U.S.NRC

United States Nuclear Regulatory Commission

Protecting People and the Environment

Fiscal Year 2022

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 2022, which covers the period from October 1, 2021, to September 30, 2022. 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 2022 financial statement analysis.

- **Chapter 2: Financial Statements and Auditors' Report**
  This chapter contains details on the NRC's finances for FY 2022. 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 2023 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 Chair. With the advice and consent of the Senate, the President appoints each member to serve a 5-year term. The Chair 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.

Chair Christopher T. Hanson

Commissioner Jeff Baran

Commissioner David A. Wright

Commissioner Annie Caputo

Commissioner Bradley Crowell

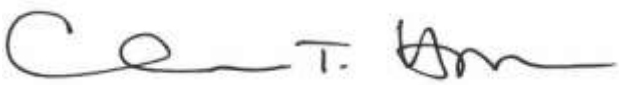
A Message from the Chair

The U.S. Nuclear Regulatory Commission (NRC) is pleased to present its fiscal year 2022 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 2022.
The AFR is available at https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr2220/index.html.

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 2022 AFR includes the results of the independent audit of the NRC's FY 2022 financial statements, which I am pleased to announce is an unmodified opinion. There is reasonable assurance the agency is in substantial compliance with all requirements pertaining to internal control, including laws, regulations, program management, resource management, and information technology. 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 the 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
Chair


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

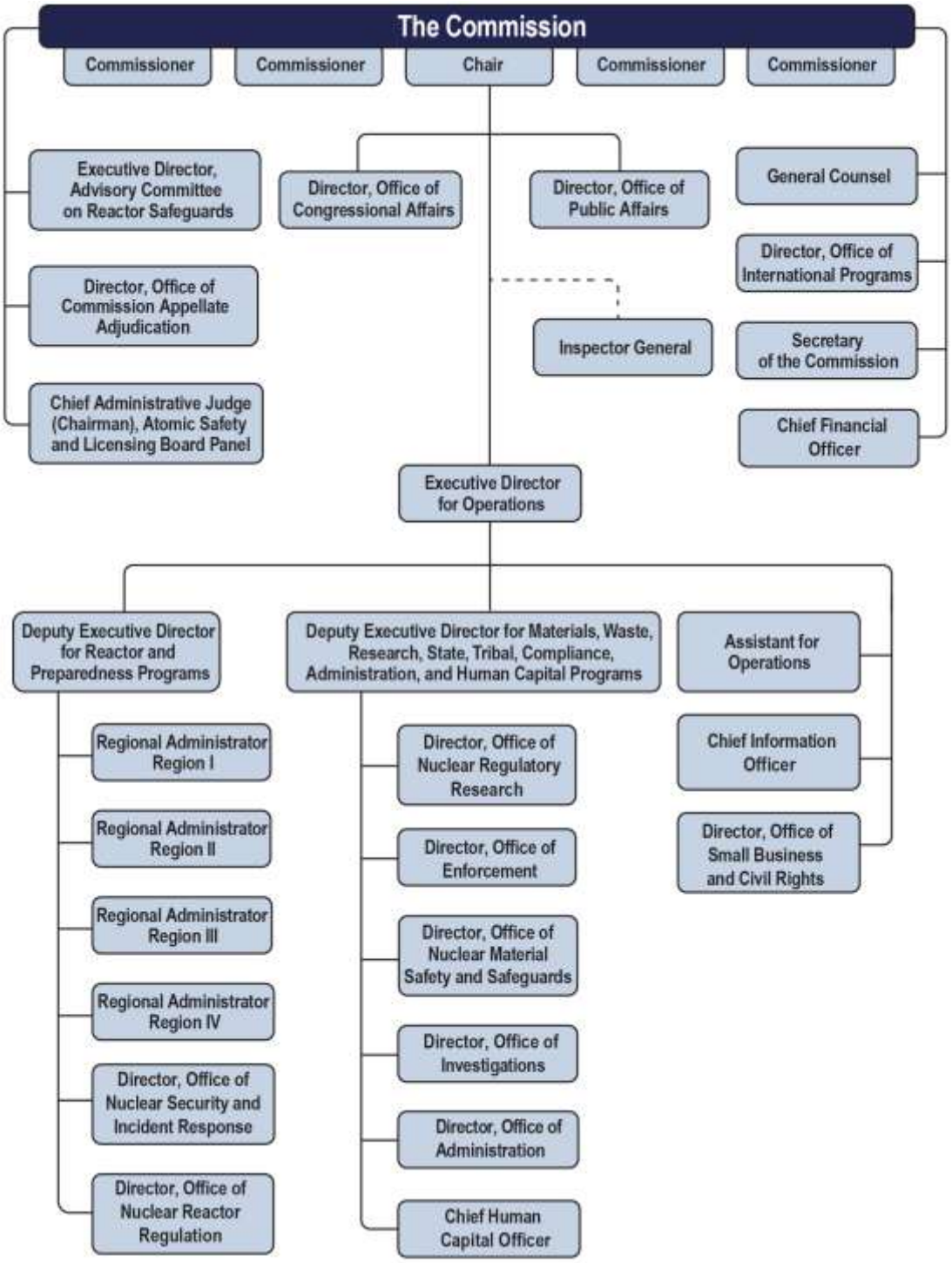
Independence:	*Nothing but the highest possible standards of ethical performance and professionalism should influence regulation.*
Openness:	*Nuclear regulation is the public's business, and it must be transacted publicly and candidly.*
Efficiency:	*The highest technical and managerial competence is 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/.

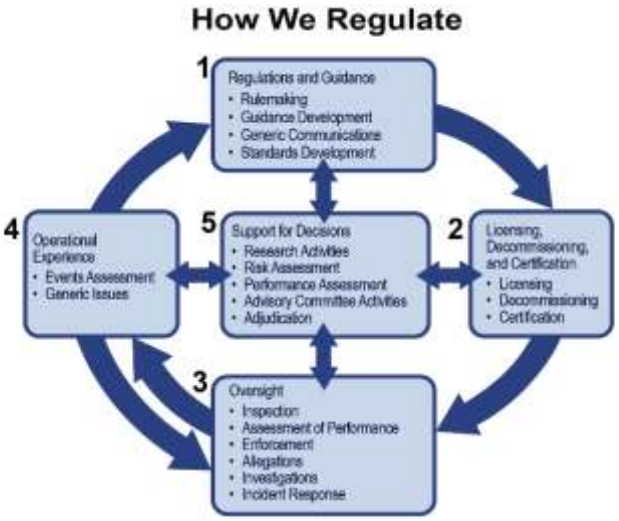
NRC Headquarters is located in Rockville, MD. The agency Operations Center in the headquarters building coordinates communications with NRC licensees, State agencies, and other Federal agencies. This center is the focal point for assessing and responding to operating events in the industry. NRC operations 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



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).



1. Develop regulations and guidance for applicants and licensees.
2. License or certify applicants to use nuclear materials, operate nuclear facilities, and decommission facilities.
3. Inspect and assess licensee operations and facilities to ensure licensees comply with NRC requirements, respond to incidents, investigate allegations of wrongdoing, and take appropriate followup or enforcement actions when necessary.
4. Evaluate operational experience of licensed facilities and activities.
5. Conduct research, hold hearings, and obtain independent reviews to support regulatory decisions.

Figure 1 How the NRC Regulates

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.

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 92 commercial nuclear power reactors operating in 28 states at 54 sites; 31 research and test reactors as part of nonpower production and utilization facilities; 25 nuclear reactors in various stages of decommissioning; 84 independent spent fuel storage installations; 9 licensed active fuel cycle facilities; 3 uranium recovery sites; and more than 2,100 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 nearly 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 civilian nuclear 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 beginning with the processing of uranium ore.

Fuel Cycle Facilities

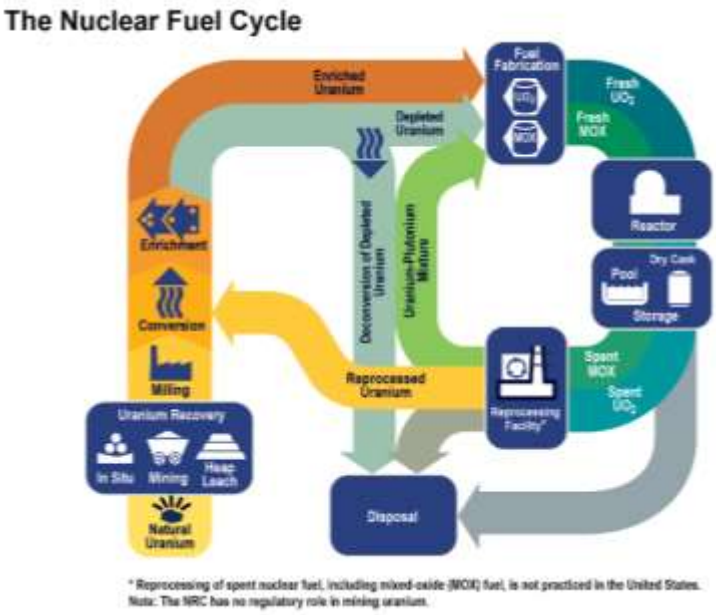
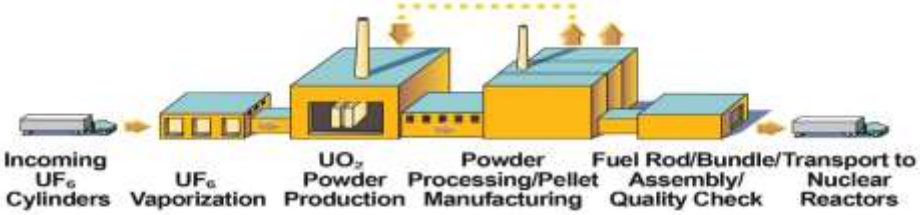


Figure 2 The Nuclear Fuel Cycle

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 uranium enrichment facility, where the concentration of the isotope uranium-235 is increased 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 14 feet (4.3 meters) long and bundled into reactor 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 all commercial uranium conversion, enrichment, and fuel fabrication facilities in the United States. Because they handle extremely hazardous material, these facilities take special precautions to prevent theft, diversion, and dangerous exposures.



Fabrication of commercial light-water reactor fuel consists of the following three basic steps:

1. the chemical conversion of UF_6 to UO_2 powder
2. a ceramic process that converts UO_2 powder to small ceramic pellets
3. a mechanical process that loads the fuel pellets into rods and constructs finished fuel assemblies

Figure 3 Simplified Fuel Fabrication Process

Reactors

Nuclear power reactors licensed by the NRC generate approximately 19 percent of the U.S. gross electricity needs, or about 778 billion kilowatt hours annually. 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.

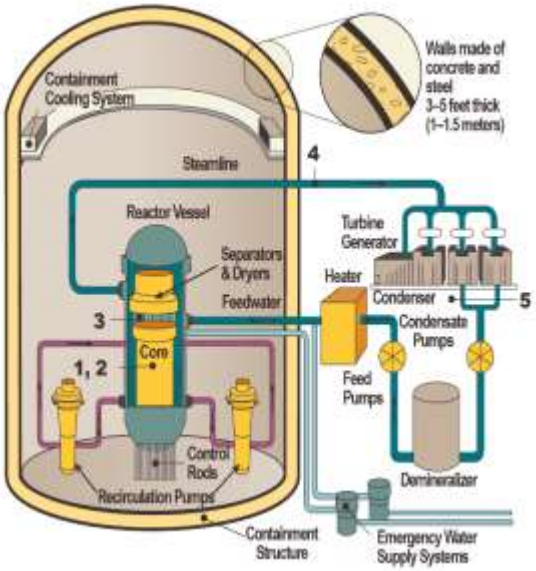


Figure 4 The Boiling-Water Reactor

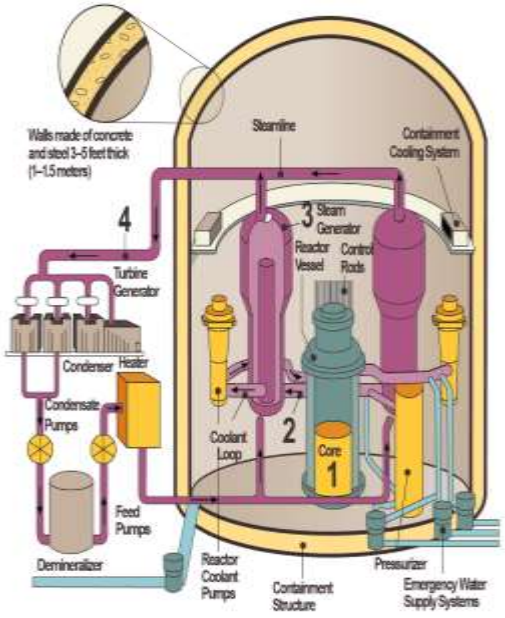


Figure 5 The Pressurized-Water Reactor

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 2022, the NRC received total appropriations of $889.7 million, which included $875.9 million for the Salaries and Expenses appropriation and $13.8 million for the OIG. The NRC's Salaries and Expenses appropriation increased $45 million compared to the prior year. The appropriation for the OIG increased by $0.3 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, 2023. 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. On May 21, 2022, NRC received additional appropriation of $2 million to NRC's Salaries and Expenses account for the specific purpose of providing "regulatory and technical support related to the situation in Ukraine", available until expended.

The OIG appropriation is available to obligate for 2 years (FY 2022 and FY 2023) through September 30, 2023. 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 2022 was $1019.9 million and included $889.7 million for current year appropriations, $100.7 million from prior-year appropriations, $24.1 million from recoveries of prior-year obligations, and $5.4 million spending authority from offsetting collections. Funds available to obligate in FY 2022 increased from the FY 2021 amount of $982.7 million by $37.2 million, primarily as a result of an increase of $45.3 million in appropriations, offset by decrease of $9 million in unobligated balances from prior-year budget authority, increase of $1.6 million in recoveries of prior-year obligations, and a decrease of $0.7 million in spending authority from offsetting collections.

Table 1 Total Budget Authority *(IN MILLIONS)*

For the fiscal years ended September 30,	2022	2021	Inc/(Dec)
Appropriations			
Salaries and Expenses	**$875.9**	$830.9	$45.0
Office of the Inspector General	**13.8**	13.5	0.3
Total Appropriations	**889.7**	844.4	45.3
Other Budget Authority			
Unobligated balance from prior-year budget authority, brought forward October 1	**100.7**	109.7	(9.0)
Recoveries of prior year obligations	**24.1**	22.5	1.6
Spending Authority from Offsetting Collections	**5.4**	6.1	(0.7)
Total Other Budget Authority	**130.2**	138.3	(8.1)
Total NRC Budget Authority	**$1,019.9**	$982.7	$37.2

Fee Collection Offset of Appropriations

Nuclear Energy Innovation and Modernization Act (NEIMA), 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,	2022	2021	Inc/(Dec)
Reactor Fees Collected	**$670.9**	$645.0	$25.9
Materials Fees Collected	**66.4**	69.6	(3.2)
Nuclear Waste Fund	**0**	0	0
Treasury General Fund	**152.4**	129.8	22.6
Total Sources of Funds	**$889.7**	$844.4	$45.3

In FY 2022, the NRC collected $739.3 and the net received from the Treasury general fund was $152.4 million (see Table 2). The fees collected during FY 2021 and transferred to the Treasury totaled $714.6 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 financial statements and an unmodified opinion on internal controls over financial reporting for the FY ended 2022. 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 (see Table 3).

Table 3 Key Measures (*IN MILLIONS*)

For the fiscal years ended September 30,	FY 2022	FY 2021	Inc/(Dec)	%
Assets:				
Fund Balance with Treasury	$384.3	$376.8	**$ 7.5**	**2.0%**
Accounts Receivable, Net	58.1	64.7	**(6.6)**	**(10.2%)**
Advances and Prepayments	4.3	3.8	**0.5**	**13.2%**
Property & Equipment, Net	32.3	37.1	**(4.8)**	**(12.9%)**
Total Assets	**$479.0**	**$482.4**	**$(3.4)**	**(0.7%)**
Liabilities:				
Accounts Payable	$31.7	$29.7	**$2.0**	**6.7%**
Federal Employee Benefits	50.5	54.3	**(3.8)**	**(7.0%)**
Other Liabilities	26.3	43.3	**(17.0)**	**(39.3%)**
Total Liabilities	**$108.5**	**$127.3**	**$(18.8)**	**(14.8%)**
Net Position (Assets minus Liabilities)	**$370.5**	**$355.1**	**$15.4**	**4.3%**
COST BY PROGRAMS				
Nuclear Reactor Safety	$699.1	$692.8	$6.3	**0.9%**
Nuclear Materials and Waste Safety	196.6	201.4	(4.8)	**(2.4%)**
LESS: Earned Revenue (License Fees)	**737.3**	**711.9**	**25.4**	**3.6%**
Net Cost of Operations	**$158.4**	**$182.2**	**$(23.8)**	**(13.1%)**

Analysis of the Balance Sheet

Assets. The NRC's total assets were $479.0 million as of September 30, 2022, representing a decrease of $3.4 million from the fiscal year ended September 30, 2021. Changes in major categories include increases of $7.5 million in the Fund Balance with Treasury and $0.5 million in Advances and Prepayments and decreases of $6.6 million in Accounts Receivable, net and $4.8 million in Property and Equipment, net.

The Fund Balance with Treasury was $384.3 million as of September 30, 2022, which accounts for 80 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, 2022, Accounts Receivable, Net was $58.1 million, which includes an offsetting allowance for doubtful accounts of $2.0 million. This represents a net decrease in Accounts Receivable, net of $6.6 million from the FY 2021 amount of $64.7 million. The decrease is primarily due to reductions in unbilled fees receivable of $9.3 million and miscellaneous receivables with the public of $0.3 million offset by increases in intragovernmental billed fees receivable of $1.6 million and billed fees receivable of $0.7 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 2022, Property and Equipment, Net was $32.3 million, a $4.8 million decrease from the FY 2021 amount of $37.1 million. The decrease primarily results from the amortization expense of $9.2 million recognized on property and the removal from the NRC books of $2.7 million of property; offset by an increase in capitalized acquisitions $7.2 million.

Liabilities. Total Liabilities were $108.5 million as of September 30, 2022, representing a decrease of $18.8 million from the FY 2021 balance of $127.3 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 $57.1 million for FY 2022, compared to $60.2 million for end of FY 2021, a $3.1 million decrease. For FY 2022, the liabilities not covered by budgetary resources represent 52.6 percent of Total Liabilities and mainly encompasses $46.6 million in unfunded accrued annual leave that has been earned but not yet taken, $3.6 million as an actuarial estimate of accrued future workers' compensation expenses included in

Federal employee benefits, $0.8 million in accrued workers' compensation included in Other Liabilities, and a $5.6 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 $370.5 million as of September 30, 2022, an increase of $15.4 million from the FY 2021 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 2022 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, 2022, was $158.4 million, representing a decrease of $23.8 million compared to the FY 2021 net cost of $182.2 million. This represents an increase in gross costs of $1.6 million and an increase in earned revenue of $25.4 million.

Gross Cost. The NRC's total gross costs were $895.7 million for FY 2022, an increase of $1.6 million from the prior-year amount of $894.1 million. The gross costs in FY 2022 for the Nuclear Reactor Safety program were $699.1 million compared to FY 2021 gross costs of $692.8 million, an increase of $6.3 million. The gross costs in FY 2022 for the Nuclear Materials and Waste Safety program were $196.6 million compared to FY 2021 gross costs of $201.4 million, a decrease of $4.8 million. Thus, the gross cost of both programs increased a total of $1.6 million. The increase primarily results from the Nuclear Reactor Safety Program costs with the public increase of $11.4 million offset by decreases in the Nuclear Reactor Safety Program intragovernmental costs of $5.0 million and Nuclear Materials Safety Program intragovernmental costs of $2.0 million and costs with the public of $2.8 million.

Earned Revenue. Total earned revenue for FY 2022 was $737.3 million, an increase of $25.4 million from the FY 2021 earned revenue of $711.9 million. Revenue for the Nuclear Reactor Safety program in FY 2022 was $670.9 million compared to $644.9 million in FY 2021, an increase of $26.0 million. Revenue from the Nuclear Materials and Waste Safety program in FY 2022 was $66.4 million compared to $67.0 million in FY 2021, a decrease of $0.6 million. The increase in earned revenue is primarily a result of 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 2022, the NRC had an increase in Net Position of $15.4 million resulting from a decrease in Cumulative Results of Operations of $8.1 million, and an increase of $23.5 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 increase in FY 2022 Unexpended Appropriations of $23.5 million resulted from a decrease in the beginning balance of $10.5 million and an increase of $20.8 million appropriations received, net of license fees collected and a decrease of $14.0 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 2022 of $889.7 million, reduced by current year license fee collections of $739.1 million, as compared to appropriations received in FY 2021 of $844.4 million, reduced by FY 2021 license fee collections of $714.9 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 2022, the Total Budgetary Resources of $995.7 million were available. This was $35.6 million more than the $960.1 million available for FY 2021. The major component contributing to the increase in Total Budgetary Resources resulted from a $45.3 million increase in appropriations, offset by a decrease of $9.0 million in the unobligated balance brought forward, net on October 1, and a decrease of $0.6 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 2022 were $890.7 million, an increase of $7.6 million from the prior year amount of $883.1 million. The increase was due to $10.8 million for contract support and $1.3 million in salaries and benefits; offset in $4.5 million for property and equipment.

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 2022 was $105.1 million, compared to $77.1 million for the prior year. The increase in appropriations received with the increase in current year obligations are the primary contributors resulting in the increase of $28.0 million in total budgetary resources not obligated at the end of the fiscal year.

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 objectives 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 Chair to provide an assurance statement on the adequacy of internal controls and on the conformance of financial systems with Government-wide standards.

Enterprise Risk Management and Programmatic Internal Control

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

OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," provides Federal agencies guidance on how to comply with the Integrity Act and requires Federal managers to effectively manage risks that may impact agencies in meeting their strategic objectives. Each year NRC has continually matured its ERM Framework. The NRC's ERM Framework meets OMB requirements.

In FY 2021, the OIG conducted an audit of the NRC's implementation of the ERM Process. The report was issued in September 2021 and included eight recommendations to improve the overall alignment of the NRC's ERM to the guidance provided in OMB Circular A-123. As of September 30, 2022, all the audit recommendations have either been deemed resolved by the OIG or are actively being implemented by the NRC.

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.

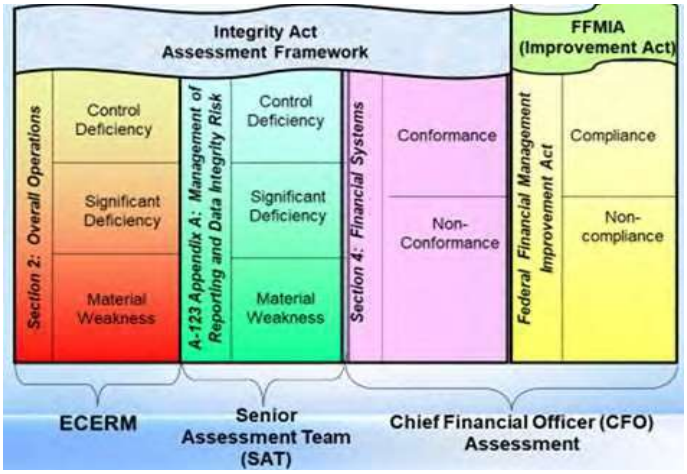


Figure 6
The NRC's FMFIA Governance Framework

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 Chair sign the agency's Federal Managers' Financial Integrity Act Statement (see Figure 7).

Integrity Act Results

As required by Section 2 of the Integrity Act and under the guidance established in OMB Circular A-123, all NRC business line leads and corporate support product lines certified that, as of September 30, 2022, there was reasonable assurance that internal control was in place producing intended results. Based on management's certification of reasonable assurance, the NRC can provide a statement of assurance that its internal control met the objectives of the Integrity Act and conforms to Government-wide standards.

U.S. NUCLEAR REGULATORY COMMISSION
FISCAL YEAR 2022
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 the 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, 2022.

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 that its internal control over reporting as of September 30, 2022, was operating effectively, and no material weaknesses were identified.

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, 2022, 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
Chair
U.S. Nuclear Regulatory Commission
November 10, 2022

Figure 7 FY 2022 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, 2022, 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. The OCFO also has procedures in place for the use of the travel charge card. Managed by the OCFO, NRC's Travel Charge Card Management Plan was last updated in January 2019. NRC has reviewed the Purchase and Travel Card programs for compliance with the Charge Card Act and can provide reasonable assurance that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices in accordance with OMB Circular A-123, Appendix B.

Requirements for Payment Integrity Improvement (Appendix C)

In 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 2020.

The FY 2020 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2020 risk assessment identified programs as low risk, the NRC continues to monitor its payment processes, in addition to conducting periodic reviews of key controls for 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 Chair 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 April 2022, the CFO successfully completed an upgrade to the agency's core financial system, Financial Accounting and Integrated Management Information System (FAIMIS), to meet GSA's Unique Entity Identifier (UEI) mandate and lay the groundwork for incorporating functionality related to Treasury's G-Invoicing mandate.

The CFO also worked through the requirements, configuration, development and testing phases of enabling G-Invoicing functionality in FAIMIS, allowing the core financial system to meet Treasury's mandated date of October,1, 2022.

The CFO reviewed audit reports and other sources of information and, as of September 30, 2022, 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 2021 data issued in October 2021 reported that the agency submitted generally complete, accurate, and timely data that conformed to OMB and Treasury requirements. However, the OIG audit identified minor errors in record-level data linkages between Files C and D1, which were also identified by NRC and some accuracy errors in record-level data elements tested for completeness, accuracy, and timeliness. Overall, the quality of NRC's data was excellent. All of OIG's recommendations from that audit have been implemented.

In order to address the reporting requirements of the Federal Funding Accountability and Transparency Act (FFATA) and guidance released in OMB Memorandum M-22-02, DATA Act Information Model Schema (DAIMS), version 2.2 was implemented in June 2022. This version builds on the foundation set by OMB M-20-21, as it relates to the CARES Act.

- Increase availability, accuracy, and usefulness of online information regarding Federal spending.
- Provides a more detailed view of Federal spending linked to Federal account and award-level information.
- Supports monthly Data Act submission and publishing to USASpending.gov.
- Supports quarterly certification for agencies who report monthly.

NRC successfully implemented the required system changes to our acquisition system, 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 continues to explore ways in which automation can result in increased efficiencies within the financial management business processes, specifically in the areas of transaction processing and data reconciliation. OCFO identified a key business process related to the movement of de-obligated prior year funds that utilized a heavily manual process and worked through developing a solution that automated a significant portion of the process.

OCFO also began the discovery phase of two additional automation initiatives, including the configuration of automated general tie-point reconciliation within FAIMIS and automating the reconciliation of Central Accounting Reporting System (CARS) transactions with FAIMIS transactions. Both initiatives will be pursued in FY2023 and should result in tangible benefits and business efficiencies.

In addition to focusing on areas ripe for automation, the OCFO also looks to increase cost savings by moving the remaining applications that are currently hosted on-premises onto a Cloud infrastructure, aligning with the agency's enterprise architecture strategy.

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 2022, the NRC paid 98.75 percent of the 4,786 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 2022, delinquent debt was $5.2 million or less than 1 percent of annual billings.

The NRC was able to refer 100 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 2022:

- Small Materials – Completed August 2022

On June 22, 2022, 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 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 2022 rule can be found at https://www.federalregister.gov/documents/2022/06/22/2022-13169/revision-of-fee-schedules-fee-recovery-for-fiscal-year-2022.

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 Defense Nuclear Facilities Safety Board (DNFSB), 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, 2022, the final rule reflects a budget authority in the amount of $ 887.7 million. On May 21, 2022, NRC received additional appropriation of $2 million to NRC's Salaries and Expenses account for support related to the situation in Ukraine, not reflected in final rule. After accounting for the fee-recovery exclusions and net billing adjustments, the NRC must recover approximately $752.7 million in fees in FY 2022.

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.

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 2022 in achieving its Safety and Security goals.

Strategic Goals and Objectives

The NRC's FY 2022-2026 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/v8/. Each strategic goal has supporting objectives and strategies that reflect the desired outcome and the NRC's role in achieving it. The NRC has established three strategic goals that are supported by eight strategic objectives. The Annual Performance Plan and Report is expected to be published around February annually. It will be posted to NRC's "Our Plans, Budget, and Performance" webpage.

STRATEGIC GOAL 1: ENSURE THE SAFE AND SECURE USE OF RADIOACTIVE MATERIALS

Safety and Security Objective 1.1:	Provide quality licensing and oversight of nuclear facilities and radioactive materials.
Safety and Security Objective 1.2:	Ensure regulatory requirements adequately support the safe and secure use of radioactive materials.
Safety and Security Objective 1.3:	Maintain emergency preparedness and response capabilities for NRC and NRC-licensed facilities.

STRATEGIC GOAL 2: CONTINUE TO FOSTER A HEALTHY ORGANIZATION

Organizational Health Objective 2.1:	Foster an organizational culture in which the workforce is engaged, adaptable, receptive to change, and makes data-driven and evidence-based decisions.
Organizational Health Objective 2.2:	Enable the workforce to carry out the agency's mission by leveraging modern technology, innovation, and knowledge management to support data-driven decisions in an evolving regulatory landscape.
Organizational Health Objective 2.3:	Attract, develop, and maintain a high-performing, diverse, engaged, and flexible workforce with the skills needed to carry out the NRC's mission now and in the future.

STRATEGIC GOAL 3: INSPIRE STAKEHOLDER CONFIDENCE IN THE NRC

Stakeholder Confidence Objective 3.1:	Engage stakeholders in NRC activities in an effective and transparent manner.
Stakeholder Confidence Objective 3.2:	Uphold an NRC decision-making process that is data-driven and evidence-based while ensuring information is available and accessible to interested stakeholders.

Strategic Goals and Performance Measures

In conjunction with the development of the agency's Strategic Plan for FYs 2022 – 2026, the NRC developed performance goals and indicators for each strategic objective. Performance goals and indicators for Strategic Goal 1, which focuses on safety and security, uses output-based performance indicators, which describe the level of product or activity that will be provided over time. The NRC works to prevent or minimize the outcomes tracked by the safety and security performance indicators. Therefore, performance indicators demonstrating progress on meeting the agency's strategic goal and objectives for safety and security are to be at either zero or very low levels.

Strategic Goals 2 and 3 focus on organizational health and stakeholder confidence, respectively. Performance indicators for these goals use outcome-based performance indicators, which describe the progress toward achieving the intended result.

For both output- and outcome-based performance indicators, the NRC's internal Performance Improvement Panel, consisting of agency senior leaders, develops performance indicators and identifies specific measures, milestones, or deliverables to be applied on an annual basis. This approach provides flexibility to take into consideration agency activities or initiatives as well as findings from agency priority questions included in the Evidence-Building Plan or significant program evaluations included in the Annual Evaluation Plan. The Programmatic Senior Assessment Team (PSAT) (ADAMS Accession No. ML16067A159) discusses output-based performance indicators that are out-of-standard to ensure mitigating strategies and determines whether the outcome-based performance indicators are achieving progress toward the intended results. The PSAT will make this determination during the agency's Quarterly Performance Review or Strategic Alignment Meetings. Outcome-based performance indicators use targets of "met" and can also produce results of "needs improvement" or "unmet."

STRATEGIC GOAL 1: ENSURE THE SAFE AND SECURE USE OF RADIOACTIVE MATERIALS

The NRC is tasked with providing reasonable assurance of adequate protection of public health and safety, promoting the common defense and security, and protecting the environment. The agency accomplishes this through day-to-day activities such as reviewing, issuing, and renewing power reactor licenses and amendments; overseeing the safety and security of power reactor facilities, including the storage and transportation of spent fuel; and licensing and regulating non-power uses of radioactive materials, such as industrial and medical applications of radionuclides. Although licensees and certificate holders have the primary responsibility for the safe and secure use of licensed radioactive material that they possess, the NRC establishes regulatory requirements, develops guidance, maintains continuing regulatory oversight, and, when necessary, enforces compliance with agency requirements throughout the license term.

STRATEGIC GOAL 2: CONTINUE TO FOSTER A HEALTHY ORGANIZATION

The health of an organization is a vital factor that can affect an organization's capacity and capability to continuously improve. Focusing on organizational health provides opportunities to strengthen the workforce, culture, technology, and decision making which in turn enhances performance.

STRATEGIC GOAL 3: INSPIRE STAKEHOLDER CONFIDENCE IN THE NRC

The NRC values building confidence with all stakeholders. Confidence is forward looking and reflects stakeholder belief in the integrity of future agency actions and decisions. To gain stakeholder confidence and trust, the agency must engage in a transparent, open, and independent manner and make data driven and evidence-based decisions.

Grey Water Pond at Palo Verde

Chapter 2: Financial Statements and Auditors' Report

A Message from the Chief Financial Officer

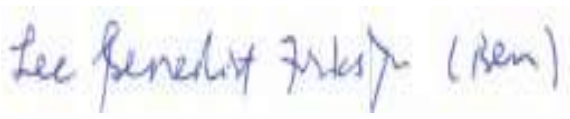
The fiscal year (FY) 2022 Agency Financial Report illustrates our sound stewardship of the U.S. Nuclear Regulatory Commission (NRC) resources. As noted in Chapter 1, the NRC has achieved all of the agency's Safety and Security goals. Chapter 2 presents the NRC's financial statements and the independent 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.

I am pleased to present the NRC FY 2022 financial statements. An independent auditor has issued an unmodified opinion on the NRC FY 2022 financial statements. The auditor concluded: The NRC's financial statements as of and for the FY ended September 30, 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; the NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2022; and no reportable noncompliance for FY 2022 with provisions of applicable laws, regulations, contracts, and grant agreements they tested and no other matters.

During FY 2022, the NRC continued our financial management and system modernization enhancements to better utilize government resources. The NRC upgraded and enhanced the agency's core financial system to successfully support government-wide efficiencies, including the U.S. General Services Administration's Unique Entity Identifier and the U.S. Department of Treasury's G-Invoicing.

In FY 2022, the NRC reported to Congress on the Nuclear Energy Innovation and Modernization Act (NEIMA) – Implementation, Impacts, and Recommendations for Improvement on the Nuclear Regulatory Commission's Annual Budget Justification; Fees and Charges; Performance and Reporting; and Accurate Invoicing. The report is available at https://www.nrc.gov/docs/ML2123/ML21237A033.pdf. As detailed in the report, the NRC implemented the requirements in NEIMA but encountered significant challenges, particularly related to the corporate support caps, that inhibit the agency's ability to comply with other federal mandates and to invest in physical and information technology infrastructure. The report included two recommendations to address these challenges.

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 this period of fiscal and regulatory challenges requires rigorous stewardship of taxpayer resources and demands superior financial performance. I am proud of the agency's sound business practices in the conduct of our regulatory mission and am confident that we will continue to make future improvements.



L. Ben Ficks
Deputy Chief Financial Officer

November 8, 2022

Financial Statements

Consolidated Balance Sheets *(IN THOUSANDS)*

As of September 30,	2022	2021
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	**$ 384.244**	$ 376,798
Accounts receivable, net (Note 3)	**4,482**	2,940
Advances and prepayments	**4,271**	3,818
Total intragovernmental	**392,997**	383,556
With the public		
Accounts receivable, net (Note 3)	**53,661**	61,725
General Property and equipment, net (Note 4)	**32,295**	37,106
Advances and prepayments	**55**	25
Total with the public	**86,011**	98,856
Total Assets	**$ 479,008**	$ 482,412
Liabilities		
Intragovernmental		
Accounts payable	**$ 12,152**	$ 7,548
Other liabilities (Note 5)	**9,163**	13,342
Total intragovernmental	**21,315**	20,890
With the public		
Accounts payable	**19,524**	22,132
Federal employee benefits payable (Note 6)	**50,496**	54,349
Other liabilities (Note 5)	**17,175**	29,973
Total with the public	**87,195**	106,454
Total Liabilities	**108,510**	127,344
Net Position		
Unexpended appropriations	**328,773**	305,238
Cumulative results of operations (Note 8)	**41,725**	49,830
Total Net Position	**370,498**	355,068
Total Liabilities and Net Position	**$ 479,008**	$ 482,412

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,	2022	2021
Nuclear Reactor Safety		
Gross costs	**$ 699,128**	$ 692,771
Less: Earned revenue	**(670,907)**	(644,864)
Net Cost of Nuclear Reactor Safety (Note 9)	**28,221**	47,907
Nuclear Materials and Waste Safety		
Gross costs	**196,573**	201,368
Less: Earned revenue	**(66,356)**	(67,038)
Total Net Cost of Nuclear Materials and Waste Safety (Note 9)	**130,217**	134,330
Net Cost of Operations	**$ 158,438**	$ 182,237

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,	2022	2021
Unexpended Appropriations		
Beginning Balance	**$ 305,238**	$ 315,755
Appropriations received	**150,619**	129,813
Other adjustments	**(900)**	(181)
Appropriations used (Note 11)	**(126,184)**	(140,149)
Net Change in Unexpended Appropriations	**23,535**	(10,517)
Total Unexpended Appropriations, ending balance	**328,773**	305,238
Cumulative Results of Operations		
Beginning Balance	**$ 49,830**	$ 64,919
Appropriations used (Note 11)	**126,184**	140,149
Nonexchange revenue (Note 11)	**209**	767
Imputed costs (Note 11)	**24,149**	26,999
Other	**(209)**	(767)
Net Cost of Operations	**(158,438)**	(182,237)
Net Change	**(8,105)**	(15,089)
Cumulative Results of Operations	$ **41,725**	$ 49,830
Net Position	**$ 370,498**	$ 355,068

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,	2022	2021
Budgetary Resources		
Unobligated balance from prior-year budget authority, net (discretionary and mandatory)	**$ 100,646**	$ 109,673
Appropriations (discretionary and mandatory)	**889,700**	844,399
Spending authority from offsetting collections (discretionary and mandatory)	**5,397**	6,061
Total Budgetary Resources	**$ 995,743**	$ 960,133
Status of Budgetary Resources		
New obligations and upward adjustments (total) (Note 12) Unobligated balance, end of year	**$ 890,682**	$ 883,053
Apportioned, unexpired accounts	**102,591**	74,618
Exempt from apportionment, unexpired accounts	**281**	299
Unapportioned, unexpired accounts	**301**	-
Unexpired unobligated balance, end of year	**103,173**	74,917
Expired unobligated balance, end of year	**1,888**	2,163
Unobligated balance, end of year (total)	**105,061**	77,080
Total Budgetary Resources	**$ 995,743**	$ 960,133
Outlays, Net, and Disbursements, Net		
Outlays, net (total) (discretionary and mandatory)	**881,353**	858,151
Distributed offsetting receipts (-)	**(739,081)**	(714,916)
Agency Outlays, net	**$ 142,272**	$ 143,235

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

Notes to the Financial Statements

(All tables are presented in thousands)

Note 1 – Summary of Significant Accounting Policies

A. Reporting Entity

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

The NRC operates through the execution of its congressionally approved appropriations for Salaries and Expenses (which includes funds derived from the 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 2022 and FY 2021 (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. The NRC has reclassified the FY2021 data for a comparable format.

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, 2022 that funded the NRC's budget at a level of $889.7 million for FY 2022. Congress also enacted the Additional Ukraine Supplemental Appropriations Act, 2022, which added $2 million to NRC's budget for FY 2022. NRC's total Salaries and Expenses appropriation for FY 2022 is $875.9 million. Not more than $9.5 million of the appropriation was made available for the costs of the Office of the Commission until September 30, 2023. Congress also enacted a 2-year appropriation of $13.8 million for the OIG, which is available for obligation through September 30, 2023.

Congress passed the Consolidated Appropriations Act, 2021 that funded the NRC's budget at a level of $844.4 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. Congress enacted a 2-year appropriation of $13.5 million for expenses of the OIG, which is available for obligation through September 30, 2022.

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 any fee-relief activity as identified by the Commission, generic homeland security activities, waste incidental to reprocessing activities, Nuclear Waste Fund activities, advanced reactor regulatory infrastructure activities, 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, 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 number 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 2022 and 2021. 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 2022 and 2021 for employer matching contributions. For employees hired after January 1, 2014, as Federal Employees Retirement System - Further Revised Annuity Employees (FERS-FRAE) must pay 4.4 percent of their salary to retirement contributions with 15.5 percent in 2022 and in 2021 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 2022 and 2021.

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 $20,500 in 2022 and $19,500 in 2021. 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

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

T. 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,	2022	2021
Fund Balances		
Appropriated funds	**$ 383,963**	$ 376,478
Nuclear Waste Fund	**281**	320
Other fund types	**–**	–
Total	**$ 384,244**	$ 376,798
Status of Fund Balance with Treasury		
Unobligated balance		
Available - Appropriated funds	**$ 102,872**	$ 74,917
Unavailable		
Unapportioned, unexpired accounts	**301**	–
Expired accounts	**1,888**	2,613
Obligated balance not yet disbursed	**279,183**	299,718
Non-budgetary funds with Treasury	**–**	–
Anticipated Appropriation	**–**	–
Total	**$ 384,244**	$ 376,798

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, 2022 and $0.3 million as of September 30, 2021.

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 fiscal year.

Note 3 – Accounts Receivable

As of September 30,	2022	2021
Intragovernmental		
Fee receivables and reimbursements	**$ 4,482**	$ 2,940
Receivables with the Public		
Materials and facilities fees-billed	**$ 4,725**	$ 3,991
Materials and facilities fees-unbilled	**48,849**	58,100
Other	**2,054**	2,420
Total Receivables with the Public	**55,628**	64,511
Less: Allowance for uncollectible accounts	**(1,967)**	(2,786)
Total Receivables with the Public, Net	**$ 53,661**	$ 61,725
Total Accounts Receivable	**$ 60,110**	$ 67,451
Less: Allowance for uncollectible accounts	**(1,967)**	(2,786)
Total Accounts Receivable, Net	**$ 58,143**	$ 64,665

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

Note 4 – Property and Equipment, Net

As of September 30,				2022
Fixed Assets Class	Service Years	Acquisition Value	Accumulated Depreciation and Amortization	Net Book Value
Equipment Leased	5	$ 14,549	$ (11,301)	**$ 3,248**
equipment IT	5	463	(463)	**-**
software	5	62,607	(60,524)	**2,082**
IT software under development	-	239	-	**239**
Leasehold improvements	Life of related lease	57,575	(34,257)	**23,318**
Leasehold improvements in progress	-	3,408	-	**3,408**
Total		$ 138,841	$ (106,545)	**$ 32,295**

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**

For the years ended September 30,	2022	2021
Balance beginning of year	**$ 37,106**	$ 46,764
Capitalized acquisitions	**7,150**	2,749
Disposals	**(2,753)**	(1,768)
Depreciation expense	**(9,208)**	(9,908)
Other	**-**	(731)
Balance at end of fiscal year	**$ 32,295**	$ 37,106

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.

Note 5 – Other Liabilities

As of September 30,	2022	2021
Intragovernmental		
Liability to the U.S. Treasury General Fund for misc. receipts	**$ 360**	$ 152
Liability for advances from other agencies	**17**	16
Accrued workers' compensation	**822**	914
Accrued unemployment compensation	**-**	3
Employee benefit contributions	**2,413**	6,579
*Other liabilities	**5,551**	5,678
Total Intragovernmental Other Liabilities	**$ 9,163**	$ 13,342
With the Public		
Accrued salaries and benefits	**$ 7,580**	$ 20,946
Contract holdbacks, advances, capital lease liability, and other	**1,819**	1,001
Contingent Liabilities	**250**	250
Grants Payable	**7,526**	7,776
Total With the Public Other Liabilities	**$ 17,175**	$ 29,973
Total Intragovernmental and With the Public Other Liabilities	**$ 26,338**	$ 43,315

*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 $5.6 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,	2022	2021
Intragovernmental		
FECA paid by DOL	**$ 822**	$ 914
Accrued unemployment compensation	**-**	3
Federal Employee Benefits		
Future FECA	**3,552**	4,129
Employer Contributions & Payroll Taxes Payable	**351**	975
Accrued annual leave	**46,593**	49,245
Other		
Contingent Liabilities		
Other Liabilities	**250**	250
	5,551	5,678
Total Liabilities Not Covered by Budgetary Resources	**57,119**	61,194
Total Liabilities Covered by Budgetary Resources	**51,391**	66,150
Total Liabilities	**$ 108,510**	$ 127,344

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of September 30, 2022, and 2021. 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 2022, 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 2022 discounting were 2.119 percent in year 1 and year 2 for wage benefits, and 1.973 percent in year 1 and year 2 for medical benefits. The NRC has reclassified the FY2021 data for a comparable format.

Note 7 – Leases

As of September 30,	2022	2021
Assets Under Capital Leases:		
Copiers and booklet maker	**$ 463**	$ 463
Accumulated amortization	**(463)**	(463)
Net Assets Under Capital Leases	**$ -**	$ -

Future Lease Payments Due:

As of September 30,			2022
Fiscal Year	**Operating Non-Cancellable**	**Operating Cancellable**	
2023	$ 9,201	$ 22,497	**$ 31,698**
2024	9,324	21,910	**31,234**
2025	9,371	19,104	**28,475**
2026	9,419	17,977	**27,396**
2027	9,511	17,211	**26,722**
2028 and thereafter	5,430	95,935	**101,365**
Total Future Lease Payments	$ 52,256	$ 194,634	**$ 246,890**

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**

For Future Lease Payments, the NRC calculated the Capital Lease Liability as of September 30, 2022 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 land and buildings in which the NRC operates are leased through GSA or owned by GSA and leased to the NRC. The NRC Headquarters complex consists of three office buildings and a warehouse located in Rockville, MD., One of the headquarters office buildings (Three White Flint North) is jointly occupied with the U.S. Food and Drug Administration (FDA) and the National Institutes of Health (NIH), and another building, Two White Flint North is jointly occupied by 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 lease arrangements.

Occupied Property List	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	8/1/2022	4/30/2032
Region II: Atlanta, GA	Non-cancellable	12/01/2009	10/31/2022
	Cancellable	11/01/2022	11/30/2024
Region III: Lisle, IL	Cancellable	07/01/2013	07/31/2024
Region III: Naperville, IL	Cancellable	08/01/2022	07/30/2037
Region IV: Arlington, TX	Cancellable	08/01/2021	04/05/2026
TTC: Chattanooga, TN	Non-cancellable	10/17/2016	10/16/2026
	Cancellable	10/17/2026	10/16/2036

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) and the Operations center (floor B1). The FDA and NIH occupy the other floors. FDA and NIH have backfilled all of the space released by NRC in 3WFN, however, due to the terms of the occupancy agreement between GSA and NRC, NRC pays the delta between what the backfill tenant pays, and the true rental costs which currently equates to approximately $4.2

million of the $5.5 million of annual rent for 3WFN. NRC plans to vacate 3WFN entirely by moving the agency's remaining operations in 3WFN to OWFN by the lease expiration in November 2027. Therefore, NRC's annual rent and related costs are anticipated to reduce by $5.5 million beginning in FY 2028.

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 which was subsequently backfilled by NIH. The lease bill for 2WFN will be approximately $0.9 million less per year (not including the repayment of un-earned rent abatement and broker commission credits of approximately $0.6 million repaid the first year). NRC plans to release an additional two floors in TWFN in FY 2023 which will reduce the lease bill by approximately $1.8 million (not including the repayment of un-earned rent abatement and broker commission credits of approximately $1 million to be repaid over the first two years).

In FY 2021, the NRC signed a 10-year lease for the relocation of the Region I office for roughly half the size of the previous location. The NRC will occupy 32,539 useable square feet with an anticipated occupancy date of August 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 overall lease costs remain flat due to the elimination of the tenant improvement costs. No additional escalations are scheduled over the terms of the remainder of the Regional leases. The current leases for Regions 2, 3, and 4 expire in FY 2025, FY 2024, and FY 2026 respectively. We have a new lease for Region 3. Occupancy is not expected until FY 2024 and the lease period is for 15 years. Pending funding, GSA and NRC plan to solicit and negotiate new leases for each Region prior to the lease expirations listed above, for roughly half the current size of each location by incorporating a more contemporary design. By reducing the size of each Region by roughly half, the agency anticipates the regional rent and related costs to reduce by roughly half once the new leases are occupied. The lease for the warehouse has expired and GSA is in the process of negotiating a new lease anticipated no later than December 2022.

Note 8 – Cumulative Results of Operations

As of September 30,	2022	2021
Liabilities not covered by budgetary resources (Note 6)	**$ (57,119)**	$ (60,219)
Investment in property and equipment, net (Note 4)	**32,295**	37,106
Contributions from foreign cooperative research agreements	**10,238**	9,571
Nuclear Waste Fund	**300**	407
Office of the Commission (financed by Fees)	**-**	-
Accounts receivable - fees	**55,623**	62,480
Fee Collection Revenue Not Transferred	**-**	-
Other	**388**	485
Cumulative Results of Operations	**$ 41,725**	$ 49,830

Note 9 – Suborganization Program Cost

For the fiscal years ended September 30,	2022	2021
Nuclear Reactor Safety:		
Intragovernmental gross costs	$ 200,888	$ 205,900
Less: Intragovernmental earned revenue	(48,412)	(44,506)
Intragovernmental net costs	152,476	161,394
Gross costs with the public	498,240	486,871
Less: Earned revenues from the public	(622,495)	(600,358)
Net costs with the public	(124,255)	(113,487)
Total Net Cost of Nuclear Reactor Safety	$ 28,221	$ 47,907
Nuclear Materials and Waste Safety:		
Intragovernmental gross costs	$ 57,196	$ 59,179
Less: Intragovernmental earned revenue	(4,931)	(4,892)
Intragovernmental net costs	52,265	54,287
Gross costs with the public	139,377	142,189
Less: Earned revenues from the public	(61,425)	(62,146)
Net costs with the public	77,952	80,043
Total Net Cost of Nuclear Materials and Waste Safety	$ 130,217	$ 134,330

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,	2022	2021
Fees for licensing, inspection, and other services	$ 732,223	$ 707,798
Revenue from reimbursable work	5,040	4,104
Total Exchange Revenues	$ 737,263	$ 711,902

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,	2022	2021
Appropriations Used		
Collections are used to reduce the fiscal year's appropriations:		
Funds consumed	$ 865,304	$ 854,841
Less: Collection of fees assessed	(739,081)	(714,586)
Less: Nuclear Waste Fund Expense	(39)	(106)
Less: Office of the Commission (financed by Fees)	-	-
Total Appropriations Used	$ 126,184	$ 140,149

Funds consumed include $66.5 million and $77.7 million through September 30, 2022, and 2021, respectively, of available funds from prior years. Current year funds consumed were $798.8 million and $777.1 million through September 30, 2022 and 2021, respectively.

For the fiscal years ended September 30,	2022	2021
Non-Exchange Revenue		
Civil penalties	**$ 621**	$ 605
Miscellaneous receipts	**(412)**	162
Non-Exchange Revenue	**209**	767
Contra-Revenue	**(209)**	(767)
Total Non-Exchange Revenue, Net of Funds Returned to the U.S. Treasury	**$ –**	$ –

For the periods ended September 30,	2022	2021
Imputed Financing		
Civil Service Retirement System	**$ 2,164**	$ 2,712
Federal Employees Retirement System	**1,454**	3,825
Federal Employee Health Benefit	**20,454**	20,385
Federal Employee Group Life Insurance	**77**	77
Judgments/Awards	**-**	-
Total Imputed Financing	**$ 24,149**	$ 26,999

Note 12 – Total Obligations Incurred

For the periods ended September 30,	2022	2021
Direct Obligations		
Category A	**$ 886,028**	$ 877,989
Exempt from Apportionment	**19**	456
Total Direct Obligations	**886,047**	878,445
Reimbursable Obligations	**4,635**	4,607
Total Obligations Incurred	**$ 890,682**	$ 883,053

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,	2022	2021
Intragovernmental:		
Unpaid Undelivered Orders	**$ (1,776)**	$ 3,416
Paid Undelivered Orders	**503**	(1,133)
With the public:		
Unpaid Undelivered Orders	**235,378**	235,319
Paid Undelivered Orders	**3,818**	4,950
Total Undelivered Orders	**$ 237,923**	$ 242,552

Note 14 – Nuclear Waste Fund

For FY 2022 and FY 2021, the NRC's budget did not include funds from the NWF. The funding provided to the NRC before FY 2014 and carried forward to subsequent years was 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,	2022	2021
Appropriations Received	$ -	$ -
Expended Appropriations	$ 39	$ 106
Obligations Incurred	$ 19	$ 126
Unobligated Balances (includes recoveries of prior year obligations)	$ 281	$ 299

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 2021 and the FY 2021 actuals in the proposed President's Budget for FY 2023. The reconciliation was based on actual numbers for FY 2021 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 2022 actual budgetary resources numbers will be available in the FY 2023 President's Budget which is expected to be published in 2023 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, 2022	2022		
	Intra-governmental	With the Public	Total
Net Cost	**$ 204,741**	**$ (46,303)**	**$ 158,438**
Components of the Net Cost That Are Not Part of Net Outlays			
Property, plant, and equipment depreciation	-	(9,208)	(9,208)
Property, plant, and equipment disposal & revaluation	-	(2,753)	(2,753)
Increase/(decrease) in assets:			
Accounts receivable, net	1,769	(8,290)	(6,521)
Other assets	453	29	482
(**Increase)/decrease in liabilities:**			
Accounts payable	(4,604)	2,626	(1,978)
Salaries and benefits	-	577	577
Other liabilities	6,830	13,171	20,001
Other Financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(24,149)	-	(24,149)
Total Components if Net Cost That Are Not Part of Net Outlays	**$ (19,701)**	**$ (3,848)**	**$ (23,549)**
Components of Net Outlays That Are Not Part of Net Cost			
Acquisition of capital assets	4,528	3,195	7,723
Total Components of Net Outlays That Are Not Part of Net Cost	**4,528**	**3,195**	**7,723**
Misc. Items:			
Distributed offsetting receipts	(739,081)	-	(739,081)
Custodial/Non-exchange revenue	(412)	(621)	(1,033)
Non-Entity Activity	693	-	693
Appropriated Receipts for Trust/Special Funds	739,081	-	739,081
Total Other Reconciling Items	**281**	**(621)**	**(340)**
Net Outlays	**$ 189,849**	**$ (47,577)**	**$ 142,272**

Note 16 – Reconciliation of Net Cost to Net Outlays (continued)

For the fiscal year ended September 30, 2021	2021		
	Intra-governmental	With the Public	Total
Net Cost of Operations	$ 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)
Subtotal	-	(12,407)	(12,407)
Increase/(decrease) in assets:			
Accounts receivable, net	(273)	(5,782)	(6,055)
Other assets	(1,132)	(51)	(1,183)
Subtotal	(1,405)	(5,833)	(7,238)
(Increase)/decrease in liabilities:			
Accounts payable	1,651	1,983	3,634
Salaries and benefits	-	478	478
Other liabilities	(417)	2,307	1,890
Subtotal	1,234	4,768	6,002
Other Financing sources:			
Federal employee retirement benefit cost paid by OPM and imputed to the Agency	(26,999)	-	(26,999)
Subtotal	(26,999)	-	(26,999)
Total Components of 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**

Note 16 – Reconciliation of Net Cost to Net Outlays (continued)

For the fiscal year ended September 30, 2021	2021		
	Intra-governmental	With the Public	Total
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 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, 2022, 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, 2021, the NRC was involved in a case with the likelihood of an adverse outcome being probable. 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.

Reasonably Possible Likelihood of an Adverse Outcome:

As of September 30, 2022, the NRC was involved in four reasonably possible cases that have an undetermined amount of potential loss. 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 is $130 thousand on the lower end and $190 thousand on the upper end for one case. For the remaining eight cases the expected range of legal contingency loss is 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 2021 Financial Report can be found here: Bureau of the Fiscal Service - Reports, Statements & Publications (treasury.gov) and a copy of the 2022 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, businesses, non-profit entities, and State, local, and foreign governments.

Note 18 – Financial Statements to Reclassified Financial Statements (continued)

Statement of Net Cost to Reclassified Statement of Net Cost

For the period ended September 30, 2022

NRC SNC			Line Items Used to Prepare the Government-wide SNC	
Financial Statement Line	Amount		Total (Consolidated)	**Reclassified Financial Statement Line**
Gross Costs	$	895,701		***Non-Federal Costs***
			$ 637,499	Non-Federal Gross Cost
			637,499	***Total Non-Federal Costs***
				Intragovernmental Costs
			95,485	Benefit Program Costs
			24,149	Imputed Costs
			107,916	Buy/Sell Costs
			4,528	Purchase of Assets
			(4,528)	Purchase of Assets Offset
			27,652	Other Expenses (w/o Reciprocals)
			258,202	***Total Intragovernmental Costs***
Total Gross Costs		895,701	895,701	*Total Reclassified Gross Costs*
Earned Revenue		737,263	683,920	Non-Federal Earned Revenue
			683,920	***Total Non-Federal Revenue***
			53,343	Buy/Sell Revenue
			53,343	***Total Intragovernmental Earned***
Total Earned Revenue		737,263	737,263	*Total Reclassified Earned Revenue*
Net Cost	$	158,438	$ 158,438	**Net Cost**

NRC does not have funds from dedicated collections.

Statement of Changes in Net Position to Reclassified Statement of Changes in Net Position

For the period ended September 30, 2022

NRC SCNP			Line Items Used to Prepare the Government-wide SCNP	
Financial Statement Line		Amount	Total (Consolidated)	**Reclassified Financial Statement Line**
Unexpended Appropriations				
Unexpended Appropriations, Beginning Balance	$	305,238	$ 305,252	Net Position, Beginning of Period
Appropriations Received		149,719	149,719	Appropriations Received as Adjusted
Other Adjustments		-	-	
Appropriations Used		(126,184)	(126,184)	Appropriations Used (Federal)
Total Unexpended Appropriations	$	328,773	$ 328,787	**Total Unexpended Appropriations**
Cumulative Results of Operations				
Cumulative Results, Beginning Balance	$	49,830	$ 49,816	Net Position, Beginning of Period
				Non-Federal Non-Exchange Revenues
Non-Exchange Revenues		730	730	Other Taxes and Receipts
			730	***Total Non-Federal Non-Exchange Revenues***
Total Non-Exchange Revenues		730	730	*Total Reclassified Non-Exchange Revenues*
				Intragovernmental Other
Other		(730)	(693)	Accrual of Collections Yet to be Transferred to a Treasury Accounting Symbols Other than the General Fund
			(37)	Other Budgetary Financing Sources
			(730)	***Total Intragovernmental Other***
Total Other		(730)	(730)	*Total Reclassified Other*
Imputed Financing		24,149	24,149	Imputed Financing Sources (Federal)
Total Financing Sources		150,333	150,333	**Total Financing Sources**
Net Cost of Operations		(158,438)	(158,438)	**Net Cost of Operations**
Ending Balance - Cumulative Results of Operations		41,725	41,711	**Net Position - Ending Balance**
Total Net Position	$	370,498	$ 370,498	**Total Net Position**

NRC does not have funds from dedicated collections.

Required Supplementary Information

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

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

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

DM&R should include funded and unfunded M&R activities that have been delayed to a future period. DM&R on inactive or excess general property plant and equipment 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, 2022, and 2021.

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 maintenance 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, 2022 and 2021.

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 (ITISS) 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, 2022	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
Budgetary Resources:				
Unobligated balance from prior-year budget authority, net	$ 95,506	$ 5,141	$ –	**$ 100,646**
Appropriations	875,901	13,799	–	**889,700**
Spending authority from offsetting collections	5,227	169	–	**5,396**
Total Budgetary Resources	$ 976,634	$ 19,109	$ –	**$ 995,742**
Memorandum Entries:				
Net adjustments to unobligated balance brought forward, Oct 1	$ 24,055	$ 414	–	**$ 24,469**
Status of Budgetary Resources:				
New obligations and upward adjustments (total) (Note 12)	$ 876,899	$ 13,783	$ –	**$ 890,682**
Unobligated balance, end of period:				
Apportioned, unexpired accounts	99,363	3,228	–	**102,591**
Exempt from apportionment, unexpired accounts	281	–	–	**281**
Unapportioned, unexpired accounts	-	301	–	**301**
Unexpired unobligated balance, end of year	99,644	3,529	–	**103,173**
Expired unobligated balance, end of year	92	1,796	–	**1,888**
Unobligated balance, end of year	99,736	5,325	–	**105,061**
Total Status of Budgetary Resources	$ 976,635	$ 19,108	$ –	**$ 995,743**
Outlays Net and Disbursements Net:				
Outlays Net and Disbursements Net	867,577	13,776	–	**881,353**
Distributed offsetting receipts	–	–	(739,081)	**(739,081)**
Agency Outlays, Net	$ 867,577	$ 13,776	$ (739,081)	**$ 142,272**

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 (total)	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**

Inspector General's Letter Transmitting Independent Auditors' Report

MEMORANDUM

DATE: November 10, 2022

TO: Christopher T. Hanson
Chair

FROM: Robert J. Feitel
Inspector General

Robert J. Feitel
Digitally signed by Robert J. Feitel
Date: 2022.11.10 10:10:54 -05'00'

SUBJECT: RESULTS OF THE AUDIT OF THE UNITED STATES NUCLEAR REGULATORY COMMISSION'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2022 (OIG-23-A-02)

The *Chief Financial Officers Act of 1990*, as amended (*CFO Act*), requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the United States Nuclear Regulatory Commission's (NRC) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) contracted with CliftonLarsonAllen (CLA) to conduct this annual audit. Transmitted with this memorandum is CLA's audit report. CLA examined the NRC's Fiscal Year (FY) 2022 Agency Financial Report, which includes financial statements for FY 2022. CLA's audit report contains the following:

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

Objective of a Financial Statement Audit

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

NRC Headquarters | 11555 Rockville Pike | Rockville, Maryland 20852 | 301.415.5930
www.nrcoig.oversight.gov

CLA's audit included, among other things, obtaining an understanding of the NRC and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control; assessing risk; and, testing relevant internal controls over financial reporting. Because of inherent limitations in internal controls, misstatements due to error or fraud may occur and not be detected. Additionally, projections of any evaluation of any internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or due to deterioration in the degree of compliance with the policies or procedures.

FY 2022 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion

Internal Control over Financial Reporting

- Unmodified opinion

Compliance with Laws and Regulations

- No instances of noncompliance noted.

The OIG Oversight of CLA's Performance

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

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

CLA is responsible for the attached auditor's report, dated November 10, 2022, and the conclusions expressed therein. The OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight, as differentiated from an audit in conformance with Government Auditing Standards, was not intended to enable us to express an opinion, and accordingly we do not express an opinion on:

- The 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 CLA did not comply, in all material respects, with applicable auditing standards.

Meeting with the Deputy Chief Financial Officer

At the exit conference on November 7, 2022, representatives of the Office of the Chief Financial Officer, the OIG, and CLA discussed the results of the audit.

Comments of the Deputy Chief Financial Officer

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

The NRC's Financial Statements

The NRC's audited FY 2022 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

cc: Commissioner J. Baran
Commissioner D. Wright
Commissioner A. Caputo
Commissioner B. Crowell
D. Dorman, OEDO
B. Ficks, OCFO

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Independent Auditors' Report

CliftonLarsonAllen LLP
CLAconnect.com

Independent Auditors' Report

Inspector General
United States Nuclear Regulatory Commission

Chair
United States Nuclear Regulatory Commission

In our audit of the fiscal year (FY) 2022 financial statements of the United States Nuclear Regulatory Commission (NRC), we found:

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

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

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

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

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

[1] The RSI consists of Management's Discussion and Analysis, the Combining Statement of Budgetary Resources, and Deferred Maintenance and Repairs, which are included with the financial statements.
[2] Other information consists of information included with the financial statements, other than the RSI and the auditors' report.

Independent Auditors' Report (Continued)

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

Basis for Opinions

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

Other Matter

The financial statements of the NRC for the year ended September 30, 2021, were audited by another auditor, who expressed an unmodified opinion on those statements on December 8, 2021.

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

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

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

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

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

Independent Auditors' Report (Continued)

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audits;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion;
- Obtain an understanding of internal control relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances;
- Obtain an understanding of internal control relevant to our audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered the NRC's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting that are less severe than a material weakness;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- Perform other procedures we consider necessary in the circumstances.

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate

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

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Required Supplementary Information

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

Other Information

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

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

Independent Auditors' Report (Continued)

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

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

We also performed tests of compliance with certain provisions of the Federal Financial Management Improvement Act (FFMIA). However, providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for FY 2022 that would be reportable under *Government Auditing Standards*. In addition, our tests of compliance with the FFMIA Section 803(a) requirements disclosed no instances in which the NRC's financial management systems did not comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, or (3) application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the NRC. Accordingly, we do not express such an opinion.

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

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

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

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

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

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to the NRC that have a direct effect on the determination of material amounts and disclosures in the NRC's financial statements, including whether the NRC's financial management systems comply substantially with the FFMIA Section 803(a) requirements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the NRC. We caution that noncompliance may occur and not be detected by these tests.

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

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

Independent Auditors' Report (Continued)

Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Status of Prior Year's Control Deficiencies and Noncompliance Issues

We have reviewed the status of the NRC's corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated December 8, 2021. The status of prior year findings is presented in Exhibit A.

The NRC's Response to Audit Conclusions

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenbelt, Maryland
November 10, 2022

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

Prior Findings and Type	Recommendations	Current Status
Lack of Appropriate Management Controls over Financial Reporting (Material Weakness)	The 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. 2. Accounts Payable Calculation Process. 3. Accounts Receivable, Net - Calculation Process. 4. Unliquidated Obligations (ULO) Population Lack of Reconciliation Process. 5. Overstatement of New Obligations. 6. Decommission of Internal Use Software (IUS). 7. Imputed Financing Reconciliation Process. 8. Leasehold Improvement Reconciliation and Depreciation. 9. Ineffective Fluctuation Analysis Process. 10. Inaccurate and Unsupported Undelivered Orders.	Closed

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

Prior Findings and Type	Recommendations	Current Status
Lack of User Account Management Controls for Users with Access to NRC Financial Data (Significant Deficiency)	11. Periodically review the segregation of duties matrix and update it to reflect relevant changes in business processes or roll 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 Financial Accounting Integrated Management Information System (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 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 noted as unnecessary and communicates the confirmation with management that the user's roles were removed. 18. Enhance the process to help ensure that the Strategic Acquisition System (STAQS) Access Request Forms are completed and retained. 19. Enhance the process to help ensure that NRC Form 270 is completed and retained for each employee that is separated from the NRC.	Closed

Management's Response to the Independent Auditors' Report

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

CHIEF FINANCIAL OFFICER

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

November 3, 2022

MEMORANDUM TO: Hruta Virkar
Assistant Inspector General for Audits
Office of the Inspector General

FROM: L. Ben Ficks
Deputy Chief Financial Officer
Signed by Ficks, Ben on 11/03/22

SUBJECT: AUDIT OF THE FISCAL YEAR 2022 FINANCIAL STATEMENTS

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. We have reviewed the Independent Auditor's Report of the Agency's fiscal year 2022 financial statements and are in agreement with it.

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NUCLEAR REGULATORY COMMISSION

Chapter 3: Other Information

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

October 28, 2022 OIG-23-A-01

Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the U.S. Nuclear Regulatory Commission in Fiscal Year 2023

Vogtle Units 3 and 4 Under Construction
(Source: NRC OIG, used with permission)

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https://nrcoig.oversight.gov/

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 U.S. Nuclear Regulatory Commission's (NRC) most serious management and performance challenges facing the agency and the agency's progress in addressing those challenges.

WHAT WE FOUND

The 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. The NRC's proposed fiscal year (FY) 2023 budget request is $929.2 million, including 2,879 full-time equivalents (FTE). 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 most serious challenges for FY 2023, noting actions already completed by the agency, and the NRC's continuing work on each challenge. We have independently identified the following 10 clear, specific, and actionable challenges that require the NRC's continued attention:

1. Ensuring safety while transforming into a modern, risk-informed regulator;
2. Overseeing the decommissioning process and the management of decommissioning trust funds;
3. Strengthening the NRC's readiness to respond to future mission-affecting disruptions;
4. Advancing 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 effective acquisition, management, and protection of information technology and data;
6. Implementing strategic workforce planning during transformation and industry change;
7. Overseeing materials, waste, and the National Materials Program;
8. Managing financial and acquisitions operations to enhance transparency and fiscal prudence;

9. Reinforcing the NRC's readiness to address cyber and physical security threats to critical national infrastructure sectors impacting the NRC's public health and safety mission and/or NRC licensees; and,
10. Maintaining public outreach to continue strengthening the agency's regulatory process.

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 2022

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

Robert J. Feitel,
NRC and DNFSB
Inspector General

FROM THE INSPECTOR GENERAL

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

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, demonstrating through its work that it is dedicated to ensuring public health and safety, promoting the common defense and security, and protecting the environment through the effective regulation of nuclear materials. 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 amendments 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 Chair but operates with personnel, contracting, and budget authority independent of the NRC. The Inspector General informs the Chair and Congress about problems, recommends corrective actions, and monitors the NRC's progress in implementing such actions.

ABOUT THE NRC

The NRC's mission is to license and regulate the nation's civilian use of radioactive materials to protect public health and safety, promote the common defense and security, and protect the environment. The NRC's vision is to

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

NRC Headquarters
(Image: NRC)

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 the Commissioners is designated by the President as Chair, who serves as official spokesperson of the Commission. President Biden designated Christopher T. Hanson as Chair of the Commission effective January 20, 2021. Chair Hanson is joined by Commissioners Jeff Baran, David A. Wright, Annie Caputo, and Bradley R. Crowell. The Commission formulates policies and approves regulations governing nuclear reactor and materials safety, issues certain orders to NRC-regulated entities, and adjudicates legal matters brought before it. The Executive Director for Operations carries out the policies and decisions of the Commission and directs the activities of the program offices. The offices reporting to the Executive Director for Operations strive to ensure the safe commercial use of nuclear materials in the United States. As part of the regulatory process, the NRC's four regional offices conduct inspection, enforcement, and emergency response programs for licensees within their regions or areas of responsibility. The NRC's FY 2022–2026 Strategic Plan describes the agency's mission, vision, and principles of good regulation, along with strategic goals, objectives, and strategies. The strategic goals of continuing to foster a healthy organization and inspiring stakeholder confidence in the NRC complement the safety and security strategic goal. The safety and security strategic goal, objectives, and strategies 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 regulatory activities such 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 2023 budget request is $929.2 million and includes 2,879.6 FTEs. Compared to the NRC's FY 2022 President's Budget, the FY 2023

budget request increased by approximately 4.7 percent, or $41.5 million, primarily to support salaries and benefits adjustments.

During FY 2022, the NRC has made progress in achieving its safety and security goals through continued oversight of the operation of nuclear power plants and fuel cycle facilities, and of the possession and use of radioactive materials. As of mid-September 2022, the NRC had satisfactorily closed 62 OIG audit recommendations during FY 2022. 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 2022.

South Texas Project, Units 1 and 2, Bay City, Texas
(Photo courtesy of © STP)

Operating Reactors

The agency's most recent performance assessments indicate that all operating power reactor plants continue to operate safely. NRC staff assess licensee performance, communicates changes in performance quarterly, and issue end-of-cycle assessment letters. The NRC most recently issued annual assessment letters to licensees in March 2022.

In February 2022, the Commission issued orders regarding the agency's National Environmental Policy Act review of subsequent license renewal (SLR) applications. The Commission also directed staff to develop a rulemaking plan to fully evaluate the environmental impacts of reactor SLR in NUREG-1437, *License Renewal Generic Environmental Impact Statement*. In April 2022, the Commission approved the plan proposed by staff, which would complete the rulemaking within 2 years.

The NRC has continued to engage with industry to improve application of inspection resources through the Reactor Oversight Process. In addition, the agency has reviewed inspection experience from the Coronavirus Disease 2019 (COVID-19) public health emergency to identify best practices for effective onsite inspection.

Materials, Fuel, Waste, and Decommissioning

In September 2022, the NRC issued a renewed operating license for the Westinghouse Columbia Fuel Fabrication Facility, as well as a Record of Decision for the final Environmental Impact Statement. The license renewal allows the facility to operate for an additional 40 years. The facility is one of three fuel fabrication facilities currently in operation in the U.S. The NRC staff reviews concluded that the company's programs are adequate to ensure

safe operation of the facility for the 40-year period and considered the company's performance and efforts to mitigate onsite contamination before renewing the license.

In April 2022, the Commission approved a staff rulemaking plan to revise the licensing requirements for low-level radioactive waste disposal and address Greater-Than-Class-C and transuranic waste disposal requirements. The rule would ensure that low-level waste streams that are significantly different from those considered during the development of existing regulations, such as depleted uranium, will continue to be disposed of safely and meet the performance objectives for land disposal of low-level radioactive waste. The rule would also clearly define the requirements for the near surface land disposal of Greater-Than-Class-C and transuranic waste.

NRC OIG team tours the seawall at the decommissioning San Onofre Nuclear Generating Station, San Clemente, California (Image: OIG, with permission)

Oversight of decommissioning activities includes materials sites and research and test reactors, as well as power reactor facilities. Decommissioning of power reactors generates significant public interest. The reactor decommissioning program continues to adapt to changes from increases in the number of sites entering decommissioning and of sites opting to implement accelerated schedules for decommissioning. Both trends result in an increased workload to support simultaneous licensing and inspection activities. Accelerated decommissioning also increases demands on the agency's capabilities to evaluate financial qualifications and decommissioning funding assurance. The NRC has revised key decommissioning guidance documents, and enhanced funding review process controls and internal guidance, to respond to the increased decommissioning oversight needs.

The NRC continues to implement the agency's Tribal Policy statement, conducting outreach, guidance development, and training. The agency also coordinates with other federal agencies on Tribal matters and on NRC projects involving Tribal consideration. In April 2022, the Commission traveled to New Mexico for public meetings related to the impacts of uranium contamination on the Navajo Nation.

NEW AND ADVANCED REACTORS

The NRC's new reactor program is focusing on licensing and construction oversight activities for large light water reactors (LWRs) and small modular LWRs, and continuing to develop the specific regulatory framework and infrastructure for advanced reactors (non-LWRs). In addition, the NRC is actively engaged in several international cooperative initiatives to improve safety reviews of new reactor designs and improve the effectiveness and efficiency of inspections and the collection and sharing of construction experience.

NRC OIG team tours the Vogtle Units 3 and 4 construction project, Waynesboro, Georgia (Image: OIG, with permission)

The NRC has authorized Southern Nuclear Operating Company (SNC) to load nuclear fuel and begin operation at Vogtle Unit 3, near Waynesboro, Georgia. Unit 3, which is adjacent to Vogtle's operating Units 1 and 2, is the first reactor to reach this stage in the agency's combined license process. SNC recently informed the agency that the company completed the inspections, tests, analyses, and acceptance criteria (ITAAC) needed to show Vogtle Unit 3 can begin safe operations. NRC staff independently verified completion of the final ITAAC and notified the Commission of the staff's intent to authorize operation. The Director of the NRC's Office of Nuclear Reactor Regulation then authorized fuel load and operation of Vogtle Unit 3. The NRC's decision moves Vogtle Unit 3 out of the construction reactor oversight program and into the operating reactor oversight process, marking a significant regulatory milestone for the agency. The NRC will remain focused on safety as Vogtle Unit 3 transitions through fuel loading and start-up testing and into commercial operations. Vogtle Unit 4 construction continues under the NRC's construction reactor oversight program.

In July 2022, the Commission approved staff publication of a final rule to certify the NuScale design. NuScale Power, LLC applied for certification of its standard design on December 31, 2016. In August 2020, the NRC staff completed its review and issued the final safety evaluation report for the standard design application. In 2021, the staff published for comment in the Federal Register a proposed rule to certify NuScale's design. After considering public comments on the proposed rule, and based on its safety review of the design, the staff concluded that the NuScale design certification rule meets all applicable requirements. Commission approval of the standard plant design allows applicants to reference the design certification in future applications.

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The NRC has two pending, technology-inclusive rulemakings related to small modular reactors (SMR) and other new technologies (ONT). In one effort, in January 2022, the NRC staff requested Commission approval to publish the draft final rule establishing alternative emergency preparedness (EP) requirements for SMRs and ONTs. The new EP requirements and implementing guidance adopt a consequence-oriented, risk-informed, performance-based, and technology-inclusive approach. Facilities to be licensed after the date of the final rule would have the option to develop a performance-based EP program, rather than using the existing, deterministic, EP requirements in 10 Code of Federal Regulations (C.F.R.) Part 50.

Artist's rendering of a NuScale nuclear power plant with multiple reactor units (Image: NuScale Power)

In the other effort, the NRC staff is developing in 10 C.F.R. Part 53 a technology-inclusive, risk-informed, and performance-based framework to prepare for the licensing of advanced reactors and other nuclear technologies. The NRC staff is engaged with approximately 15 vendors in pre-application activities and anticipates at least 10 applications in the next 5 years. The staff has issued guidance in certain areas to support applicants developing diverse designs and technologies. After extensive stakeholder engagement, the staff is on schedule to deliver the proposed rule to the Commission in early calendar year 2023 and meet the December 31, 2027 deadline for issuing a final rule imposed by the Nuclear Energy Innovation and Modernization Act (NEIMA).

Transformation: Becoming a Modern Risk-Informed Regulator

During FY 2022, the NRC conducted a survey of external stakeholders to obtain perspectives regarding the agency's transformation efforts. While the feedback was generally positive, the results showed uncertainty among respondents regarding how the NRC uses risk information to make timely decisions. However, the NRC has taken steps toward automating information exchange with external stakeholders to increase accessibility and improve data validation and capture into systems. Transformation efforts have also included steps to improve engagement in and timeliness of the deliberative rulemaking process, apply the "Be riskSMART" framework to security oversight programs, leverage the NRC's SPAR risk models to support efficiencies in operating reactor licensing and oversight, and enhance the accessibility of the NRC's eBilling application.

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NRC FY 2023 MANAGEMENT AND PERFORMANCE CHALLENGES

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

NRC leadership noted its own assessment of the key challenges facing the agency in its response to the OIG's request for input in this area. We have considered this input and independently identified the following 10 clear, specific, and actionable challenges that require the NRC's continued attention:

1. Ensuring safety while transforming into a modern, risk-informed regulator;
2. Overseeing the decommissioning process and the management of decommissioning trust funds;
3. Strengthening the NRC's readiness to respond to future mission-affecting disruptions;
4. Advancing 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 effective acquisition, management, and protection of information technology and data;
6. Implementing strategic workforce planning during transformation and industry change;
7. Overseeing materials, waste, and the National Materials Program;
8. Managing financial and acquisitions operations to enhance transparency and fiscal prudence;
9. Reinforcing the NRC's readiness to address cyber and physical security threats to critical national infrastructure sectors impacting the NRC's public health and safety mission and/or NRC licensees; and,
10. Maintaining public outreach to continue strengthening the agency's regulatory process.

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.

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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

Since 1995, it has been NRC policy 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 requirements.

Nevertheless, the NRC and the nuclear industry have methodological differences in their respective approaches to probabilistic risk assessment, and agency staff members sometimes disagree internally on the use of risk analysis in regulatory actions such as license amendments and inspection findings.

Additionally, the years-long decline in reactor inspection findings of very low safety significance (i.e., "green" findings) has raised questions among NRC staff and external stakeholders about the root causes of this trend and whether it reflects an appropriate increase in risk tolerance by the NRC.

Further, the NEIMA directed the NRC to develop and implement, where appropriate, strategies for the increased use of risk-informed, performance-based licensing evaluation techniques and guidance for commercial advanced nuclear reactors within the existing regulatory framework. Advanced reactor designs present unique challenges given the lack of operating experience data to inform risk modeling.

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ONGOING ACTIONS

Staff are drafting changes to Reactor Oversight Process governance documents regarding qualitative descriptions of white and yellow safety significance for inspection findings, and will incorporate associated changes in a planned revision to the NRC Enforcement Policy.

Staff drafted papers for Commission review regarding proposed changes to the frequency of engineering and problem identification and resolution inspections, the emergency preparedness significance determination process, and treatment of licensee performance indicators in the Reactor Oversight Process Action Matrix.

COMPLETED ACTIONS

Staff applied the new Risk-Informed Process for Evaluations to one reactor licensing action.

Staff developed guidance for applying the Risk-Informed Process for Evaluation to reactor Technical Specification license amendment requests.

Staff completed a pilot program to risk-inform technical reviews for spent fuel dry storage.

Staff completed its CY 2021 Reactor Oversight Process program assessment, which focused on inspection data trends and effectiveness of new initiatives such as the Very Low Safety Significance Issue Resolution process.

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Challenge 2: Overseeing the Decommissioning Process and the Management of Decommissioning Trust Funds

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The increased numbers of power reactor sites in decommissioning, and of those opting for accelerated decommissioning, add to demands on decommissioning program resources for all decommissioning licensing and oversight activities, including the NRC's independent analyses of licensees' decommissioning funding status reports.

CHALLENGE SYNOPSIS

There are 25 power reactors currently undergoing decommissioning. The licensees for these reactors and other nuclear reactors must provide reasonable assurance that funds will be available for the entire decommissioning process.

To oversee licensees' decommissioning funding, the NRC requires licensees to provide a decommissioning financial status report biennially, and annually for five years prior to permanent cessation of operations. 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. Licensees in decommissioning must then annually submit decommissioning funding status reports.

The NRC has identified technical resource needs for the program in inspection, risk analysis, licensing review, and project management. Local communities may have additional concerns about the accelerated decommissioning model, entailing augmented opportunities for public interactions.

Key decommissioning challenges include:

- Ensuring that agency processes adequately address current reactor decommissioning business models, including those that provide for accelerated decommissioning activities;
- Managing oversight of decommissioning trust fund shortfalls for both operating and decommissioning reactors;
- Maintaining reasonable assurance that operating reactors will have sufficient funds to decommission safely; and,
- Improving decommissioning guidance.

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Ongoing Actions

The NRC is conducting power reactor decommissioning rulemaking to clarify regulations. In FY 2022, NRC staff held 6 public meetings in various locations, and testified before Congress, related to the proposed decommissioning rule, guidance development, and site-specific licensing actions.

Staff are processing public comments received during the extended public comment period.

Completed Actions

In December 2021, the NRC staff approved the transfer of licenses for Palisades and Big Rock Point nuclear power plants and their associated spent fuel storage facilities to a decommissioning operator.

The NRC revised Inspection Manual Chapter 2561, Decommissioning Power Reactor Inspection Program, to incorporate lessons learned and to reflect inspection procedure changes.

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Challenge 3: Strengthening the NRC's Readiness to Respond to Future Mission-Affecting Disruptions

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The COVID-19 public health emergency caused significant disruptions to the U.S. workforce, but the NRC adopted policies and procedures to protect its staff and licensee personnel while continuing to execute its mission. The agency can prepare for events of similar or greater impact by incorporating lessons learned during its COVID-19 response into routine policies and procedures, as well as the agency's contingency planning.

CHALLENGE SYNOPSIS

Following the President's declaration of the COVID-19 public health emergency in March 2020, the NRC directed most employees to work from home to minimize risks and other disruptions to agency business. Nevertheless, NRC offices remained open to support work that could not be performed remotely, such as intelligence analysis and processing of classified and safeguards information. Additionally, NRC inspectors continued their oversight work at nuclear power plants and materials licensee facilities, while using information technology to minimize face-to-face interaction with licensee personnel, as appropriate.

As public health trends improved in 2021 and 2022, the NRC gradually resumed in-person operations with workplace safety measures and in accordance with local epidemiological conditions. Nevertheless, new COVID-19 variants continue to present workplace safety risk, as do other pathogens that could trigger another national or global health crisis. Natural disasters, such as hurricanes, floods, and wildfires, present ongoing operational risk to NRC licensees. Cyber-attacks and other threats from outside actors could severely disrupt the agency's capacity to execute its mission.

ONGOING ACTIONS
NRC management will review the agency's COVID-19 lessons learned assessment and implement endorsed recommendations while considering internal and external stakeholder input.

COMPLETED ACTIONS
The COVID-19 working group completed its lessons learned assessment, recommending actions to clarify agency policies and procedures for remote and hybrid inspections, to improve inspectors' access to licensee information, and to monitor licensee performance trends.

The NRC revised its pandemic plan to reflect lessons learned about mitigation measures, communications, and coordination across offices and regions.

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Challenge 4: Advancing 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?

The Nuclear Energy Innovation Capabilities Act requires the NRC and the Department of Energy to share technical expertise and knowledge on advanced reactor technologies, many of which are in the developmental pre-licensing phase. The unique designs of these reactors present technical challenges for NRC staff when engaging with prospective licensees and require extensive stakeholder outreach as NRC staff members develop a technology-neutral regulatory framework for advanced reactors.

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. However, increased public and private sector concern over carbon emissions has supported development of new reactor designs, which could produce electricity at lower cost with greater scalability than current operating reactors.

Domestic utilities are developing technologies that can extend the operating lifetimes of existing reactors, and Congress has passed legislation designed to facilitate research, development, and licensing of new reactor technologies. The technical complexity of these initiatives, combined with their experimental nature, has challenged the NRC to adapt its regulatory processes to accommodate technologies that cannot be readily assessed using existing approaches.

At the same time, the quality of information necessary for timely NRC review can challenge applicants new to nuclear licensing. As new reactor and fuel technologies are reviewed and licensed, it is critical that the NRC, as well as its federal partners, vendors, and license applicants, protect the proprietary information entrusted to them.

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ONGOING ACTIONS

NRC staff members are detailed to Department of Energy technical program offices to facilitate information sharing, and senior leaders from both agencies meet quarterly to discuss topics of mutual interest.

The NRC continues engaging external stakeholders as it develops the proposed Part 53 rule for advanced reactors, with a goal of issuing the final rule by July 2025.

COMPLETED ACTIONS

Staff issued guidance on fuel qualification methodology for non-light water reactors (NUREG-2246). Staff published Reg Guide 1.247 for trial use for potential endorsement of the American Society of Mechanical Engineers and American Nuclear Society standards for non-light water reactor probabilistic risk assessment.

Staff issued several final safety evaluations on topical reports submitted by three prospective advanced reactor licensees (TerraPower, Kairos, and X-energy).

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

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Information 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 accomplishment of the agency's mission. The NRC must continue to use robust, proactive measures to protect its personnel, buildings, and data from internal and external threats. The NRC also faces evolving cyber threats and challenges to the security of data related to its oversight of operating and decommissioning facilities, use of nuclear materials, emergency preparedness, and incident response.

The NRC has increased investments to enhance its cybersecurity posture in the face of evolving threats and new federal mandates by automating compliance activities, developing an Information Security Architecture, and migrating Federal Information Security Modernization Act (FISMA) systems to a more streamlined environment. As the agency continues efforts to modernize IT, it also works to better manage acquisitions by using best practices, and to improve the customer experience.

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

- Managing more frequent patching in the face of increasing threats and vulnerabilities;
- Managing risk-based security strategies to protect against increasing numbers, types, and sophistication of cyber threats;
- 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; and,
- Executing actions required by the FISMA, to strengthen information technology security.

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ONGOING ACTIONS

The NRC is working to support scientific analysis with modernized computer codes and tools for artificial intelligence.

The NRC continues to broaden use of web-based portals to support licensing activities.

The NRC is enabling new technologies in data analytics, such as dashboards and data warehousing.

COMPLETED ACTIONS

The NRC completed an IT Strategic Roadmap, Data Strategy, and content management analysis to support long-term strategic planning.

The NRC has created multiple dashboards across the agency to help better monitor performance and aid in program implementation.

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Challenge 6: Implementing 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 accomplish 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 into the future.

The NRC's proposed FY 2023 budget is $929.2 million, an increase of $41.5 million over its enacted budget for FY 2022. This includes 2,879 FTE, a slight increase compared to the FY 2022 enacted budget.

The NRC faces the challenges of fulfilling the agency's mission while complying with mandates to limit corporate costs, and while attrition reduces staff. These challenges highlight the importance of effective future workforce planning. The OCHCO's New Human Capital Dashboard illustrates the NRC's challenges in meeting hiring goals. The OIG audited the NRC's Strategic Workforce Planning process in FY 2022.

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ONGOING ACTIONS

The agency evaluates the Strategic Workforce Planning process every year, identifying areas for adjustment the following year.

The agency has set aside resources for entry-level hiring, and training and travel for the program hires.

The NRC is working to address organizational health to support decision-making and performance.

COMPLETED ACTIONS

The Commission approved staff recommendations to support recruitment and retention of resident inspectors.

The NRC negotiated a new Collective Bargaining Agreement with the National Treasury Employees Union that supports the use of telework as part of changing work models.

Challenge 7: Overseeing 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, 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.

Ongoing Actions

The NRC is currently updating Material Control & Accounting (MC&A) inspector qualification program guidance to include a strategy to address emergent MC&A inspection program needs.

The NRC is updating Inspection Manual Chapter 2800, and four additional inspection procedures, to further risk-inform the materials inspection program and incorporate pandemic-related insights.

The NRC has developed and implemented training for inspection staff on how to record inspection data in the Web-Based Licensing System (WBL). This training is also being provided to Agreement State WBL users.

Completed Actions

The NRC has completed 10 inspection procedure revisions under Inspection Manual Chapter 2800.

The procedures were prioritized to impact oversight of the greatest number of materials licensees under NRC or Agreement State jurisdiction.

The NRC formally designated the WBL System as the official system to manage all materials and waste inspections under 10 C.F.R. Part 30, as well as Part 40 and Part 70 inspections that are not tracked under the Reactor Program System.

The inspection module is also available to Agreement State users of WBL.

Challenge 8: Managing Financial and Acquisitions Operations to Enhance Transparency and Fiscal Prudence

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Sound financial management is vital for federal agencies to accomplish their missions effectively and efficiently. 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 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 licensees and permit holders. To improve efficiency and accuracy, the NRC is piloting new IT applications to improve its fee calculation process.

To maintain transparency, the NRC must continue to implement robust internal controls over financial management and reporting. Sound acquisition 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.

Key financial and acquisition challenges include the following:

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

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Ongoing Actions

The NRC is applying the agency's "Be riskSMART" initiative, generalizing existing risk-informed decision-making concepts to make them more broadly applicable to any decision made at the NRC, including management processes.

The NRC continues to address recommendations made by the OIG in the audit of the NRC's property management program.

Completed Actions

The NRC implemented the eBilling application, which provides up-to-date invoice information, and improved access for small entities.

The NRC completed all corrective actions related to previous OIG audits affecting the agency's grants program.

The NRC has addressed recommendations made by the OIG's independent auditors in conjunction with the unmodified opinion on the FY 2021 financial statements.

Challenge 9: Reinforcing the NRC's Readiness to Address Cyber and Physical Security 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?

Cyber and physical security threats present a persistent challenge to the safe and reliable operation of the nation's electric power generation and distribution system. As the primary regulator of the nation's commercial nuclear power fleet, the NRC must maintain robust and adaptive oversight programs to ensure nuclear power licensees can protect their facilities effectively against evolving threats and a broad spectrum of potential adversaries, including competitor nation states, organized criminal groups, and domestic terrorists.

CHALLENGE SYNOPSIS

Federal government policy organizes critical infrastructure into 16 sectors with assets, systems, and networks considered vital to the security, economy, and public health and safety of the United States. The Department of Homeland Security's Cybersecurity and Infrastructure Security Agency serves as the Sector Risk Management Agency for the Nuclear Reactors, Materials, and Waste Sector. The NRC regulates these activities 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.

ONGOING ACTIONS

The NRC continues efforts to increase the realism of Force-on-Force exercises conducted at nuclear power plants and Category I fuel cycle facilities.

The NRC continues to monitor threats directed toward NRC-licensed facilities to communicate time-sensitive information and to assess the need for changes to the design-basis threat as applicable.

COMPLETED ACTIONS

In September 2021, the NRC issued a baseline inspection procedure for biennial oversight of nuclear power licensee cybersecurity programs that started in January 2022.

The NRC began implementing the new nuclear power cybersecurity inspection procedure biennially and incorporated these inspections into the Reactor Oversight Process.

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Challenge 10: Maintaining Public Outreach to Continue Strengthening the Agency's Regulatory Process

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Since the public has a strong interest in effective nuclear regulation, it is the NRC's policy to provide the public with opportunities for meaningful participation in NRC processes.
The pace of regulatory work increases the need for outreach activities, and new technologies open possibilities to enhance outreach efforts.

CHALLENGE SYNOPSIS

The NRC has a long history of, and commitment to, public participation and collaboration in agency regulatory activities. The NRC has had a formal policy regarding open meetings since 1978. In March 2021, the Commission published its most recent update to the policy statement, *Enhancing Public Participation in NRC Meetings*. It reiterated the NRC policy "to open meetings between the agency staff and one or more outside persons to observation and participation to the extent possible," and "to balance openness and transparency with the need to exercise regulatory and safety responsibilities without undue administrative burden." Public meetings and opportunities for comment may occur as part of numerous NRC activities, ranging from rulemaking and guidance development to some licensing processes, certain oversight activities and performance assessments, and symposia regarding regulatory research.

In the recent policy statement update, the Commission committed the NRC to making efforts to find new and innovative ways to interact with individuals, including exploring varied meeting formats and other ways to incorporate technologies that allow participation from locations other than a meeting room. Experiences with new methods will be shared across the agency for information and consideration by other NRC staff.

The NRC Strategic Plan for Fiscal Years 2022–2026 emphasizes the public participation policy through the goal of inspiring stakeholder confidence in the NRC. One objective in this goal is to communicate in clear and accessible ways with diverse stakeholders.

ONGOING ACTIONS

Following a Commission Order of February 2022, NRC staff are revising the Generic Environmental Impact Statement for renewal of operating reactor licenses to address subsequent license renewal. The revision process will include opportunity for public comment.

The NRC has engaged with a spectrum of stakeholders to obtain input to inform the development of the NRC's Draft Artificial Intelligence Strategic Plan for Fiscal Years 2023–2027.

COMPLETED ACTIONS

The NRC extended the schedule for the rulemaking for licensing and regulation of advanced reactors in 10 C.F.R. Part 53 to enhance engagement and respond to input.

The Commission conducted public meetings in New Mexico to receive an overview of the 10-year plan to address impacts of uranium contamination on the Navajo Nation and to hear directly from stakeholders about contamination impacts and remediation efforts.

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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 2022					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Management Controls over Financial Reporting	1	0	1	0	0
Total Material Weaknesses	1	0	1	0	0

Summary of Management Assurances for FY 2022						
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-23, 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 does not own or lease real property. Each of the agency's occupancies are through agreements with the General Services Administration (GSA). At the end of fiscal year (FY) 2022, NRC's real property portfolio totaled approximately 896,790 usable square feet (USF), which represents a reduction of approximately 39,422 USF from the portfolio at the end of FY 2021. The agency plans to reduce an additional 59,060 USF during FY 2023 by releasing two floors in Two White Flint North back to GSA. The agency planned to release another 29,083 USF square in June 2023 under a new lease for our Region 3 (Lisle, IL) location, however; the project was delayed due to a protest of GSA's lease award. NRC and GSA now anticipate the new space and associated reduction to be complete in FY 2024.

NRC's strategy is well underway to release a total of approximately 275,000 USF of office and warehouse space between FY 2020 through FY 2024. The strategy is updated at least annually and reflects a total portfolio reduction from 1.083M USF at the beginning of FY 2020 to approximately 0.808M USF through FY 2024. This represents a reduction of 25% of the agency's real property portfolio over the five-year period of FY 2020 through FY 2024. Once complete, the reductions are projected to save the agency over $12M million in annual rent and related costs. NRC anticipates reductions beyond FY 2024 as additional regional leases expire and USF requirements are reduced.

Reference: Federal Real Property Public Data Set at 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 14, 2022. 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/ML2132/ML21323A042.pdf). With respect to monetary penalties under the *Program Fraud Civil Remedies Act*, the NRC codifies the maximum penalty amount at 10 CFR 13.3, "Basis for Civil Penalties and Assessments."

Penalty (Name of Penalty)	Statutory Authority	Year Enacted	Date of Current Adjustment	Current Penalty Level	Location for Penalty Update Details
Maximum civil penalty for violations of the *Atomic Energy Act*	*Atomic Energy Act of 1954*, as amended (42 U.S.C. 2282)	1980	January 2022	$326,163	*Federal Register;* 87 FR 2310 (January 14, 2022)
Fraudulent false claims and statements	*Program Fraud Civil Remedies Act* (31 U.S.C. 3802)	1986	January 2022	$12,537	*Federal Register*; 87 FR 2310 (January 14, 2022)

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	15	11	4
Number of Grants/Cooperative Agreements with Undisbursed Dollar Balances	47	17	3
Total Amount of Undisbursed Balances	$1,775,879	$240,271	$99,395

The expansion of NRC's grants program in FY2022 lead to slight increases in prior year grants requiring closeout due to resource constraints. During FY2023, the NRC will again prioritize closeouts, particularly targeting grants in order to reduce prior year open grants.

Climate-Related Financial Risk

Protecting the environment is vital to the NRC's mission, as reflected in the agency's commitment to incorporating strategies that promote sustainability into its daily operations. The NRC continues to comply with the goals stated in Executive Order 14008, "Tackling the Climate Crisis at Home and Abroad", and views sustainability as an integral part of its business planning and decision-making.

The NRC's Chief Sustainability Officer (CSO) is the senior executive level manager responsible for promoting environmental and energy sustainability across the agency. The agency's CSO works with managers and employees to address the organization's approach to environmental responsibility and meeting the requirements in EO 14008.

The latest NRC Sustainability Report and Implementation Plan can be found at https://adamsxt.nrc.gov/navigator/AdamsXT/content/downloadContent.faces?objectStoreName=MainLibrary&ForceBrowserDownloadMgrPrompt=false&vsId=%7bE4E178D4-A3DB-C939-8451-821CEDF00000%7d.

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, 2022
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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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.)

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10. SUPPLEMENTARY NOTES

11. ABSTRACT (200 words or less)

The Fiscal Year 2022 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.

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