855.5 million for the Safety goal and $38.6 million for the Security goal.

Earned Revenue. Total earned revenue for FY 2021 was $711.9 million, a decrease of $3.8 million from the FY 2020 earned revenue of $715.7 million. Revenue for the Nuclear Reactor Safety program in FY 2021 was $644.9 million compared to $644.7 million in FY 2020, an increase of $0.2 million. Revenue from the Nuclear Materials and Waste Safety program in FY 2021 was $67.0 million compared to $71.0 million in FY 2020, a decrease of $4.0 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 100 percent of its annual budget, less certain amounts excluded from this fee recovery requirement, 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 2021, the NRC had a decrease in Net Position of $25.6 million resulting from a decrease in Cumulative Results of Operations of $15.1 million, and $10.5 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 2021 Unexpended Appropriations of $10.5 million resulted from a decrease in the beginning balance of $25.2 million and $25.0 million appropriations received, net of license fees collected and a decrease of $39.5 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 2021 of $844. 4 million, reduced by current year license fee collections of $714.9 million, as compared to appropriations received in FY 2020 of $859.2 million, reduced by FY 2020 license fee collections of $704.3 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 2021, the Total Budgetary Resources of $960.1 million were available. This was $7.5 million more than the $952.6 million available for FY 2020. The major component contributing to the decrease in Total Budgetary Resources resulted from a $14.8 million decrease in appropriations, offset by an increase of $22.6 million in the beginning unobligated balance brought forward, net on October 1, and a decrease of $0.3 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 2021 were $883.1 million, an increase of $17.9 million from the prior year amount of $865.2 million. The increase was due to reductions in grants $3.9 million; travel $4.1 million; rent, telecommunications, and utilities of $3.7 million; $11.7 million for property and equipment; and contract support for $12.8 million; offset by an increase in employee salaries and benefits of $2.7 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 2021 was $77.1 million, compared to $87.3 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 decrease of $10.2 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 theconformance of financial systems with Government-wide standards.

Enterprise Risk Management and Programmatic Internal Control

Enterprise Risk Management (ERM) provides an enterprise-wide, strategically-aligned portfolioview 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 which is Management Directive 4.4, Enterprise Risk Management and Internal Control

- **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 applying** the agency's "Be RiskSMART" initiative which generalizes existing risk-informed decision-making concepts to make them more broadly applicable to any decision made at the NRC (see Figure 7)
- **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 right to left: 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.

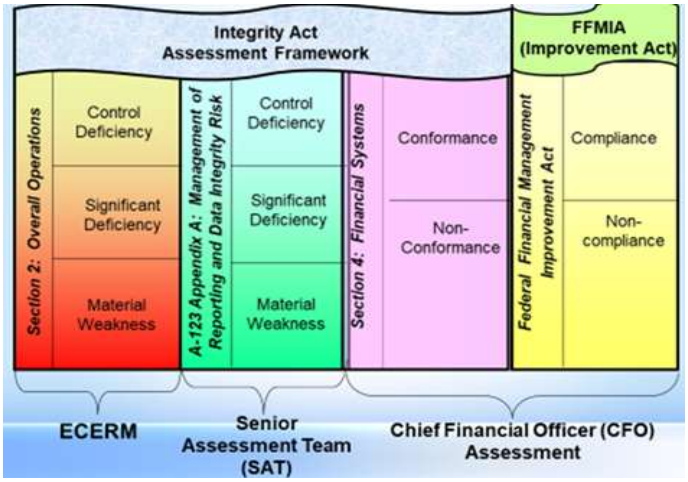


Figure 6
The NRC's FMFIA Governance Framework

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 8).

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, 2021, 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.

Figure 7 Transforming the NRC

U.S. NUCLEAR REGULATORY COMMISSION
FISCAL YEAR 2021
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

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

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 Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control (Circular 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, 2021.

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 Circular A-123. Based on the results of the evaluation, the NRC can provide reasonable assurance of internal control over reporting as of September 30, 2021.

The Agency's independent auditor issued an unmodified opinion on the NRC's Fiscal Year 2021 financial statements. However, two exceptions in NRC's internal controls were reported, including a material weakness for lack of appropriate management controls over financial reporting and a significant deficiency for lack of user account management controls for users with access to NRC financial data. 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 Circular A-123 guidance, the Chief Financial Officer reviewed audit reports and other sources of information, and as of September 30, 2021, 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.

Christopher T. Hanson
Chairman
U.S. Nuclear Regulatory Commission
December 8, 2021

Figure 8 FY 2021 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, the NRC can provide reasonable assurance that its internal control over reporting as of September 30, 2021, was operating effectively, and no material weaknesses were found in the design or operation of the internal control over reporting.

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 OCFO, NRC's Travel Charge Card Management Plan was last updated in January 2020. NRC has reviewed the Purchase and Travel Card programs for compliance withthe 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 accordance with the Payment Integrity Information Act of 2019 (PIIA) the NRC conducts a risk assessment to determine whether any programs were susceptible to making significant improper payments on a triennial basis. The NRC conducted the latest risk assessment in FY 2021.

The FY 2021 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2021 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 PIIA programs identified by management. The NRC will continue to conduct a risk assessment on a triennial basis, in accordance with PIIA and OMB guidance. The next NRC PIIA 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 September 2021, the CFO has entered the planning phase for system and business implementation of the April 2022 GSA Unique Entity Identifier (UEI) mandate and October 2022 Treasury G-Invoicing mandate. The agency's core financial system, Financial Accounting and Integrated Management Information System (FAIMIS) will complete a system upgrade by the end of 2nd quarter FY 2022 to incorporate UEI and G-Invoicing functionality into NRC Financial Management business processes.

The CFO reviewed audit reports and other sources of information and, as of September 30, 2021, can provide reasonable assurance that NRC's financial systems substantially comply with applicable Federal accounting standards as required by the Improvement Act.

Digital Accountability and Transparency Act (DATA Act) of 2014

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

- **Establish Government-wide data standards** for financial data and provide consistent, reliable, and searchable Government-wide 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 completed and considered closed. At the time of this report, the DATA Act audit for FY 2021 is concluding and final results and recommendations are not yet available.

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. Also, NRC submitted and published monthly files which were certified on a quarterly basis.

Financial Management Systems Strategies

The OCFO Robotic Process Automation (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 2022.

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 2021, the NRC paid 98.59 percent of the 5,029 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 2021, delinquent debt was $4.5 million or less than 1 percent of annual billings.

The NRC was able to refer 99.76 percent of all eligible debt over 180 days delinquent to the Treasury for collection and 100 percent over 120 days old in accordance with the DATA Act. In addition, the NRC met the collections requirements of NEIMA which requires the agency to recover through fees approximately 100 percent of its annual budget, less certain amounts excluded from this fee recovery requirement, 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 2021:

- Small Materials – Completed February 2021
- Import and Export Licenses – Completed February 2021
- Administrative Charges for Criminal History Checks – Completed September 2021
- Administrative Charges for Delinquent Debt – Completed September 2021
- U.S. Navy Review Services – Completed September 2021
- Fees for the Public Use of the Auditorium – Completed September 2021
- Fees for Information Access and Materials Access Authorization Programs – Completed September 2021

On June 16, 2021, 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. These amendments are necessary to implement NEIMA, which, beginning with FY 2021, requires the NRC to recover, to the maximum extent practicable, approximately 100 percent of its annual budget less certain amounts excluded from this fee recovery requirement.

The FY 2021 rule can be found at https://www.federalregister.gov/documents/2021/06/16/2021-12546/revision-of-fee-schedules-fee-recovery-for-fiscal-year-2021

By law, the following appropriated amounts are excluded from the fee-recovery requirement: any type of fee-relief activity as identified by the Commission, generic homeland security activities, waste incidental to reprocessing activities, Nuclear Waste Fund (NWF) activities, advanced reactor regulatory infrastructure activities, Inspector General services for the DNFSB, 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, research and development at universities in areas relevant to the NRC's mission, and a nuclear science and engineering grant program.

Based on the Consolidated Appropriations Act, 2021, the final rule reflects a budget authority in the amount of $844.4 million. After accounting for the fee-recovery exclusions and net billing adjustments, the NRC must recover approximately $721.4 million in fees in FY 2021.

Additionally, to comply with the Congressional Review Act concerning 60 days, on August 13th NRC issued a correction to the final rule in the FR, amending the effective date from August 16, 2021 to August 20, 2021. This rule can be found at:

https://www.federalregister.gov/documents/2021/08/13/2021-17399/revision-of-fee-schedules-fee-recovery-for-fiscal-year-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: https://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 2021 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. 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 2021, 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 2021. Table 4 shows the outcomes for the last 5 years (FY 2017-FY 2021). The cost of achieving the agency's Safety goal in FY 2021 was $855.5 million.

Grey Water Pond at Palo Verde

Safety Performance Indicators: FY 2017–2021

Table 4 FY 2017–2021 Safety Performance Indicators

Goal–Safety: Ensure the Safe Use of Radioactive Materials

1. Prevent radiation exposures that significantly exceed regulatory limits.

Business Line	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	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	0	≤ 3	1	≤ 3	1	≤ 3	2	≤ 3	0

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

Business Line	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	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 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	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 plant (operating or under construction) that are of high safety significance.

Business Line	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	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 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
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

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 2021, there were no radiation exposures that exceeded AO criteria 1. A. 1.

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 2021, 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 2021.

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 2021.

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 2021.

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 radioactive materials are protected against threats 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 threats from either damaging a nuclear facility in such a way that a significant release of radioactive material 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 2021, 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 2021. Table 5 shows the outcomes from FY 2017–FY 2021. The cost of achieving the agency's Security goal was $38.6 million in FY 2021.

Security Performance Indicators: FY 2017–2021

Table 5 FY 2017–2021 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 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
All Business Lines	0	0	0	0	0	1*	0	0	0	0

*In 2019, an NRC Agreement State reported the theft of three industrial radiography cameras that were recovered by law enforcement within hours (Event Number: 54033).

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

Business Line	FY 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	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 2017		FY 2018		FY 2019		FY 2020		FY 2021	
	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 2021.

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 2021, 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 2021.

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/.


NUCLEAR REGULATORY

Chapter 2: Financial Statements and Auditors' Report

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 2021 financial statements and identified a material weakness due to a lack of appropriate management controls over financial reporting and a significant deficiency in the oversight of the user account management controls for users with access to financial data. 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 NRC implemented Section 102(e) of Public Law 115-439, "Nuclear Energy Innovation and Modernization Act" (NEIMA) in FY 2021, which excludes additional amounts from the funding the NRC must recover through fees, including research and development at universities; directs the NRC to collect fees equal to its budget authority, less excluded amounts; limits NRC's spending on corporate support costs; and places a cap on the amount of the annual fee that may be charged to an operating reactor, which the NRC may waive if the cap compromises the NRC's safety and security mission. In addition, the NRC implemented processes to ensure accurate invoicing and expanded resource tools to enhance and transform the agency's approach to the planning and execution of budget, contracts, and workforce.

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.

Cherish K. Johnson

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Date: 2021.12.08 15:59:42 -05'00'

Cherish K. Johnson
Chief Financial Officer

Consolidated Balance Sheets *(IN THOUSANDS)*

As of September 30,	2021	2020
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	**$ 376,798**	$ 390,731
Accounts receivable, net (Note 3)	**2,940**	3,211
Advances and prepayments	**3,818**	4,950
Total intragovernmental	**383,556**	398,892
With the public		
Accounts receivable, net (Note 3)	**61,725**	67,485
General Property and equipment, net (Note 4)	**37,106**	46,764
Advances and prepayments	**25**	76
Total with the public	**98,856**	114,325
Total Assets	**$ 482,412**	$ 513,217
Liabilities		
Intragovernmental		
Accounts payable	**$ 7,548**	$ 9,199
Other liabilities (Note 5)	**13,342**	12,734
Total intragovernmental	**20,890**	21,933
With the public		
Accounts payable	**22,132**	24,113
Federal employee benefits payable (Note 6)	**4,129**	4,607
Other liabilities (Note 5)	**80,193**	81,890
Total with the public	**106,454**	110,610
Total Liabilities	**127,344**	132,543
Net Position		
Unexpended appropriations	**305,238**	315,755
Cumulative results of operations (Note 8)	**49,830**	64,919
Total Net Position	**355,068**	380,674
Total Liabilities and Net Position	**$ 482,412**	$ 513,217

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

Consolidated Statements of Net Cost *(IN THOUSANDS)*

For the years ended September 30,	2021	2020
Nuclear Reactor Safety		
Gross costs	**$ 692,771**	$ 723,021
Less: Earned revenue	**(644,864)**	(644,719)
Net Cost of Nuclear Reactor Safety (Note 9)	**47,907**	78,302
Nuclear Materials and Waste Safety		
Gross costs	**201,368**	204,585
Less: Earned revenue	**(67,038)**	(70,966)
Total Net Cost of Nuclear Materials and Waste Safety (Note 9)	**134,330**	133,619
Net Cost of Operations	**$ 182,237**	$ 211,921

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

Consolidated Statements of Changes in Net Position *(IN THOUSANDS)*

For the years ended September 30,	2021	2020
Unexpended Appropriations		
Beginning Balance	**$ 315,755**	$ 340,983
Appropriations received	**129,813**	154,852
Other adjustments	**(181)**	(438)
Appropriations used (Note 11)	**(140,149)**	(179,642)
Net Change in Unexpended Appropriations	**(10,517)**	(25,228)
Total Unexpended Appropriations, ending balance	**305,238**	315,755
Cumulative Results of Operations		
Beginning Balance	**$ 64,919**	$ 74,817
Appropriations used (Note 11)	**140,149**	179,642
Nonexchange revenue (Note 11)	**767**	797
Imputed financing from costs absorbed by others (Note 11)	**26,999**	22,381
Other	**(767)**	(797)
Net Cost of Operations	**(182,237)**	(211,921)
Net Change in Cumulative Results of Operations	**(15,089)**	(9,898)
Cumulative Results of Operations, ending balance	$ 49,830	$ 64,919
Net Position	**$ 355,068**	$ 380,674

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

Combined Statements of Budgetary Resources *(IN THOUSANDS)*

For the years ended September 30,	2021	2020
Budgetary Resources		
Unobligated balance from prior-year budget authority, net (discretionary and mandatory)	**$ 109,673**	$ 87,091
Appropriations (discretionary and mandatory)	**844,399**	859,180
Spending authority from offsetting collections (discretionary and mandatory)	**6,061**	6,322
Total Budgetary Resources	**$ 960,133**	$ 952,593
Status of Budgetary Resources		
New obligations and upward adjustments (total) (Note 12)	**$ 883,053**	$ 865,239
Unobligated balance, end of year		
Apportioned, unexpired accounts	**74,618**	84,983
Exempt from apportionment, unexpired accounts	**299**	756
Unexpired unobligated balance, end of year	**74,917**	85,739
Expired unobligated balance, end of year	**2,163**	1,615
Unobligated balance, end of year (total)	**77,080**	87,354
Total Budgetary Resources	**$ 960,133**	$ 952,593
Outlays, Net, and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	**858,151**	879,882
Distributed offsetting receipts (-)	**(714,916)**	(704,328)
Agency Outlays, net	**$ 143,235**	$ 175,554

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

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

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity.

B. Basis of Presentation

These financial statements for FY 2021 and FY 2020 (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. Congress passed the Consolidated Appropriations Act, 2021 that funded the NRC's budget at a level of $830.9 million for FY 2021. Not more than $9.5 million of the appropriation was made available for the costs of the Office of the Commission until September 30, 2022. Additionally, Congress enacted a two-year appropriation of $13.5 million for expenses of the OIG, which is available for obligation through September 30, 2022.
Congress passed the Further Consolidated Appropriations Act, 2020 that 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. Congress enacted a 2-year appropriation of $13.3 million for the OIG, which is available for obligation by the NRC through September 30, 2021. Additionally, Congress passed the Coronavirus Aid, Relief, and Economic Security Act, 2020 that made available supplemental funding of $3.3 million until September 30, 2021 for costs to prevent, to prepare for, and to respond to coronavirus.

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 is originally issued. 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 100 percent of the NRC's appropriation, excluding amounts appropriated for Waste Incidental to Reprocessing, Generic Homeland Security, Regulatory Infrastructure for Advanced Reactor Technologies, Fee Relief 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. An allowance for Federal agencies is considered based on FASAB Technical Bulletin 2020-01, but the NRC deems the Federal accounts receivable to be receivable based on historical experience.

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 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 assets. 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 pays 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 17.3 percent in 2021 and 13.7 percent in 2020. 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 15.5 percent in 2021 and 11.9 percent in 2020 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 15.5 percent in 2021 and 11.9 percent in 2020 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 2021 and 2020.

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 2021 and 2020. 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 NRC holds Occupancy Agreements with the GSA, which are not leases but are treated as leases for accounting purposes. 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

The NRC had been 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. Statements 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,	2021	2020
Fund Balances		
Appropriated funds	**$ 376,478**	$ 389,975
Nuclear Waste Fund	**320**	426
Other fund types	**-**	330
otal	**$ 376,798**	$ 390,731
Status of Fund Balance with Treasury		
Unobligated balance		
Available - Appropriated funds	**$ 74,917**	$ 85,739
Unavailable		
Expired accounts	**2,163**	1,615
Obligated balance not yet disbursed	**299,718**	303,377
Total	**$ 376,798**	$ 390,731

The Fund Balance with Treasury consists of the unobligated and obligated budgetary account balances, including NWF activity. The NWF unobligated balance was $0.3 million as of September 30, 2021 and $0.4 million as of September 30, 2020.

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,	2021	2020
Intragovernmental		
Fee receivables and reimbursements	**$ 2,940**	$ 3,211
Receivables with the Public		
Materials and facilities fees-billed	**$ 3,991**	$ 16,995
Materials and facilities fees-unbilled	**58,100**	51,925
Other	**2,420**	2,119
Total Receivables with the Public	**64,511**	71,039
Less: Allowance for uncollectible accounts	**(2,786)**	(3,554)
Total Receivables with the Public, Net	**$ 61,725**	$ 67,485
Total Accounts Receivable	**$ 67,451**	$ 74,250
Less: Allowance for uncollectible accounts	**(2,786)**	(3,554)
Total Accounts Receivable, Net	**$ 64,665**	$ 70,696

Refer to Note 1G, "Summary of Significant Accounting Policies", *Accounts Receivable* for more information.

Note 4 – Property and Equipment, Net

As of September 30,				2021
Fixed Assets Class	**Service Years**	**Acquisition Value**	**Accumulated Depreciation and Amortization**	**Net Book Value**
Equipment	5	$ 14,449	$ (9,929)	**$ 4,520**
Leased equipment	5	463	(463)	**-**
IT software	5	68,169	(63,617)	**4,552**
IT software under development	-	1,701	-	**1,701**
Leasehold improvements	Life of related lease	60,776	(35,461)	**25,315**
Leasehold improvements in progress	-	1,018	-	**1,018**
Total		$ 146,576	$ (109,470)	**$ 37,106**

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

For the years ended September 30,	2021	2020
Balance beginning of year	**$ 46,764**	$ 55,649
Capitalized acquisitions	**2,749**	12,792
Disposals	**(1,768)**	(13,076)
Depreciation expense	**(9,908)**	(9,490)
Other	**(731)**	889
Total	**$ 37,106**	$ 46,764

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. Refer to Note 1I, "Summary of Significant Accounting Policies", *Property and Equipment* for more information.

In FY 2020, NRC discovered and corrected an overstatement of amortization expenses in leasehold improvements by $2.1 million. In FY 2020, NRC also 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,	2021	2020
Intragovernmental		
Liability to the U.S. Treasury General Fund for misc. receipts	**$ 152**	$ 65
Liability for advances from other agencies	**16**	15
Accrued workers' compensation	**914**	953
Accrued unemployment compensation	**3**	1
Employee benefit contributions	**6,579**	5,893
*Other liabilities	**5,678**	5,807
Total Intragovernmental Other Liabilities	**$ 13,342**	$ 12,734
With the Public		
Accrued annual leave	**$ 49,245**	$ 48,531
Accrued salaries and benefits	**20,946**	19,539
Employer Contributions & Payroll Taxes Payable	**975**	898
Contract holdbacks, advances, capital lease liability, and other	**1,001**	1,447
Contingent Liabilities	**250**	354
Grants Payable	**7,776**	11,121
Total With the Public Other Liabilities	**$ 80,193**	$ 81,890
Total Intragovernmental and With the Public Other Liabilities	**$ 93,535**	$ 94,624

*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 $5.7 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,	2021	2020
Intragovernmental		
FECA paid by DOL	**$ 914**	$ 953
Accrued unemployment compensation	**3**	1
Federal Employee Benefits		
Future FECA	**4,129**	4,607
Other		
Accrued annual leave	**49,245**	48,531
Contingent Liabilities	**250**	354
Other Liabilities	**5,678**	5,807
Total Liabilities Not Covered by Budgetary Resources	**60,219**	60,253
Total Liabilities Covered by Budgetary Resources	**67,125**	72,290
Total Liabilities	**$ 127,344**	$ 132,543

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of September 30, 2021, and 2020. 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 2021, 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 2021 discounting were 2.231 percent in year 1 and year 2 for wage benefits, and 2.060 percent in year 1 and year 2 for medical benefits.

Note 7 – Leases

As of September 30,	2021	2020
Assets Under Capital Leases:		
Copiers and booklet maker	**$ 463**	$ 924
Accumulated amortization	**(463)**	(924)
Net Assets Under Capital Leases	**$ -**	$ -

Future Lease Payments Due:

As of September 30,			2021
Fiscal Year	**Operating Non-Cancellable**	**Operating Cancellable**	
2022	$ 15,008	$ 20,415	**$ 35,423**
2023	11,368	19,650	**31,018**
2024	11,523	18,232	**29,755**
2025	9,738	18,404	**28,142**
2026	9,419	17,431	**26,850**
2027 and thereafter	24,899	88,299	**113,198**
Total Future Lease Payments	$ 81,955	$ 182,431	**$ 264,386**

As of September 30,			2020
Fiscal Year	**Operating Non-Cancellable**	**Operating Cancellable**	
2021	$ 11,993	$ 21,118	**$ 33,111**
2022	12,097	19,540	**31,637**
2023	13,066	18,676	**31,742**
2024	13,246	17,315	**30,561**
2025	11,489	17,487	**28,976**
2026 and thereafter	31,438	114,426	**$ 145,864**
Total Future Lease Payments	$ 93,329	$ 208,562	**$ 301,891**

For Future Lease Payments, the NRC calculated the Capital Lease Liability as of September 30, 2021 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. See table below for description of lease arrangements.

Leased Property	Cancellable vs. Noncancellable	Lease Begin Date	Lease End Date
Headquarters: Office Building One & Parking	Cancellable	03/01/2018	02/29/2028
Headquarters: Office Building Two & Parking	Cancellable	12/01/2020	12/14/2033
Headquarters: Office Building Three & Parking	Non-cancellable	10/01/2020	11/02/2027
Headquarters: Lot 4	Non-cancellable	11/12/2018	11/11/2028
Headquarters: Warehouse	Cancellable	12/01/2020	12/14/2021
Region I: King of Prussia, PA	Non-cancellable 1	04/09/2012	04/30/2022
	Non-cancellable 2	05/01/2022	04/30/2032
Region II: Atlanta, GA	Non-cancellable	12/01/2009	11/30/2024
Region III: Lisle, IL	Cancellable	07/01/2013	06/30/2023
Region IV: Arlington, TX	Cancellable	04/06/2021	04/05/2026
TTC: Chattanooga, TN	Non-cancellable	10/17/2016	10/16/2036

Through numerous cost saving efforts in the past several years, NRC's will be saving $8 million per year as compared to the FY 2016 annual rent – see table below.

Fiscal Year	Total Annual Rent
FY 2016	$41,138,518.34
FY 2021	$33,070,966.96
Savings	$ 8,067,551.38

In the Three White Flint North (3WFN) office building, the NRC occupies 24,889 usable 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 two and a half floors of 3WFN.

In the Two White Flint North (2WFN) office building, the NRC occupies 266,204 usable square feet, 662 structured parking spaces, and 19 surface parking spaces. In FY 2021, NRC released the tenth floor of 2WFN. The lease bill for 2WFN will be approximately $1.0 million less per year.

In FY 2021, the NRC signed a 10-year lease for the relocation of the Region I office. The NRC will occupy 32,539 useable square feet with an anticipated occupancy date of May FY 2022. The new lease for Region I will be approximately $1.9 million dollars less per year.

The NRC leases for land and buildings do not have renewal options or contingent rental restrictions. The joint lease for the 3WFN office building with the FDA and NIH and the leases for the four regional office buildings have escalation clauses. The lease for 2WFN increases in the tenth year with the shell rate increasing from $22.92 per square feet to $25.20 per square feet. The leases for the two remaining headquarters office buildings, the warehouse, and the TTC do not have escalation clauses.

The lease for the Headquarters warehouse is expiring in November 2021, but size of the warehouse was decreased 48,325 to 19,402 Rentable Square Feet in March 2020.

Note 8 – Cumulative Results of Operations

As of September 30,	2021	2020
Liabilities not covered by budgetary resources (Note 6)	**$ (60,219)**	$ (60,253)
Investment in property and equipment, net (Note 4)	**37,106**	46,764
Contributions from foreign cooperative research agreements	**9,571**	8,587
Nuclear Waste Fund	**407**	430
Office of the Commission (financed by Fees)	**-**	-
Accounts receivable - fees	**62,480**	68,957
Fee Collection Revenue Not Transferred	**-**	330
Other	**485**	104
Cumulative Results of Operations	**$ 49,830**	$ 64,919

Note 9 – Suborganization Program Cost

For the fiscal years ended September 30,	2021	2020
Nuclear Reactor Safety:		
Intragovernmental gross costs	**$ 205,900**	$ 207,385
Less: Intragovernmental earned revenue	**(44,506)**	(44,062)
Intragovernmental net costs	**161,394**	163,323
Gross costs with the public	**486,871**	515,636
Less: Earned revenues from the public	**(600,358)**	(600,657)
Net costs with the public	**(113,487)**	(85,021)
Total Net Cost of Nuclear Reactor Safety	**$ 47,907**	$ 78,302
Nuclear Materials and Waste Safety:		
Intragovernmental gross costs	**$ 59,179**	$ 56,762
Less: Intragovernmental earned revenue	**(4,892)**	(4,625)
Intragovernmental net costs	**54,287**	52,137
Gross costs with the public	**142,189**	147,823
Less: Earned revenues from the public	**(62,146)**	(66,341)
Net costs with the public	**80,043**	81,482
Total Net Cost of Nuclear Materials and Waste Safety	**$ 134,330**	$ 133,619

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,	2021	2020
Fees for licensing, inspection, and other services	**$ 707,798**	$ 709,471
Revenue from reimbursable work	**4,104**	6,215
Total Exchange Revenues	**$ 711,902**	$ 715,686

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 recorded at full cost 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,	2021	2020
Appropriations Used		
Collections are used to reduce the fiscal year's appropriations:		
Funds consumed	**$ 854,841**	$ 883,647
Less: Collection of fees assessed	**(714,586)**	(703,998)
Less: Nuclear Waste Fund Expense	**(106)**	(7)
Less: Office of the Commission (financed by Fees)	**-**	-
Total Appropriations Used	**$ 140,149**	$ 179,642

Funds consumed include $77.7 million and $62.5 million through September 30, 2021, and 2020, respectively, of available funds from prior years. Current year funds consumed were $777.0 million and $821.1 million through September 30, 2021 and 2020, respectively.

For the fiscal years ended September 30,	2021	2020
Non-Exchange Revenue		
Civil penalties	**$ 605**	$ 455
Miscellaneous receipts	**162**	342
Non-Exchange Revenue	**767**	797
Contra-Revenue	**(767)**	(797)
Total Non-Exchange Revenue, Net of Funds Returned to the U.S. Treasury	**$ –**	$ –

For the periods ended September 30,	2021	2020
Imputed Financing		
Civil Service Retirement System	**$ 2,712**	$ 2,972
Federal Employees Retirement System	**3,825**	(498)
Federal Employee Health Benefit	**20,385**	19,830
Federal Employee Group Life Insurance	**77**	77
Judgments/Awards	**-**	-
Total Imputed Financing	**$ 26,999**	$ 22,381

Note 12 – Total Obligations Incurred

For the periods ended September 30,	2021	2020
Direct Obligations		
Category A	**$ 877,989**	$ 861,428
Exempt from Apportionment	**456**	5
Total Direct Obligations	**878,445**	861,433
Reimbursable Obligations	**4,607**	3,806
Total Obligations Incurred	**$ 883,053**	$ 865,239

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

As of September 30,	2021	2020
Undelivered Orders - Unpaid		
Salaries and Expenses	$ 237,385	$ 235,096
Federal	3,748	(13,857)
Non-Federal	233,637	248,953
Inspector General	$ 1,328	1,221
Federal	(332)	(634)
Non-federal	1,660	1,855
Nuclear Waste Fund	$ 21	$ -
Federal	-	-
Non-Federal	21	-
Total Undelivered Orders - Unpaid	$ 238,734	$ 236,317
Undelivered Orders – Paid		
Salaries and Expenses	$ 3,314	$ 4,703
Federal	(1,390)	(1660)
Non-Federal	4,704	6,363
Inspector General	$ 504	$ 336
Federal	257	(428)
Non-Federal	247	764
Nuclear Waste Fund	-	-
Federal	-	-
Non-Federal	-	-
Total Undelivered Orders - Paid	$ 3,818	5,039
Total Undelivered Orders	$ 242,552	$ 241,356

Note 14 – Nuclear Waste Fund

The NWF funding provided to the NRC in FY 2011 and prior years has been carried forward to subsequent years for the purpose of performing activities associated with the DOE's application for a high-level waste repository at Yucca Mountain, NV.

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

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

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

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

In 1982, Congress passed the *Nuclear Waste Policy Act of 1982* (Public Law 97-425) establishing the NWF to be administered by the 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,	2021	2020
Appropriations Received	$ -	$ -
Expended Appropriations	$ 106	$ 7
Obligations Incurred	$ 126	$ 5
Unobligated Balances (includes recoveries of prior year obligations)	$ 299	$ 426

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 2020 and the FY 2020 actuals in the proposed President's Budget for FY 2022. The reconciliation was based on actual numbers for FY 2020 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 2021 actual budgetary resources numbers will be available in the FY 2023 President's Budget which is expected to be published in 2022 and will be available on the OMB Web site https://www.whitehouse.gov/omb and through the U.S. Government Publishing Office.

Note 16 – Reconciliation of Net Cost to Net Outlays

For the fiscal year ended September 30, 2021	2021		
	Intra-governmental	With the Public	Total
Net Cost	**$ 215,681**	**$ (33,444)**	**$ 182,237**
Components of the Net Cost That Are Not Part of Net Outlays			
Property, plant, and equipment depreciation	-	(9,908)	(9,908)
Property, plant, and equipment disposal & revaluation	-	(1,768)	(1,768)
Other- ADP Software Cost Capitalization	-	(731)	(731)
Increase/(decrease) in assets:			
Accounts receivable	(273)	(5,782)	(6,055)
Other assets	(1,132)	(51)	(1.183)
(Increase)/decrease in liabilities:			
Accounts payable	1,651	1,983	3,634
Salaries and benefits	-	478	478
Other liabilities	(417)	2,307	1,890
Financing sources:			
Federal employee retirement benefit cost paid by OPM and imputed to the agency	(26,999)	-	(26,999)
Total Components if Net Cost That Are Not Part of Net Outlays	**$ (27,170)**	**$ (13,472)**	**$ (40,642)**
Components of Net Outlays That Are Not Part of Net Cost			
Acquisition of capital assets	87	1,805	1,892
Financing sources:			
Transfers out (in) without reimbursements	-	-	-
Total Components of Net Outlays That Are Not Part of Net Cost	**87**	**1,805**	**1,892**
Misc. Items:			
Distributed offsetting receipts	(714,916)	-	(714,916)
Custodial/Non-exchange revenue	162	(605)	(443)
Non-Entity Activity	677	-	677
Appropriated Receipts for Trust/Special Funds	714,430	-	714,430
Total Other Reconciling Items	**353**	**(605)**	**(252)**
Net Outlays	**$ 188,953**	**$ (45,718)**	**$ 143,235**

Note 16 – Reconciliation of Net Cost to Net Outlays, continued

For the fiscal year ended September 30, 2020	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 of 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 – 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, 2021, the NRC was involved in a case with the likelihood of an adverse outcome being probable. The NRC accrued a legal contingency of $250 thousand. The estimated range of loss is $250 thousand on the lower end to $350 thousand on the upper end. 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.

Reasonably Possible Likelihood of an Adverse Outcome:

As of September 30, 2021, the NRC was involved in nine cases with the likelihood of an adverse outcome being reasonably possible with an estimated loss of $130 thousand to $190 thousand for one case. The remaining eight cases have unknown estimated loss. As of September 30, 2020, the NRC was involved in four cases with the likelihood of an adverse outcome being reasonably possible, with the expected loss being unknown.

Note 18 – Financial Statements to Reclassified Financial Statements

To prepare the Financial Report of the U.S. Government (Financial Report), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows the NRC's financial statements and the NRC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated Financial Report line items. A copy of the 2020 Financial Report can be found here: Bureau of the Fiscal Service - Reports, Statements & Publications (treasury.gov) and a copy of the 2021 Financial Report will be posted to this site as soon as it is released.

https://www.fiscal.treasury.gov/reports-statements/financial-report/index.html

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals,

Statement of Net Cost to Reclassified Statement of Net Cost

For the period ended September 30, 2021

NRC SNC			Line Items Used to Prepare the Government-wide SNC	
Financial Statement Line	Amount		Total (Consolidated)	**Reclassified Financial Statement Line**
Gross Costs	$	894,139		***Non-Federal Costs***
			$ 629,028	Non-Federal Gross Cost
			629,028	***Total Non-Federal Costs***
				Intragovernmental Costs
			95,130	Benefit Program Costs
			26,999	Imputed Costs
			115,455	Buy/Sell Costs
			87	Purchase of Assets
			(87)	Purchase of Assets Offset
			27,527	Other Expenses (w/o Reciprocals)
			265,111	***Total Intragovernmental Costs***
Total Gross Costs		894,139	894,139	*Total Reclassified Gross Costs*
Earned Revenue		711,902	662,505	Non-Federal Earned Revenue
			662,505	***Total Non-Federal Revenue***
			49,397	Buy/Sell Revenue
			49,397	***Total Intragovernmental Earned***
Total Earned Revenue		711,902	711,902	*Total Reclassified Earned Revenue*
Net Cost	$	182,237	$ 182,237	**Net Cost**

businesses, non-profit entities, and State, local, and foreign governments.

Note 18 – Financial Statements to Reclassified Financial Statements

NRC does not have funds from dedicated collections.

Statement of Changes in Net Position

For the period ended September 30, 2021

NRC SCNP			Line Items Used to Prepare the Government-wide SCNP	
Financial Statement Line		Amount	Total (Consolidated)	**Reclassified Financial Statement Line**
Unexpended Appropriation				
Unexpended Appropriations, Beginning Balance	$	315,755	$ 315,824	Net Position, Beginning of Period
Appropriations Received		129,813	129,633	Appropriations Received as Adjusted
Other Adjustments		(181)		
Appropriations Used		(140,149)	(140,219)	Appropriations Used (Federal)
Total Unexpended Appropriations	$	305,238	$ 305,238	**Total Unexpended Appropriations**
Cumulative Results of Operations				
Cumulative Results, Beginning Balance	$	64,919	$ 64,849	Net Position, Beginning of Period
				Non-Federal Non-Exchange Revenues
Non-Exchange Revenues		767	767	Other Taxes and Receipts
			767	***Total Non-Federal Non-Exchange Revenues***
Total Non-Exchange Revenues		767	767	*Total Reclassified Non-Exchange Revenues*
				Intragovernmental Other
Other		(767)	(677)	Accrual of Collections Yet to be Transferred to Treasury Accounting Symbols Other than the General Fund
			(90)	Other Budgetary Financing Sources
			(767)	***Total Intragovernmental Other***
Total Other		(767)	(767)	*Total Reclassified Other*
Imputed Financing		26,999	26,999	Imputed Financing Sources (Federal)
Total Financing Sources		167,148	167,218	**Total Financing Sources**
Net Cost of Operations		(182,237)	(182,237)	**Net Cost of Operations**
Ending Balance - Cumulative Results of Operations		49,830	49,830	**Net Position - Ending Balance**
Total Net Position	$	355,068	$ 355,068	**Total Net Position**

NRC does not have funds dedicated collections.

Required Supplementary Information

Deferred Maintenance and Repairs for General Property, Plant, and Equipment (G-PP&E)

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 (IT) infrastructure, and individual capital asset purchases with a cost equal to or greater than $50,000. The NRC did not include noncapitalized PP&E with a cost of less than $50,000, which are deemed immaterial.

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

For the NRC 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, 2021, and 2020.

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, 2021 and 2020.

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, 2021	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
Budgetary Resources:				
Unobligated balance from prior-year budget authority, net	$ 103,980	$ 5,363	$ 330	**$ 109,673**
Appropriations	830,900	13,499	–	**844,399**
Spending authority from offsetting collections	5,954	107	–	**6,061**
Total Budgetary Resources	$ 940,834	$ 18,969	$ 330	**$ 960,133**
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 12)	$ 869,351	$ 13,372	$ 330	**$ 883,053**
Unobligated balance, end of period:				
Apportioned, unexpired accounts	71,085	3,533	–	**74,618**
Exempt from apportionment, unexpired accounts	299	–	–	**299**
Unapportioned, unexpired accounts	–	–	–	**–**
Unexpired unobligated balance, end of year	71,384	3,533	–	**74,917**
Expired unobligated balance, end of year	99	2,064	–	**2,163**
Unobligated balance, end of year	71,483	5,597	–	**77,080**
Total Status of Budgetary Resources	$ 940,834	$ 18,969	$ 330	**$ 960,133**
Outlays Net and Disbursements Net:				
Outlays Net and Disbursements Net	845,300	12,521	330	**858,151**
Distributed offsetting receipts	–	–	(714,916)	**(714,916)**
Agency Outlays, Net	$ 845,300	$ 12,521	$ (714,586)	**$ 143,235**

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	$ 330	**$ 952,593**
Memorandum Entries:				
Net adjustments to unobligated balance brought forward, Oct. 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	–	**84,983**
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 (total)	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**

Inspector General's Letter Transmitting Independent Auditors' Report

December 10, 2021

MEMORANDUM TO: Chairman Christopher T. Hanson

FROM: The Hon. Robert J. Feitel Inspector General

Robert J. Feitel

Digitally signed by Robert J. Feitel
Date: 2021.12.10 08:10:55 -05'00'

SUBJECT: RESULTS OF THE AUDIT OF THE UNITED STATES NUCLEAR REGULATORY COMMISSION'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2021 (OIG-22-A-03)

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) contracted with Grant Thornton to conduct this annual audit. Transmitted with this memorandum is Grant Thornton's audit report. Grant Thornton examined the NRC's Fiscal Year (FY) 2021 Agency Financial Report, which includes financial statements for FY 2021. Grant Thornton's audit report contains the following:

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

Objective of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the audited entity's financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also

includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

Grant Thornton's audit included, among other things, obtaining an understanding of the 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. Additionally, projections of any evaluation of any internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or due to deterioration in the degree of compliance with the policies or procedures.

FY 2021 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion

Internal Control over Financial Reporting

- Adverse opinion

Compliance with Laws and Regulations

- No instances of noncompliance noted.

The OIG Oversight of Grant Thornton's Performance

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

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

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

Grant Thornton is responsible for the attached auditor's report, dated December 8, 2021, and the conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight, as differentiated from an audit in conformance with Government Auditing Standards, was not intended to enable us to express an opinion, and accordingly we do not express an opinion on:

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

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

Meeting with the Chief Financial Officer

At the exit conference on December 2, 2021, representatives of the Office of the Chief Financial Officer, the OIG, and Grant Thornton discussed the results of the audit.

Comments of the Chief Financial Officer

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

The NRC's Financial Statements

The NRC's audited FY 2021 financial statements can be found in the agency's financial report.

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

Attachment: As stated

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cc: Commissioner J. Baran
Commissioner D. Wright
D. Dorman, OEDO
C. Johnson, OCFO
J. Jolicoeur, OEDO
EDO_ACS_Distribution
RidsEDO MailCenter Resource
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Independent Auditors' Report

Grant Thornton

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Chairman Christopher T. Hanson
United States Nuclear Regulatory Commission

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

Report on the financial statements and internal control over financial reporting

We have audited the accompanying financial statements of the United States Nuclear Regulatory Commission (the "Agency" or "NRC"), which comprise the consolidated balance sheet as of September 30, 2021, and the related consolidated statements of net cost, changes in net position, and the combined statement of budgetary resources for the year then ended, and the related notes to the consolidated financial statements.

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

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

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

Auditor's responsibility

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

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about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

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

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

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

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

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

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agreements, noncompliance with which could have a material effect on the financial statements.

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

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

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

Basis for adverse opinion on internal control over financial reporting
The following material weakness has been identified and included in the accompanying schedule of findings as Lack of Appropriate Management Controls over Financial Reporting.

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

Adverse opinion on internal control over financial reporting
In our opinion, because of the effect of the material weakness described in the Basis for adverse opinion paragraph on the achievement of the objectives of the criteria established under 31 U.S.C. 3512 (c),(d) (commonly known as FMFIA) and in *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States, the United States Nuclear Regulatory Commission has not maintained effective internal control over financial reporting as of September 30, 2021, based on criteria established under 31 U.S.C. 3512 (c),(d) (commonly known as FMFIA) and in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

As discussed in more detail, our fiscal year (FY) 2021 audit identified deficiencies in the Agency's controls over user account management for users with access to the Nuclear Regulatory Commission Financial Data, described in the accompanying schedule of findings as Item II. Lack of User Account Management Controls for Users with Access to Nuclear Regulatory Commission Financial Data, that collectively represent a significant deficiency in the Agency's internal control over financial

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reporting. We considered this significant deficiency in determining the nature, timing, and extent of our audit procedures on the Agency's FY 2021 financial statements. Although the significant deficiency in internal control did not affect our opinion on the Agency's 2021 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Agency because of this significant deficiency.

In addition to the material weakness in internal control over lack of appropriate management controls over financial reporting and the significant deficiency in internal control over the lack of user account management controls, we also identified deficiencies in the Agency's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant management's attention. We have communicated these matters to management and, where appropriate, will report on them separately.

Other matters

2020 Financial Statements
The financial statements and internal control of the United States Nuclear Regulatory Commission as of and for the year ended September 30, 2020 were audited by other auditors. Those auditors' report, dated November 12, 2020, expressed an unmodified opinion on those 2020 financial statements and an adverse opinion on internal control.

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

Other information
Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The *Availability of Reference Materials in Nuclear Regulatory Commission Publications, About This Report, Table of Contents, The Commission, A Message from the Chairman, A Message from the Chief Financial Officer, Inspector General's Letter Transmitting Independent Auditor's Report, Management's Response to Independent Auditors' Report and Other Information* sections of the Agency Financial Report are presented for purposes of additional

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analysis and are not a required part of the basic financial statements. Management is responsible for preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the basic financial statements and the required supplementary information. We read the other information in order to identify material inconsistencies, if any, with the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below, in accordance with *Government Auditing Standards*. Noncompliance may occur that is not detected by these tests.

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

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

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

Under the Federal Financial Management Improvement Act ("FFMIA"), we are required to report whether the Agency's financial management systems substantially comply with FFMIA Section 803(a) requirements. To meet this requirement, we performed tests of compliance with the federal financial management systems requirements, applicable federal accounting standards, and the *United States Standard General Ledger* ("USSGL") at the transaction level. However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly we do not express such an opinion. The results of our tests of FFMIA Section 803(a) requirements disclosed no instances of substantial noncompliance that are required to be reported under FFMIA.

Agency's response to findings
The Agency's response to our findings, which is described in the accompanying "Management's Response to Independent Auditor's Report", was not subjected to the

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auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the Agency's response.

Intended purpose of report on compliance with laws, regulations, contracts, and grant agreements

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

Grant Thornton LLP

Arlington, Virginia
December 8, 2021

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Schedule of Findings

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

Criteria:

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

1. Financial Statement Compilation and Preparation Process

Condition:

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

- The draft Statement of Changes in Net Position provided did not consider updates to the OMB Circular A-136, *Financial Reporting Requirements* (A-136) format;
- The draft Property and Equipment, Net note to the financial statements did not include all required information per A-136;
- The draft Leases note was not accurately produced and not in the required format per A-136;
- The draft Financial Statements to Reclassified Financial Statements note did not include an explanatory note required per A-136; and
- The draft Contingencies note to the financial statements was not presented in a comparative format as required per A-136.

In addition, a full set of draft financial statements could not be provided until October 29, 2021, with support for note disclosures not completely available until November 2, 2021.

Cause:

The NRC does not have appropriate processes or controls in place to prevent or detect, on a timely basis, deviations from A-136 requirements as a component of their financial statement compilation and preparation process.

Effect:

If not corrected, the conditions noted above would have resulted in deviations from the requirements of A-136 and potential misstated financial statement line items and related note disclosures. Furthermore, the delays in providing draft financial statements and related information on a timely basis, contributed to delays to the audit and subsequent delays in publication of the NRC Agency Financial Report, beyond the A-136 deadline.

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2. Accounts Payable Calculation Process, Non-Federal

Condition:

The NRC calculates the accounts payable, non-federal amount quarterly as an average based on the historical trend of validated prior accruals. During our testing of the Quarter 3 FY 2021 Accounts Payable Accrual Estimation Reconciliation, we noted that beginning in Quarter 2 of FY 2019 and for the subsequent nine quarters, previously estimated accounts payable amounts were used as an input to the calculation rather than appropriately using the respective quarters' validated accounts payable amounts.

Cause:

The condition noted above was a result of manual errors that were not prevented or detected through management's controls over the accounts payable, non-federal calculation processes, including the review over the reasonableness of the calculated accrual amount.

Effect:

This error was not detected during management's review, resulting in misstatements of accounts payable, non-federal at Quarter 3 FY 2021. Although we notified management of the error after our Quarter 3 FY 2021 testing, at Quarter 4 FY 2021, the NRC continued to utilize the estimated accounts payable amount for one quarter of input resulting in a $686,105 uncorrected error.

3. Accounts Receivable, Net – Calculation Processes

Condition:

The NRC uses the 'Accounts Receivable (AR) Aging Audit Report' to calculate the allowance for uncollectable accounts. During our testing of the Quarter 3 FY 2021 Non-Federal Allowance for Uncollectable Accounts calculation, Grant Thornton noted the report was generated with an erroneous 'Report Aging Date' of 6/30/2020 rather than the correct date of 6/30/2021. This incorrect 'Report Aging Date' had two distinct impacts:

- Billings between 3/3/2020 and 6/22/2021, which should have been subject to aging analysis were not included; and
- Accounts Receivable items subject to the aging analysis had an identified 'age' of 365 days less than should have been calculated (e.g., an item billed on 3/2/2020 that was outstanding for 485 days as of 6/30/21 would have an identified age of 120 days within the report).This resulted in the wrong aging category being applied for many of the receivable items analyzed.

Grant Thornton notified NRC management of this error and management used a report with the appropriate parameters at year end; thus, this error did not impact Quarter 4 FY 2021 balances.

However, at Quarter 4 FY 2021, we noted other errors in multiple areas of Accounts Receivable and the allowance for uncollectable accounts calculation including, Unbilled Accounts Receivable calculations which were based on an estimated unbilled period of eight days rather than a period of four days.

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Cause:

These errors above resulted from NRC management review controls not being thoroughly performed to prevent or detect errors in the Accounts Receivable and allowance for uncollectable accounts calculation process.

Effect:

At Quarter 3 FY 2021, both impacts contributed toward an understatement of Allowance for Uncollectable Accounts and a related overstatement of Accounts Receivable, Net – Non-Federal of $1.1 million.

At Quarter 4 FY 2021, the impacts contributed toward a $4.2 million Accounts Receivable, Net overstatement and $4 million Earned Revenue overstatement.

4. Unliquidated Obligations Population Lack of Reconciliation Process

Condition:

The NRC generates two listings related to Unliquidated Obligations (ULOs): the ULO management report, and the ULO general ledger (GL) report. During Grant Thornton's testing related to 9/30/2021 ULO support, a difference of $7.5 million was noted between the ULO GL report and the ULO management report. NRC management was able to explain a portion of the difference; however, a net $4.5 million error in the ULO management report remains as of 9/30/2021. While the ULO GL report agrees to the GL, it does not contain the detailed information, included in the ULO management report, to allow management analysis of individual obligations.

Cause:

NRC management is unable to generate a complete and accurate listing of ULOs at the individual obligation level with enough detail for meaningful analysis.

Effect:

The NRC's inability to generate a complete and accurate detailed listing of ULOs at the individual obligation level inhibits the NRC's ability to perform adequate review of the ULO balance and increases the risk of potential misstatements to the Statement of Budgetary Resources.

5. Overstatement of New Obligations

Condition:

In FY 2015, NRC management became aware of a systematic issue in the Financial Accounting and Integrated Management Information System (FAIMIS) which allowed for deobligations in excess of the remaining obligated amount. These issues related specifically to 'tax lines' for change of station obligations, and resulted in a negative obligation. NRC employees erroneously deobligated the full amount of tax lines originally obligated, rather than the remaining unliquidated obligations. Systematic issues which allowed these excessive deobligations to occur were corrected in FY 2015. However, in FY 2021, $2.9 million of such excess deobligations were identified by NRC management and re-obligated using manual adjustments. This error correction was recorded incorrectly as a new obligation in the current year.

Cause:

The initial errors occurred because FAIMIS was not appropriately configured to prevent the recording of negative obligations. When corrections were subsequently made in FY 2021, management review controls did not detect errors in the correcting entries.

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Effect:

The current year's error resulted in a $2.9 million overstatement of New obligations and upward adjustments (total), and an understatement of the Unobligated balance from the prior year budget authority, net, as of 9/30/2021.

6. Decommission of Internal Use Software

Condition:

During testing of Internal Use Software (IUS), a significant component of the NRC's reported property and equipment, Grant Thornton noted several instances in which IUS was decommissioned prior to FY 2021, but was not removed from the NRC's fixed asset ledger which supports the financial statement balance.

Cause:

Lack of appropriate management controls to remove IUS once identified as decommissioned led to the untimely removal of decommissioned IUS from the NRC's financial records.

Effect:

Our testing identified items resulting in the removal of $10 million dollars of IUS from the NRC's gross property and equipment during FY 2021, which should have been removed prior to FY 2021. The majority of these IUS items were fully depreciated and amortized prior to FY 2021 and as such, these corrections had immaterial impacts to both property and equipment, net, and FY 2021 gross cost.

7. Imputed Financing Calculation Process

Condition:

Imputed financing/costs consists of retirement, health, and life insurance components. The NRC utilizes semi-annual headcount reports to calculate multiple components of imputed costs. As of Quarter 4 FY 2021, Grant Thornton noted the NRC incorrectly calculated the agency contribution element of the retirement portion of imputed costs by utilizing the September 2020 semi-annual headcount report, as opposed to the March 2021 report utilized for base salaries and employee withholdings (additional components of the retirement calculation).

Cause:

The condition noted above resulted from NRC management controls not preventing or detecting errors during the imputed costs calculation process.

Effect:

As a result, imputed costs were overstated by $2.6 million. Furthermore, it was noted that the disclosure in Note 11 – Financing Sources Other Than Exchange Revenue is misstated. The imputed financing from the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) should be presented as $2,766,265 and $1,164,804, respectively, instead of the Note 11 disclosure of $2,711,564 and $3,824,940, respectively.

8. Leasehold Improvement Reconciliation and Depreciation

Condition:

The NRC performs a monthly reconciliation of its reported leasehold improvements (LHI) costs to the supporting schedules. Through control testing over the LHI reconciliation, for three out of four months selected for testing, Grant Thornton noted

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the LHI amounts reported in the reconciliation did not agree with the supporting schedules included in the package. Despite these identified differences, no explanations were documented, and the reviewer approved the reconciliations.

In addition, during interim substantive testing, Grant Thornton identified two instances in which LHI assets, a significant component of the NRC's reported Property and equipment, net, were depreciated inappropriately over useful lives which were inconsistent with the NRC's capitalization policy.

Cause:

These errors occurred because the NRC's reconciliation control over LHI did not operate effectively to document explanations for identified differences. Furthermore, NRC management did not apply the appropriate useful life as stated in their capitalization policy.

Effect:

Recording LHI that do not agree to supporting schedules and approval of reconciliation controls with insufficient explanations for variances increase the risk of a material misstatement in Property and equipment, net. The substantive errors resulted in a total $370,193 overstatement of property and equipment, as of the interim period tested. While the NRC corrected these errors prior to fiscal year end reporting, similar unidentified errors could result in misstatements going undetected or prevented in a timely manner.

9. Ineffective Fluctuation Analysis Process

Condition:

The NRC performs a quarterly fluctuation analysis to identify significant changes to reported line items on their financial statements and document explanations for the differences noted. Through testing over the quarterly fluctuation analysis control, Grant Thornton noted the explanations provided were insufficiently detailed for the fluctuations related to the following line items: Property and equipment, net; Other liabilities; Earned revenues; Appropriations received; and Appropriations used. The NRC only identified the general ledger accounts which comprise the line item and the amount of change across each account. The explanations documented do not account for logical consistency among the changes in the general ledger accounts or connect them to changes in the organization's business operations.

Cause:

This condition resulted from NRC management not requiring a sufficiently detailed explanation for variances noted in the fluctuation analysis.

Effect:

Due to the condition noted above, management is unable to determine whether the activity seen in the general ledger is reasonable or if the differences might be due to error or fraud. In addition, the control did not enable management to detect and correct other errors noted in our testing as described in this report.

10. Inaccurate and Unsupported Undelivered Orders

Condition:

Grant Thornton selected a sample of undelivered orders (UDOs) with open balances on the management report provided by the NRC that aligned to general ledger accounts – 4801, 4802, 4871, and 4881. Based on the testing performed we noted

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exceptions for obligations that were no longer valid, inaccurately recorded, or were not supported by the documentation provided.

Cause:

Requests for de-obligation were not processed timely in accordance with Federal Acquisition Regulations (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 adjusting its UDOs in a timely manner, the NRC is at risk of understating its Unobligated balance from prior year budget authority. Additionally, by recording obligations without proper supporting documentation that the legal obligation existed as of the end of the year, NRC risks a potential violation of the Anti-deficiency Act by spending expending funds that expired without an obligation. The UDO testing resulted in known differences netting to an overstatement of $500,200. Based on our statistical sample we projected the NRC's UDOs could be overstated within the general ledger by as much as $4.7M.

Recommendations

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

1. Financial Statement Compilation and Preparation Process

NRC management should enhance their controls processes over the compilation and preparation of the Agency's quarter-end and year-end financial statements to prevent or timely detect errors to their financial statements and the related note disclosures. Thorough and robust review of the financial statements and related note disclosures should be completed considering the latest requirements of OMB A-136.

2. Accounts Payable Calculation Process

2 a. NRC management should update the instructions for the Accounts Payable Accrual Estimation Reconciliation to more clearly indicate that the validated amounts should be used rather than the previously estimated accrual amounts.

2 b. NRC management should review the accounts payable reconciliation in sufficient detail to detect errors in the application of the estimation methodology.

3. Accounts Receivable, Net – Calculation Processes

3 a. NRC management should update the instructions for the Computation of Allowances for Losses portion of the Unbilled Revenue Accrual and Reconciliation Checklist to include more detailed descriptions of the parameters needed when generating reports used in the calculation process.

3 b. NRC management should conduct its review of the calculation of Accounts Receivable – Non-Federal – Allowance for Uncollectable Accounts in sufficient detail to detect errors in the calculation.

3.c NRC management should implement stronger controls over the Unbilled Accounts Receivable calculation process and related reviews.

4. Unliquidated Obligations (ULO) Population Lack of Reconciliation Process

NRC management should develop the ability to generate a complete and accurate listing of ULOs in a format which allows for appropriate oversight and review. The

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report should contain all ULOs at the individual obligation level and be reconciled to the GL with any reconciling items supported by appropriate documentation.

5. Overstatement of New Obligations

5 a. NRC management should implement controls to prevent postings in FAIMIS resulting in a negative obligation.

5 b. NRC management should increase management review and scrutiny over correcting entries before entries are posted.

5 c. NRC management should review the financial statements in sufficient detail to detect similar errors in future periods.

6. Decommission of Internal Use Software (IUS)

NRC management should perform reviews of all software, including fully amortized IUS, throughout the year to verify the accuracy of the information reported and ensure disposals of property are recorded in a timely manner.

7. Imputed Financing Calculation Process

7.a NRC management should enhance its review procedures to include which documentation should be used in the imputed financing calculations.

7.b NRC management should perform the review of the imputed costs calculation and related disclosures in sufficient detail to detect any errors.

8. Leasehold Improvement Reconciliation and Depreciation

8 a. NRC management should enforce the execution of its existing control activities to document explanations for identified variances.

8 b. NRC management should implement processes and controls which verify that leasehold improvements are depreciated using the appropriate useful life and in operation date, in accordance with the management's policy.

9. Ineffective Fluctuation Analysis Process

NRC management should enhance its fluctuation analysis control by requiring the explanations documented are supported by underlying business events, therefore connecting changes in the agency's accounting records to its business environment and operations.

10. Inaccurate and Unsupported Undelivered Orders

10 a. NRC management should improve its processes for reviewing and adjusting aged/stale obligations.

10 b. NRC management should improve its processes to only record an obligation in the accounting system when a legal obligation exists and appropriately retain supporting documentation.

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II. Significant Deficiency –Lack of User Account Management Controls for Users with Access to NRC Financial Data

Criteria:

In accordance with the FMFIA, management is responsible for establishing and maintaining internal controls to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations. According to GAO's Green Book issued under the authority of the FMFIA, management should design control activities over the information technology infrastructure to support the completeness, accuracy, and validity of information processing. Grant Thornton evaluated the accounting system used by the NRC to process and account for their expenditures and for financial reporting.

When appropriately designed and implemented, Segregation of Duties (SOD) and logical access controls protect systems from unauthorized use. Logical access controls/SOD controls require users to authenticate themselves while limiting the data and other resources that authenticated users can access and actions they can execute. The following control weaknesses were noted related to the Agency's logical access controls/SOD controls:

Condition:

We noted the following deficiencies related to logical access and SOD:

- Users in the Financial Accounting and Integrated Management Information System (FAIMIS) user access list generated in September 2021 were assigned conflicting role assignments in accordance with the NRC's FAIMIS SOD matrix;
- NRC management did not have automated or manual controls in place to identify and review if conflicting transactions completed by users with conflicting roles were in fact authorized;
- The FAIMIS service provider had all privileged user administrative access to FAIMIS including application administrator access which allows the vendor to add and remove access to the application and other privileged functions. While privileged user activities were subject to audit logging we noted:
    - No controls were in place to monitor the privileged application administrators' logged activity;
    - For all other privileged user administrator accounts (i.e. Operating System and Database Administrator privileged access), procedures were documented that included the requirement to complete a weekly review of reported audit log activities but did not specify or include what log activities would be considered potential misuse of privileged functions that would require further investigation.
- Due to technical constraints in FAIMIS, the NRC was unable to deploy an automated control to deactivate users in FAIMIS after 90 days of inactivity as required by NRC policy;
- The bi-annual user access recertification review of the NRC's FAIMIS performed in January 2021 was not complete and comprehensive. Specifically:
    - One user retained access to two roles (Vendor Entry and Vendor Approve) after the supervisor responsible for completing the review indicated these roles were not necessary and should be removed.

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- Of the 14 supervisors responsible for performing the bi-annual user access review, 9 had users with SOD conflicts that were not identified as part of the recertification process.

- The NRC did not retain the Strategic Acquisition Systems (STAQS) Access Request Form and related documents for 2 out of 8 sampled new users; and
- The NRC was unable to provide completed termination checklists (NRC Form 270) for 6 out of 14 sampled separated employees.

Cause:

While the NRC created a SOD matrix that identified some conflicting roles in the financial system, NRC management did not perform the following:

- Review and document the consideration of all conflicting roles, the potential impacts of these conflicting roles, or controls to mitigate the impacts of these conflicting roles;
- Include the requirement to consider the SOD Matrix as part of its procedures for provisioning access; and
- Reference the SOD Matrix as part of the Agency's bi-annual user access review.

Effect:

The absence of appropriately designed and/or implemented SOD and logical access controls increases the risk of a user inadvertently or intentionally completing unauthorized transactions which could lead to inaccuracies in financial reporting.

Recommendations

Grant Thornton recommends the NRC develops, documents, and implements procedures to include the following:

11. Periodically review the segregation of duties matrix and update it to reflect relevant changes in business processes or role configurations within the application;
12. Include a justification for the conflicting roles that reference to compensating controls in place for the requested conflicting roles as part of requests for conflicting roles to be granted to a FAIMIS user;
13. Log and review any conflicting transactions performed by users with authorized conflicting roles to determine if the conflicting transactions were in fact authorized;
14. Validate temporary role assignments as a part of the bi-annual user access review to ensure they were removed on a timely basis;
15. Review administrator logged activity and document log activities that would require further investigation;
16. Implement the technical capability to disable or remove users who are inactive for greater than the organizationally defined threshold of 90 days;
17. Enhance the periodic recertification of access by ensuring that managers review the access privileges of their staff against the most current segregation of duties matrix to ensure the roles currently assigned conform to policy. In addition, we recommend the help desk documents the removal of roles that management has

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noted as unnecessary and communicates the confirmation with management that the user's roles were removed;

18. Enhance the process to help ensure that STAQS Access Request Forms are completed and retained; and
19. Enhance the process to help ensure that NRC Form 270 is completed and retained for each employee that is separated from the NRC.

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Status of Prior Year Findings

The financial statements and internal control of the United States Nuclear Regulatory Commission as of and for the year ended September 30, 2020 were audited by other auditors. Those auditors' report, dated November 12, 2020, expressed an unmodified opinion on those 2020 financial statements and an adverse opinion on internal control.

FY 2020 Findings	FY 2020 Recommendations	Current Status
Improve Controls over Leases and Leasehold Improvements (Material Weakness)	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 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.	While we noted corrective actions have been taken, control deficiencies in Leasehold Improvement reconciliations and associated depreciation contributed to a Material Weakness over lack of appropriate management controls over financial reporting in FY 2021, as described in the schedule of findings above.
Improve Controls to De-Obligate Aged Unliquidated Obligations on a Timely Basis (Significant Deficiency)	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.	While we noted management conducted cleanup efforts over aged ULOs in FY 2021, continued control deficiencies in ULOs contributed to a Material Weakness over lack of appropriate management controls over financial reporting in FY 2021, as described in the schedule of findings above.

Management's Response to the Independent Auditors' Report

CHIEF FINANCIAL OFFICER

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

December 3, 2021

MEMORANDUM TO: Eric Rivera
Acting 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: 2021.12.03 16:59:01 -05'00'

SUBJECT: AUDIT OF THE FISCAL YEARS 2021 and 2020 FINANCIAL STATEMENTS

This memorandum responds to the draft report on the audit of the Nuclear Regulatory Commission's (NRC) fiscal years 2021 and 2020 financial statements, provided on December 1, 2021. The audit was conducted by the firm Grant Thornton LLP under contract to the NRC Office of the Inspector General (OIG).

We concur that we have deficiencies in the areas of internal control over financial reporting and management controls for users with access to NRC financial data. We strive to continuously improve, and we have more improvements to make. We will implement corrective actions to eliminate these deficiencies.

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:

NRC management should enhance their controls processes over the compilation and preparation of the Agency's quarter-end and year-end financial statements to prevent or timely detect errors to their financial statements and the related note disclosures. Thorough and robust review of the financial statements and related note disclosures should be completed considering the latest requirements of OMB A-136.

NRC Response:

Agree. The Office of the Chief Financial Officer will enhance the controls over the financial statement preparation process.

Recommendation No. 2:

NRC management should update the instructions for the Accounts Payable Accrual Estimation Reconciliation to more clearly indicate that the validated amounts should be used rather than

the previously estimated accrual amounts.

NRC management should review the accounts payable reconciliation in sufficient detail to detect errors in the application of the estimation methodology.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the improve the accounts payable accrual estimation process.

Recommendation No. 3:

NRC management should update the instructions for the Computation of Allowances for Losses portion of the Unbilled Revenue Accrual and Reconciliation Checklist to include more detailed descriptions of the parameters needed when generating reports used in the calculation process. NRC management should conduct its review of the calculation of Accounts Receivable – Non-Federal – Allowance for Uncollectable Accounts in sufficient detail to detect errors in the calculation.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the instructions for the unbilled revenue accrual checklist.

Recommendation No. 4:

NRC management should develop the ability to generate a complete and accurate listing of ULOs in a format which allows for appropriate oversight and review. The report should contain all ULOs at the individual obligation level and be reconciled to the GL with any reconciling items supported by appropriate documentation.

NRC Response:

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

Recommendation No. 5:

NRC management should implement controls to prevent postings in FAIMIS resulting in a negative obligation.

NRC management should increase management review and scrutiny over correcting entries before entries are posted.

NRC management should review the financial statements in sufficient detail to detect similar errors in future periods.

NRC Response:

Agree. The Office of the Chief Financial Officer has corrected the FAIMIS system and will improve the review of correcting entries.

Recommendation No. 6:

NRC management should perform reviews of all software, including fully amortized IUS, throughout the year to verify the accuracy of the information reported and ensure disposals of property are recorded in a timely manner.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the reviews of software.

Recommendation No. 7:

NRC management should enhance review procedures to include which documentation should be used in the imputed financing calculations.

NRC management should perform the review of the imputed costs calculation and related disclosures in sufficient detail to detect errors.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the preparation and review of imputed financing.

Recommendation No. 8:

NRC management should enforce the execution of its existing control activities to document explanations for identified variances.

NRC management should implement processes and controls which verify that leasehold improvements are depreciated using the appropriate useful life and in operation date, in accordance with the management's policy.

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.

Recommendation No. 9:

NRC management should enhance its fluctuation analysis control by requiring the explanations documented are supported by underlying business events, therefore connecting changes in the agency's accounting records to its business environment and operations.

NRC Response:
Agree. The Office of the Chief Financial Officer will improve the fluctuation analysis process.

Recommendation No. 10:

NRC management should improve its processes for reviewing and adjusting aged/stale obligations.

NRC management should improve its processes to only record an obligation in the accounting system when a legal obligation exists and appropriately retain supporting documentation.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the process to oversee obligations.

Recommendation No. 11:

Periodically review the segregation of duties matrix and update it to reflect relevant changes in business processes or role configurations within the application.

NRC Response:

Agree. The Office of the Chief Financial Officer will periodically review the segregation of duties matrix for FAIMIS.

Recommendation No. 12:

Include a justification for the conflicting roles that reference to compensating controls in place for the requested conflicting roles as part of requests for conflicting roles to be granted to a FAIMIS user.

NRC Response:

Agree. The Office of the Chief Financial Officer will include a justification for conflicting roles for FAIMIS.

Recommendation No. 13:

Log and review any conflicting transactions performed by users with authorized conflicting roles to determine if the conflicting transactions were in fact authorized.

NRC Response:

Agree. The Office of the Chief Financial Officer will review conflicting transactions in FAIMIS.

Recommendation No. 14:

Validate temporary role assignments as a part of the bi-annual user access review to ensure they were removed on a timely basis.

NRC Response:

Agree. The Office of the Chief Financial Officer will improve the bi-annual review process for FAIMIS.

Recommendation No. 15:

Review administrator logged activity and document log activities that would require further investigation.

NRC Response:

Agree. The Office of the Chief Financial Officer will review administrator logged activity for FAIMIS.

Recommendation No. 16:

Implement the technical capability to disable or remove users who are inactive for greater than the organizationally defined threshold of 90 days.

NRC Response:

Agree. The Office of the Chief Financial Officer will review the feasibility of a technical capability to remove users in FAIMIS.

Recommendation No. 17:

Enhance the periodic recertification of access by ensuring that managers review the access privileges of their staff against the most current segregation of duties matrix to ensure the roles currently assigned conform to policy. In addition, we recommend the help desk documents the removal of roles that management has noted as unnecessary and communicates the confirmation with management that the user's roles were removed.

NRC Response:

Agree. The Office of the Chief Financial Officer will enhance the recertification of access process for FAIMIS.

Recommendation No. 18:

Enhance the process to help ensure that STAQS Access Request Forms are completed and retained.

NRC Response:

Agree. The Office of Administration will improve the process for STAQS access request forms.

Recommendation No. 19:

Enhance the process to help ensure that NRC Form 270 is completed and retained for each employee that is separated from the NRC.

NRC Response:

Agree. The office of the Human Capital Officer will improve the NRC Form 270 process.

cc: D. Dorman EDO
C. Haney, DEDM
D. Roberts, DEDR
S. Miotla, AO/Acting
J. Jolicoeur, OEDO

Chapter 3: Other Information


NUCLEAR REGULATORY COMMISSION

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

October 12, 2021 OIG-22-A-01

Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission in Fiscal Year 2022

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

At a glance

WHY WE DID THIS REPORT

The Reports Consolidation Act of 2000 (Public Law 106-531) requires us to annually update our assessment of the Nuclear Regulatory Commission's (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) 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. In this capacity, the NRC has earned a commendable reputation among the world's nuclear regulatory agencies. The NRC's proposed Fiscal Year (FY) 2022 budget is $887.7 million, including 2,879 full-time equivalents (FTE). Most NRC employees work in six primary locations in the United States. As it executes its important mission as a federal agency, the NRC must continue to be a responsible steward of taxpayer dollars and properly expend its budgeted funds.

With input from NRC leadership, we have assessed, developed, and described each of the NRC's challenges for FY 2022 in a single-page format that notes each challenge, actions already completed by the agency, and the NRC's continuing work on the challenge. We have independently identified the following nine clear, specific, and actionable challenges that require the NRC's continued attention:

1. Ensuring safety while transforming into a modern, risk-informed regulator;
2. Regulatory oversight of the decommissioning process and the management of decommissioning trust funds (DTF);
3. Using the COVID-19 lessons learned to strengthen NRC readiness to respond to future mission-affecting disruptions;
4. Readiness to license and regulate new technologies in reactor design, fuels, and plant controls, and maintaining the integrity of the associated intellectual property;
5. Ensuring the safe and effective acquisition, management, and protection of information technology and data;
6. Strategic workforce planning during transformation and industry change;
7. Oversight of materials, waste, and the National Materials Program;
8. Management and transparency of financial and acquisitions operations; and,
9. NRC readiness to address cyber threats to critical national infrastructure sectors impacting the NRC's public health and safety mission and/or NRC licensees.

By addressing these challenges, the NRC will strengthen the execution of its mission, achieve its strategic goals, and maintain the highest level of accountability over taxpayer dollars.

AGENCY RESPONSE TO MANAGEMENT CHALLENGES FOR FY 2021

The NRC has constructively engaged with the Office of the Inspector General (OIG) and sought to address OIG audit report recommendations throughout the year. The NRC continues its focus on multiple transformation initiatives as it seeks to achieve its objective to become a more modern, risk-informed regulator.

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Introduction

FROM THE INSPECTOR GENERAL

I am pleased to present our assessment of the most significant management and performance challenges facing the NRC in FY 2022.

The Reports Consolidation Act of 2000 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 for the NRC, and we assess the agency's progress in addressing those challenges.

The NRC continues to accomplish its mission commendably, demonstrating through its work that it is an 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 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 comments on 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 informs the Chairman and Congress about problems, recommends corrective actions, and monitors the NRC's progress in implementing such actions.

Robert J. Feitel,
NRC and DNFSB
Inspector General

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 this mission as a trusted, independent, transparent, and effective nuclear regulator, consistent with the NRC Principles of Good Regulation.

The NRC is led by a group of five Commissioners appointed by the President and confirmed by the Senate for 5-year terms. One of them is designated by the President as Chairman and official spokesperson of the Commission. President Biden appointed Christopher T. Hanson as Chairman of the Commission effective January 20, 2021. Mr. Hanson is joined by Commissioners Jeff Baran and David A. Wright. Two of the five Commissioner positions are currently vacant following the departures of Commissioners Kristine Svinicki and Annie Caputo during 2021. The Commission formulates policies and

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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 safe commercial use of nuclear materials in the United States. 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 and security strategic goals ensure the safe and 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 such regulatory activities as licensing, oversight, and rulemaking. In addition, the NRC's incident response activities prepare for and respond to emergencies involving radioactive materials.

The NRC's FY 2022 budget request is $887.7 million, including 2,879 FTEs. Compared to the NRC's FY 2021 Enacted Budget including authorized carryover, the FY 2022 budget request increased by approximately 3 percent, or $24.4 million, primarily to support salaries and awards adjustments.

During FY 2021 the NRC has made progress in achieving its safety and security goals through continued oversight of the safe and secure operation of nuclear power plants and fuel cycle facilities, as well as the possession and use of radioactive materials. As of the end of August 2021, the NRC had satisfactorily closed 26 OIG Audit recommendations during FY 2021. The NRC has also advanced toward its objective of becoming a modern, risk-informed regulator. The following examples are representative of agency accomplishments and issues addressed in FY 2021.

Operating Reactors

The agency's most recent performance assessments indicate that all operating power reactor plants continue to operate safely. NRC staff conducts assessment reviews, communicates changes in licensee performance quarterly, and issues end-of-cycle assessment letters. The NRC issued annual assessment letters to licensees in March 2021.

Calvert Cliffs Nuclear Power Plant, Lusby, MD

In the area of subsequent license renewal (SLR) application reviews, the NRC issued a renewed license to operate the Surry Power Station Units 1 and 2 for an additional 20 years on May 4, 2021. The SLR applications undergoing review are from Point Beach Units 1 and 2, North Anna Units 1 and 2, the Oconee Nuclear Station (Units 1, 2, and 3), and the St. Lucie Plant Units 1 and 2.

On June 22, 2021, NRC staff recommended the agency discontinue the activity to consider regulatory and other changes to enable license renewal for 40 years. This activity had included evaluation of the technical issues relevant to plant operation up to 100 years. This staff decision came as a result, in part, from significant public comment, as well as NRC management's understanding that industry interest in 40-year license renewal had waned.

NRC staff continued interactions with industry in calendar years (CY) 2020 and 2021 on the potential usefulness of Fukushima-response-inspired FLEX equipment and strategies for mitigating beyond-design-basis events in other applications at nuclear power plants. NRC staff is nearing the end of its verification of industry's implementation of the regulatory actions undertaken after the accident at Fukushima Daiichi. Because of the ongoing Coronavirus Disease (COVID-19) pandemic, the final three Hardened Containment Vent Systems inspections were postponed from CY 2020. In late September 2021, NRC staff reported that two of these inspections are now complete, with the final inspection planned for completion by the end of CY 2021.

NRC staff completed the Fukushima-related evaluations on the impacts of seismic hazards and issued close-out memorandum GI-199, "Closure of Generic Issue 199 (GI-199), Implications of Updated Probabilistic Seismic Hazard Estimates in Central and Eastern United States on Existing Plants," on December 15, 2020. NRC staff has continued to evaluate potential generic issues, examining the risk and zones of influence for aluminum in components undergoing high energy arc faults.

NRC staff initiated a project to modernize NUREG-0800, "Standard Review Plan for the Review of Safety Analysis Reports for Nuclear Power Plants: LWR Edition." The staff held a public meeting on March 31, 2021, to obtain feedback on this effort and to inform interested stakeholders.

New and Advanced Reactors

The NRC continued the technical reviews of large, light-water reactor (LLWR) applications and its regulatory oversight of construction activities of the Vogtle Units 3 and 4 AP-1000 Reactor plants. The NRC reported to Congress in March 2021, that all Vogtle 3 and 4 construction findings in the prior 6 months were of very low safety significance and were addressed by the licensee. On June 21, however, the NRC sent a special inspection team to investigate identified construction quality problems at Vogtle associated with inadequate routing and separation of safety-related power and instrument cables.

The NRC staff continued its licensing reviews of small modular reactor applications and pursued actions to be ready for advanced reactor applications by prioritizing a rulemaking to establish a technology-inclusive, risk-informed, and performance-based regulatory framework and associated guidance for advanced reactors. This rulemaking would create a new part within Title 10 of the Code of Federal Regulations (C.F.R.), Part 53, "Licensing and Regulation of Advanced Nuclear Reactors," in keeping with the NRC's vision and strategy report and the requirements in the Nuclear Energy Innovation and Modernization Act Section103(a)(4).

The NRC continued to develop the draft generic environmental impact statement (GEIS) for advanced nuclear reactors. NRC staff issued a scoping report that summarizes the comments received during the public scoping period and the staff's responses for the GEIS for advanced reactor designs.

Artist rendition – NuScale nuclear power plant (Image credit: NuScale Power)

The NRC staff continues to review designs and engage with potential applicants regarding new reactor technologies:

- NRC staff issued the final safety evaluation report for the NuScale small modular reactor design, completing the final phase of this review in August 2020. The NRC published a proposed rule in July 2021 for design certification, requesting public comment. The public comment period will end October 14, 2021 after an extension granted by NRC base on requests by members of the public. The NRC expects the final rule to be published by August 17, 2022.

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- During reviews of the Oklo Aurora reactor design and combined construction and operating license application, NRC staff expressed concerns for the technical sufficiency of the applicant's submittals to allow the staff to define the scope of the full technical review. The NRC has had to extend completion dates as well as adjust the staff's approach to the review of this unique, non-light water reactor design.

- NRC staff continues to engage with developers of non-LWR reactor designs. These designs include X-energy, LLC, on its pebble bed, high-temperature, gas-cooled reactor; Kairos Power on its pebble-fueled, molten-fluoride-cooled, reactor and its Hermes test reactor; Terrestrial Energy on its molten salt, molten fuel reactor; and TerraPower on its sodium-cooled fast reactor. The Advisory Committee on Reactor Safeguards (ACRS) issued a letter on September 21, 2021, to EDO Margie Doane on its review of NRC staff's draft safety evaluation (SE) report on Kairos Topical Report, KP-TR-010, Revision 3, "KP-FHR Fuel Performance Methodology". The letter noted the staged approach to the review and provided recommendations for NRC staff on the level of information the applicant should provide as well as specific aspects of fuel performance of interest to the ACRS.

- NRC staff issued Regulatory Guide (RG) 1.237, "Guidance for Changes During Construction for New Nuclear Power Plants Being Constructed Under a Combined License Referencing a Certified Design Under 10 C.F.R. Part 52," in February 2021.

MATERIALS, FUEL, AND WASTE

In the area of byproduct materials oversight, the NRC issued a major revision to Inspection Manual Chapter 2800, "Materials Inspection Program." This revision enhances coordination and communication among the NRC Agreement States, revises the documentation of materials inspections, allows flexibility for in-office reviews, and incorporates reciprocity inspection information.

The NRC developed a feature in Web-based Licensing, part of the Integrated Source Management Portfolio, for generating materials inspection reports and inspection trip planning. It also developed a revised system to update the contact information for tribal leaders and tribal historic preservation officers. This system promises to improve communication with Native American tribes for environmental reviews and other outreach activities.

OIG staff toured a power plant interim spent fuel storage installation in July 2021.

In a letter dated June 11, 2021, the Governor of Indiana notified the NRC that Indiana intends to become an Agreement State, with a goal of final agreement by January 1, 2026. Chairman Hanson responded to this letter of intent on July 7, 2021, welcoming this initiative and indicating the readiness of NRC staff to provide guidance. Connecticut is currently pursuing an agreement with the NRC.In December 2020, the Oglala Sioux Tribe and a stakeholder group, Aligning for Responsible Mining, petitioned the United States Court of Appeals for the District of Columbia Circuit, for review of the NRC's January 2014 Final Environmental Impact Statement for the Dewey-Burdock In-Situ (Uranium) Recovery Project in Custer and Fall River Counties, South Dakota, and a related list of commission orders and memoranda.

In the area of high-level waste regulation, the NRC has been reviewing applications to license consolidated interim waste storage facilities (CISF) in Lea County, New Mexico, and in Andrews County, Texas. The topic has been contentious and has involved the Commission's review of the

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denial by an Atomic Safety and Licensing Board of numerous requests to intervene from various parties.

Many stakeholders, including politicians in New Mexico and Texas, have weighed in on both sides of the issue. New Mexico has sued the NRC in a complaint filed March 29, 2021, challenging the legality of the agency's proceedings. Petroleum and gas industry stakeholders in the Permian Basin also filed suit against the CISF proceedings in federal court during 2021. On July 2, 2021, the NRC extended the schedule to complete the environmental and safety reviews of Holtec International's 2017 application to build and operate a CISF in New Mexico until January 2022. While an earlier date extension had been noted by the NRC due to delays caused by the COVID-19 pandemic, the latest extension is related to time required by the applicant to respond to requests for additional information.

In late July 2021, the NRC issued the final Environmental Impact Statement for the Interim Storage Partner application to construct and operate a consolidated interim storage facility in Andrews Texas for spent nuclear fuel (SNF) and greater-than-Class-C waste, along with a small quantity of spent mixed oxide fuel. The NRC subsequently issued a license, as well as a record of decision and a final safety evaluation report on September 13, 2021, to Interim Storage Partners LLC to build and operate a spent fuel consolidated interim storage facility in Andrews, Texas. The license was issued to ISP to construct and operate a CISF at the proposed location to temporarily store up to 5,000 metric tons of uranium (MTU) [5,500 short tons] of SNF for a licensing period of 40 years (Phase 1). Subsequent expansions of the facility via license amendment over 20 years could bring the total capacity to as much as 44,000 MTUs.

The NRC has reported to Congress on its readiness to review applications for licensing accident tolerant fuel (ATF). Several U.S. power reactor licensees have inserted lead test assemblies with ATF technologies beginning in the Spring of 2018.

The NRC staff examined its regulatory framework and found the existing regulations and guidance are suitable for review of the ATF concepts (i.e., coated cladding and doped pellets) expected to be submitted in the near term. The NRC stated it considers the existing regulatory framework to be generally acceptable for licensing fuel with an up to 10 percent uranium-235 increase by weight. Higher enrichments between 5 and 10 percent uranium-235 by weight will require license amendments to existing fuel fabrication and enrichment facility licenses and transportation package certificates of compliance, and could involve regulatory exemptions. NRC staff noted in its ATF project plan version 1.1 issued in October 2019, that staff has "...extensively engaged with its stakeholders in the development and finalization of this project plan, consistent with the NRC's principles of good regulation and statutory requirements." The NRC solicited comments on the plan on July 8, 2021, and held a public meeting on the plan on July 22, 2021.

The industry media in August 2021 identified recent NRC developments and industry perspectives on the ATF project plan. In particular, on July 9, 2021, the NRC released a draft revision of its ATF project plan, noting 36 regulations and guidance documents that had been analyzed by staff for applicability to the licensing of ATF and high enrichment, high burnup nuclear fuels. The NRC planned to release the final revision at the end of FY 2021. An August 5, 2021 letter from the Nuclear Energy Institute (NEI) to the NRC commented that the plan fails to address risk-informed licensing strategies and options identified in a June 2020 technical report from the Electric Power Research Institute that examined fuel fragmentation, relocation and dispersal during loss of coolant accident sequences for pressurized water reactor plant high burnup fuel. The NEI expressed its view that earlier stakeholder interactions are necessary before finalizing revisions like this that affect the industry.

NRC staff continued preapplication interactions with X-energy, LLC, for a fuel fabrication facility planned to produce TRISO (tri-structural isotropic particle) fuel, and a review of the Centrus license amendment request to demonstrate the production of high assay, low enriched uranium at its Piketon, Ohio, facility.

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In an August 6, 2021 Federal Register notice, the NRC issued a draft environmental impact statement (EIS) for public comment on the Westinghouse fuel fabrication facility in Columbia, South Carolina. The final EIS is planned for issuance in February 2022.

COVID-19 Response and Lessons Learned

The NRC responded effectively to the challenges posed by the COVID-19 pandemic. In response to the pandemic, the agency implemented precautionary measures to ensure the health and safety of its workforce, licensee staff, and stakeholders in accordance with guidance provided by the federal government, including the Centers for Disease Control and Prevention and the Office of Personnel Management, as well as state and local authorities.

NRC staff conducted multiple virtual public meetings to engage stakeholders and discuss options for regulatory flexibility due to the pandemic. NRC staff issued documents explaining when the agency would provide expedited reviews for certain pandemic-related exemptions and relief requests in separate topical areas affecting both operating reactor and materials licensees. The staff may continue to use some of these process options as pandemic conditions warrant.

The NRC reported that the staff effectively conducted inspection and oversight activities, and the impacts to NRC licensing activities and regulatory duties were minimal. The Reactor Oversight Process (ROP) had the flexibility to allow the NRC to adjust the operating reactor baseline inspections, as needed, to focus on safety significant issues. The Office of Nuclear Reactor Regulation and the Office of Nuclear Material Safety and Safeguards issued guidance for the regional offices to continue inspections as COVID-19 restrictions continued to change in CY 2021. The OIG's Audit of COVID-19's Impact on Nuclear Materials and Waste Oversight (OIG-21-A-15) found that the NRC's nuclear materials and waste oversight processes during the COVID-19 pandemic have generally been effective in helping the NRC accomplish its mission; however, opportunities exist for strengthening the process during prolonged work disruptions.

The NRC issued a lessons-learned report, "Initial Report on Challenges, Lessons Learned and Best Practices from the 2020 COVID-19 Public Health Emergency – Focus on Regulatory Oversight of Operating Nuclear Reactors," on January 11, 2021. The NRC has discussed this report's recommendations with industry representatives during ROP public meetings. The NRC is also conducting a comprehensive assessment of the implementation of materials oversight programs during the public health emergency.

Transformation: Becoming a Modern Risk-Informed Regulator

NRC leaders have continued to focus on innovation and transformation initiatives to adapt to the evolving nuclear industry and the future regulatory environment, including the increased use of the concept of risk informing its decisions.

The NRC's transformation initiative currently encompasses a broad set of activities that seek to help the agency move toward its vision of being a more modern, risk-informed regulator. Four focus areas were identified: (1) recruiting, developing, and retaining a strong workforce; (2) improving decision-making through the acceptance of an appropriate level of risk without compromising the NRC's mission; (3) establishing a culture that embraces innovation; and (4) adopting new and existing information technology resources.

The NRC reported that its staff continues to work with industry to support risk-informed and performance-based initiatives. For example, the industry has communicated plans to continue to submit applications for adoption of 10 C.F.R. Part 50.69, "Risk-informed Categorization and Treatment of Structures, Systems and Components for Nuclear Power Reactors." Additionally, the industry has submitted applications to adopt the Risk-Informed Technical Specifications (RITS) Initiative. As of Sept. 14, 2021, the industry has submitted 25 applications to adopt RITS Initiative 4b (Risk-Informed

Completion Times). NRC staff has approved 17 applications, is currently reviewing the remaining 8 applications, and anticipates receiving an additional 13 applications by the end of FY 2022.

The NRC expects the guidance document on "Integrated Risk-Informed Decision-Making for Licensing Reviews," that was issued to NRC staff in June 2020, will result in greater consistency and transparency in the use of risk insights as inputs to regulatory decisions and safety conclusions. The NRC also completed revisions to regulatory guidance in probabilistic risk assessment (PRA)-related areas, such as fire protection, and developed approaches for determining whether a base PRA is sufficient to provide confidence in the results of PRA calculations used in regulatory decision making. Additionally, the NRC implemented a new training course in May 2021 called "Be riskSMART: A Tool for Everyone." Be riskSMART "Guidance for Integrating Risk Insights into NRC Decisions" is a framework described in NUREG/KM-0016. This course is intended to help NRC staff consider the Be riskSMART approach to evaluating problems in every part of the NRC's organization.

In November 2020, the NRC staff issued draft Revision 2 of RG 1.205, "Risk-Informed, Performance-Based Fire Protection for Existing Light-Water Nuclear Power Plants," for public comment. This revision includes updated information and guidance on fire-induced circuit failures, as well as NRC endorsements of NEI guidance documents on how to implement fire protection programs under 10 C.F.R. Part 50.48(c), and on post fire safe shutdown circuit analysis.

NRC MANAGEMENT AND PERFORMANCE CHALLENGES FOR FY 2022

We have assessed, developed, and described each of the NRC's challenges* for FY 2022 in a single-page format that notes each challenge, actions already completed by the agency, and the NRC's continuing work on the challenge.

NRC leadership noted its own assessment of the key challenges facing the agency in its input to the OIG for management challenges. We have considered this input and independently identified the following nine clear, specific, and actionable challenges that require the NRC's continued attention:

1. Ensuring safety while transforming into a modern, risk-informed regulator;
2. Regulatory oversight of the decommissioning process and the management of decommissioning trust funds (DTF);
3. Using the COVID-19 lessons learned to strengthen NRC readiness to respond to future mission-affecting disruptions;
4. Readiness to license and regulate new technologies in reactor design, fuels, and plant controls, and maintaining the integrity of the associated intellectual property;
5. Ensuring the safe and effective acquisition, management, and protection of information technology and data;
6. Strategic workforce planning during transformation and industry change;
7. Oversight of materials, waste, and the National Materials Program;
8. Management and transparency of financial and acquisitions operations; and,
9. NRC readiness to address cyber threats to critical national infrastructure sectors impacting the NRC's public health and safety mission and/or NRC licensees.

By addressing these challenges, the NRC will strengthen the execution of its mission, achieve its strategic goals, and maintain the highest level of accountability over taxpayer dollars.

*Note, challenges do not necessarily equate to problems; rather, they should be considered areas of continuing important focus for NRC management and staff.

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Challenge 1: Ensuring Safety while Transforming into a Modern, Risk-Informed Regulator

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.

CHALLENGE SYNOPSIS

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 emphasized this policy in recent years as risk analysis models have become more sophisticated and nuclear power licensees have increasingly used probabilistic safety risk assessment 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. Additionally, advanced reactor designs present unique challenges given the lack of operating experience data to inform risk modeling.

ONGOING ACTIONS

The NRC is assessing the risk of aluminum enhanced high energy arc faults at nuclear power plants, mitigation strategies, and possible regulatory action based on assessment results.

The NRC is engaging nuclear power licensees regarding potential expansion of FLEX strategies for mitigating effects of natural disasters on plant safety.

The NRC is performing nuclear power licensing actions using risk information and developing risk-informed, regulatory guidance for licensees in areas such as fire protection, physical security, and digital instrumentation and controls.

COMPLETED ACTIONS

The NRC issued staff guidance for integrating risk insights in regulatory decision making across multiple mission areas, such as reactor and material safety, security, and emergency preparedness (NUREG/KM-0016).

The NRC issued staff guidance known as the Risk-Informed Process for Evaluations (RIPE) for evaluating nuclear power plant licensing issues of very low safety significance.

The NRC issued a draft white paper on the use of probabilistic risk assessment to support advanced non-light water reactor licensing.

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

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Challenge 2: Regulatory Oversight of the Decommissioning Process and Management of Decommissioning Trust Funds

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

NRC staff members perform independent analyses of licensee decommissioning funding status reports for power reactors to determine whether licensees have provided reasonable assurance of sufficient funding availability for radiological decommissioning of the reactor and site until license termination.

CHALLENGE SYNOPSIS

The NRC must obtain reasonable assurances from nuclear reactor licensees that funds will be available for the decommissioning process. To oversee licensees' decommissioning funding assurance (DFA), the NRC requires licensees to provide a decommissioning financial status (DFS) report biennially. Five years prior to permanent cessation of operations, licensees must provide the DFA status reports annually. Prior to, or within 2 years after permanent cessation of operations, licensees are required to submit a Post Shut-Down Decommissioning Activities 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 decommissioning trust fund (DTF) balance of approximately $13 billion as of December 30, 2020.

In addition, for permanently shut down reactors, 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 DFA requirements described in 10 C.F.R. Part 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 C.F.R. Part 50.82. The OIG conducted an audit of the NRC's oversight of the adequacy of decommissioning trust funds during FY 2021, and identified recommendations for the agency to improve its oversight of the decommissioning program.

Key decommissioning trust fund challenges include:

- Ensuring that agency processes adequately address new reactor decommissioning business models, including accelerated decommissioning activities;
- Managing oversight of DTF shortfalls in both operating and decommissioning reactors;
- Maintaining reasonable assurance that operating reactors will have sufficient funds to decommission safely;
- Overseeing licensee use of DTFs in accordance with 10 C.F.R. Part 50.82; and,
- Improving decommissioning guidance.

ONGOING ACTIONS

The NRC is conducting power reactor decommissioning rulemaking to clarify regulations.

COMPLETED ACTIONS

NRC staff completed the 2020 annual review of decommissioning funding status reports for plants in decommissioning.

Looking ahead: The OIG is continuing efforts to analyze the agency's decommissioning program. Further, an audit of the NRC's engagement with the public related to reactor decommissioning actions is planned for FY 2022.

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Challenge 3: Using the COVID-19 Lessons Learned to Strengthen NRC Readiness to Respond to Future Mission-Affecting Disruptions

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The NRC has adapted its policies, procedures, and internal business practices to protect its workforce against COVID-19 while ensuring mission-essential regulatory, licensing, and inspection work is performed. The NRC's response to COVID-19 could provide valuable lessons to help the agency prepare for future events that cause social and economic disruption affecting NRC's ability to conduct its mission.

CHALLENGE SYNOPSIS

On March 13, 2020, the President of the United States declared a national emergency associated with the COVID-19 outbreak. Soon thereafter, the Office of Management and Budget directed federal agencies to "adjust operations and services to minimize face-to-face interactions" and to postpone or significantly curtail "non-mission critical functions that cannot be performed remotely or that require in-person interactions." The NRC then 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. The NRC held public teleconference meetings with external stakeholders to discuss regulatory actions. NRC inspectors continued oversight work at nuclear power plants and materials licensee facilities, while using information technology to minimize face-to-face interaction with licensee personnel as appropriate. Notably, the NRC calibrated its posture in accordance with local epidemiological trends and modified remote work and social distancing requirements as public health conditions improved in various locations across the country. While trends have improved in 2021, COVID-19 variants present additional risk and could impact operations.

ONGOING ACTIONS

An NRC headquarters and regional working group is assessing baseline reactor inspection procedures to determine which portions could be performed remotely, as well as potential compensatory measures for conditions precluding onsite inspection work.

The NRC is planning a more comprehensive lessons learned evaluation of its COVID-19 practices with internal and external stakeholders to identify long-term ROP improvements for public health emergencies and other conditions.

Another NRC working group is assessing COVID-19 impacts on nuclear materials and waste oversight programs and will develop program recommendations to prepare for future public health emergencies.

COMPLETED ACTIONS

The NRC approved temporary regulatory exemptions and deferrals for licensees based on guidance issued shortly after the COVID-19 outbreak.

The NRC developed alternative force-on-force inspection procedures for power reactor sites where normal full-scope exercises were precluded.

The NRC conducted a preliminary lessons-learned review of COVID-19 reactor inspection program adaptations, with recommendations to improve data access inspection programs and procedures.

The NRC analyzed COVID-19 impacts on reactor inspections as part of its annual ROP self-assessment for calendar year 2020, and conducted lessons learned in the materials and waste program.

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

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Challenge 4: Readiness to License and Regulate New Technologies in Reactor Design, Fuels, and Plant Controls, and Maintaining the Integrity of the Associated Intellectual Property

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Industry's development of new technologies to extend the life of existing reactors, combined with congressional support for developing new reactor and fuel technologies, will require the NRC not only to adapt existing licensing processes and capabilities and create new ones, but also to protect proprietary information against industrial espionage or other efforts by adversaries to compromise this information.

CHALLENGE SYNOPSIS

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. 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 new technologies in an efficient and effective manner. As new reactor and fuel technologies are reviewed and licensed, it is critical that the NRC, as well as its federal partners, vendors, and applicants, protect the proprietary information entrusted to them.

ONGOING ACTIONS

The NRC continues to engage external stakeholders, such as the U.S. Department of Energy, industry, the public, and other entities as it develops the proposed Part 53 rule for advanced reactors, with a goal of completion by fall 2024.

The NRC continues to assess its own regulations and work with the U.S. Department of Commerce and other federal agencies to establish adequate export controls for advanced non-light water reactors and small modular reactors.

The NRC will conduct additional research and solicit external stakeholder input on safety issues associated with ATF, higher burnup fuels, and fuels with uranium enrichment levels above five percent.

The NRC continues to hold pre-application meetings with nuclear power plant licensees for digital modernization projects.

COMPLETED ACTIONS

The NRC published preliminary Part 53 rule language and sought public comments as part of the agency's rulemaking process for advanced reactors.

The NRC partnered with federal research institutions, such as Oak Ridge National Laboratory, to develop staff guidance on advanced reactor technical matters.

The NRC issued technical reports on safety issues associated with ATF and issued a license amendment to allow limited testing of ATF at the Calvert Cliffs Nuclear Power Plant.

The NRC updated staff guidance on common cause failure in digital instrumentation and control systems. The NRC most recently demonstrated implementation of this guidance through its review and issuance of a safety evaluation report approving a digital upgrade at the Waterford Steam Electric Station.

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

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Challenge 5: Ensuring the Safe and Effective Acquisition, Management, and Protection of Information Technology and Data

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Technology continues to advance rapidly. The challenge is supporting a future-ready workforce equipped with the modern tools, technologies, skills, and knowledge necessary to meet current and future mission needs.

CHALLENGE SYNOPSIS

The NRC must continue to meet the regulatory and statutory federal mandates for Information Technology and 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 data from 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 (CARES) Act to support remote access, expanded teleworking, and operational and security activities related to COVID-19 prevention, preparation, and response. The agency requested licensing funds to support increases in mobile and collaborative licensing and telecommunications services, commodity IT funds to optimize staff productivity (e.g., audio headsets), and availability of replacement parts. The NRC's request included contractor support funds to support increased operational and security activities (e.g., patch management). In addition, re-engineering systems and work processes funds requests will support optimized electronic process solutions.

Key internal security oversight challenges for the NRC include:

- Managing patches in the face of increasing demand for bandwidth;
- Increasing numbers, types, and sophistication of cyber threats highlight the need to reinforce IT security;
- Directing agencywide information resource planning to help the agency select and manage IT/IM 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 security strategies to protect against sophisticated cyber-attacks; and,
- Executing the Federal Information Security Modernization Act of 2014, to strengthen information technology security.

ONGOING ACTIONS

The NRC is leveraging IT mobile devices for material inspection use in the field.

The NRC is continuing to broaden use of web-based licensing.

The NRC is expanding virtual private network availability.

COMPLETED ACTIONS

The NRC transitioned to a Microsoft cloud-based solution so agency-managed IT end points can directly download 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.

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

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Challenge 6: Strategic Workforce Planning During Transformation and Industry Change

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Strategic workforce planning is critical to help the NRC maintain its focus on longer-term workforce development and accomplishing organizational goals during periods of agency transformation and industry change.

CHALLENGE SYNOPSIS

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. In addition, the NRC is transforming to realize its vision of becoming a modern, risk-informed regulator and be in the best position to continue meeting its important safety and security mission well into the future. Transformation will help the NRC keep pace with the highly dynamic, interconnected environment in which the agency operates, and be prepared to regulate an industry that is innovative and has new technologies. The SWP process takes place annually to develop strategies for workforce needs in the budget 5 years in the future.

The NRC's proposed FY 2022 budget is $887.7 million, an increase of $24.4 million over its enacted budget for FY 2021. This includes 2,879 FTE, a slight increase compared to the FY 2021 enacted budget.

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 in an innovative industry.

ONGOING ACTIONS

The NRC completed a three-office pilot of an enhanced SWP process and now forecasts its workload 5 years ahead.

The NRC used Futures Assessment insights and the related multi-day online conference to identify four focus areas for achieving its transformation vision of being a modern, risk-informed regulator: Our People, Be RiskSMART, Using Technology, and Innovation. Each focus area was supported by transformation initiatives that were updated for NRC Commissioners in meetings on September 17, 2020, and June 22, 2021.

COMPLETED ACTIONS

The NRC has completed three recommendations from GAO-17-233, which addressed its strategic human capital management and workforce plans.

The NRC's 2019 Futures Assessment effort helps to ensure that the NRC continues to effectively meet its mission using a scenario planning approach to understand the various ways the future of the NRC's external environment could change, how the NRC could be affected, and steps the NRC could take to be prepared.

Looking ahead: The OIG will audit the NRC's Knowledge Management Program in FY 2022.

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Challenge 7: Oversight of Materials, Waste, and the National Materials Program

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 radioactive materials, in addition to the NRC's ability to effectively oversee the continued increase in high-level radioactive waste.

CHALLENGE SYNOPSIS

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 radioactive waste.

The NRC's regulatory framework includes Agreement States, which are U.S. states that have entered into an agreement with the NRC to regulate certain radioactive materials and limited quantities of special nuclear material. Agreement States must demonstrate that their regulatory programs are adequate to protect public health, safety, and the environment, and are compatible with the NRC's program. There are currently 39 Agreement States; however, within the past 12 months, 2 states—Connecticut and Indiana—have submitted letters of intent to also become Agreement States.

The broad collective effort of the NRC and Agreement States to carry out their respective regulatory programs for radioactive material is called the National Materials Program (NMP). The mission of the NMP is to have a partnership between the NRC and Agreement States that ensures protection of public health, safety, security, and the environment from the hazards associated with radioactive material.

In addition to the NMP, the NRC has sole responsibility for overseeing high-level radioactive waste (HLW), the highly radioactive byproduct of the reactions that occur inside nuclear reactors. Spent (used) reactor fuel is one form of HLW, and significant amounts of HLW result from the Department of Energy's (DOE's) defense reprocessing programs. The NRC does not regulate DOE HLW, but this waste must be included in any HLW disposal plans. An alternative to storing spent fuel is reprocessing; however, commercial spent fuel is not currently reprocessed in the United States.

ONGOING ACTIONS

The NRC is in the process of updating guidance to document strategies and tools to be used for risk-informing requests for additional information in licensing processes for spent nuclear fuel.

Staff will continue to expand its use of Nuclepedia as a knowledge management tool to capture important technical positions and recurrent requests for information issues.

COMPLETED ACTIONS

The NRC posted the revised State Agreements Procedure (SA-100) on the state communication portal website. The revised SA-100 included aspects of the implementation plan that align with the NRC consolidated Integrated Materials Performance Evaluation Program plan.

NRC staff sought input from stakeholders and used a risk-informed approach to evaluate and document the benefits of strengthening current internal control processes to ensure temporary radiation safety officer appointments were established and terminated in accordance with NRC policy.

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

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Challenge 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 effectively and efficiently accomplish their missions. A strong acquisition management process increases the likelihood that the agency awards contracts to the right contractors and monitors contracting actions in accordance with regulations.

CHALLENGE SYNOPSIS

The Nuclear Energy Innovation and Modernization Act (NEIMA) requires the NRC to recover, to the maximum extent practicable, approximately 100 percent of its annual budget less certain amounts excluded from this fee-recovery requirement. It also requires the NRC to establish a schedule of charges that fairly and equitably assesses the fees to license holders and license applicants. To improve efficiency and accuracy, the NRC is piloting new IT applications to improve its fee calculation process.

The NRC requested supplemental funds under the CARES Act and to maintain transparency, so it 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 its grants program in accordance with the prescribed federal regulations. The OIG conducted an audit of the NRC's grants pre-award and award processes during FY 2021 and identified recommendations for the agency to improve internal controls related to the pre-award and award process. Key financial and acquisition challenges include the following:

- Developing and implementing the agency's budget in accordance with federal laws, regulations, and guidance;
- Maintaining an automated fee structure in accordance with laws and regulations that is fair to agency licensees and includes all types of reactors;
- Improving controls over license fee billing; and,
- Exploring ways to improve the award, management, and timely closeout of acquisition actions.

ONGOING ACTIONS

The NRC is part of a governmentwide initiative to remove the Data Universal Number System organizational identifier and replace it with a unique entity identifier.

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.

COMPLETED ACTIONS

The agency implemented an eBilling process so the NRC can bill, and licensees can pay, fees online.

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.

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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Challenge 9: NRC Readiness to Address Cyber Threats to Critical National Infrastructure Sectors Impacting the NRC's Public Health and Safety Mission and/or NRC Licensees

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The increasing complexity of information technology and industrial control systems throughout the nation's critical infrastructure makes it imperative to strengthen preparedness to counter any emerging cyber threats in the NRC's areas of responsibility.

CHALLENGE SYNOPSIS

Federal government policy organizes critical infrastructure into 16 sectors with assets, systems, and networks considered vital to the security, economy, and/or public health and safety of the United States. Nuclear reactors, materials, and waste comprise one of these sectors, which the NRC oversees in accordance with its statutory mission to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

Cybersecurity presents unique challenges to critical infrastructure protection because information technology and industrial control systems are highly complex and dynamic, technologically diverse, and often geographically dispersed. This complexity increases the difficulty in identifying, managing, and protecting the numerous operating systems, applications, and devices involved. The NRC issued a cybersecurity rule (10 C.F.R. Part 73.54) for nuclear power plants in 2009 and performs routine inspections at plants to assess licensee compliance with it. In 2017, the NRC staff sent the Commission a proposed cybersecurity rule for nuclear fuel cycle facilities, but the Commission has not yet acted on the proposed rule, so the NRC does not presently conduct cybersecurity inspections at nuclear fuel cycle facilities.

ONGOING ACTIONS

The NRC is developing a revised cybersecurity inspection procedure and plans to restart power reactor cyber security inspections as part of the next biennial ROP cycle.

The NRC continues its monitoring of cybersecurity threats directed toward nuclear power plants and Category I fuel cycle facilities to communicate time-sensitive information and assess the need for any changes to the design basis threat applicable to these facilities.

COMPLETED ACTIONS

NRC inspectors completed the final round full-scope cybersecurity inspections at nuclear power plants, which began in 2017.

All operating plants have now undergone full scope inspections to verify licensees' implementation of the 2009 cybersecurity rule.

In September 2021, the NRC issued a baseline inspection procedure for biennial oversight of licensee cyber security programs starting in January 2022.

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

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TO REPORT FRAUD, WASTE, OR ABUSE

Please Contact:

Online: 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 2021					
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	1	0	1	0	0
Management Controls over Financial Reporting	0	1	0	0	1
Total Material Weaknesses	1	1	1	0	1

Summary of Management Assurances for FY 2021						
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 PIIA. At this time, only intragovernmental transactions are exempt from PIIA 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 PIIA 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 PIIA programs identified by management. The NRC will continue to conduct risk assessments on a triennial basis, in accordance with the PIIA, as well as OMB guidance. The next PIIA 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 significant 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 PIIA.

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 FY 2021 real property portfolio comprises a total of approximately 961,000 usable square feet (USF), which represents a reduction of approximately 30,000 USF from the FY 2020 end of year portfolio. The agency plans on releasing an additional 168,000 USF from FY 2022 through FY 2023. The square footage to be released is 80,000 USF greater than the previously reported reductions due anticipated reductions in Region 3 and TWFN (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 2020 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 percent of NRC's real property portfolio over the five-year period of FY 2021 through FY 2026. 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, 2021. 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. 282)	1980	January 2021	$307,058	*Federal Register;* 86 FR 3745 (January 15, 2021)
Fraudulent false claims and statements	*Program Fraud Civil Remedies Act* (31 U.S.C. 3802)	1986	January 2021	$11,803	*Federal Register*; 85 FR 3745 (January 15, 2021)

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	9	7	0
Number of Grants/Cooperative Agreements with Undisbursed Dollar Balances	18	7	0
Total Amount of Undisbursed Balances	$302,673.84	117,186.19	$0.00

The NRC made closeouts a priority during FY 2021 and reduced the number of open grants two or more years old from 49 grants to 41 grants. The agency no longer has any grants that expired more than 5 years ago waiting for closeout. The remaining 41 grants are in the process of being closed out. The NRC has made progress in reducing the number of our oldest grants awaiting closeout and will continue this focus during FY 2022.


NUCLEAR REGULATORY COMMISSION

Acronyms and Abbreviations

Acronym	Full Title
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, 2021
CFO	Chief Financial Officer
Charge Card Act	Government Charge Card Abuse Prevention Act of 2012
COVID-19	coronavirus disease 2020
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

Acronym	Full Title
IPERA	Improper Payments Elimination and Recovery Act of 2010
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
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 2020
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


NUCLEAR REGULATORY COMMISSION

NRC FORM 335 (12-2010) NRCMD 3. 7

U.S. NUCLEAR REGULATORY COMMISSION

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(See instructions on the reverse)

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Fiscal Year 2021
Agency Financial Report

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

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7. PERIOD COVERED (Inclusive Dates)

Fiscal Year 2021

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 2021 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 2021

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