



PERFORMANCE AND ACCOUNTABILITY REPORT



FISCAL YEAR 2014



MISSION

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.

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Left to right: Commissioner Jeff Baran, Commissioner Kristine L. Svinicki, Chairman Allison M. Macfarlane, Commissioner William C. Ostendorff, and Commissioner Stephen G. Burns

The Fiscal Year 2014 Performance and Accountability Report provides performance results and audited financial statements that enable the President, Congress, and the public to assess the performance of the agency in achieving its mission and stewardship of its resources. The report contains a concise overview, Management's Discussion and Analysis, as well as performance and financial sections. Details of performance results and program evaluations can be found in the Program Performance section.

A MESSAGE FROM THE CHAIRMAN



I am pleased to present the U.S. Nuclear Regulatory Commission's (NRC's) Performance and Accountability Report (PAR) for Fiscal Year (FY) 2014. This report presents the NRC's continuing success in achieving our mission to ensure the safe and secure use of radioactive materials for beneficial civilian purposes while protecting people and the environment. The report also provides key financial and performance information to Congress and the American people of how we used our resources during FY 2014. The report is available at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/>.

The NRC is an independent regulatory agency devoted to the effective and efficient oversight of the Nation's 100 operating nuclear reactors and 31 research and test reactors. The agency also maintains oversight of the four reactors currently being decommissioned. The NRC reviews all safety aspects of new reactor designs, environmental siting, combined license applications, and provides oversight for the four nuclear reactors currently under construction. Further, the agency focuses on the safe and secure use of nuclear materials in the energy, medical and industrial sectors through effective oversight of fuel facilities, uranium recovery sites, decommissioning sites, and nuclear material user licensees. The NRC met all of its strategic goals, objectives, and performance indicator targets in FY 2014.

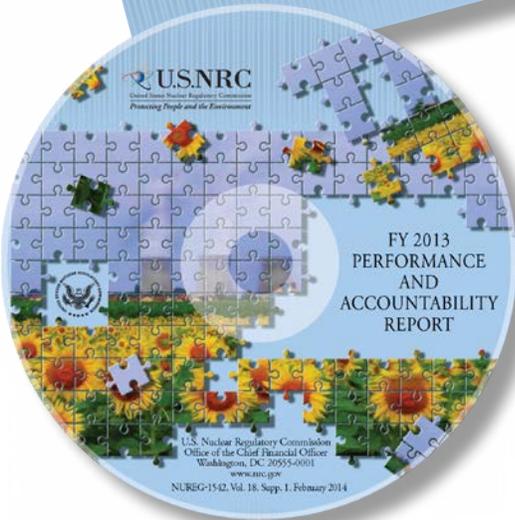
The NRC has continued addressing the recommendations developed following the 2011 Fukushima Dai-ichi accident in Japan. During FY 2014, an independent international review panel determined that the NRC has acted promptly and effectively after the Fukushima Dai-ichi accident in the interests of the public health and safety. Those requirements that were identified as critical to implement as soon as possible have been completed. The recommendations needing more technical study and needing more information to support regulatory action are expected to be completed in the next few years.

The NRC is committed to good governance and the prudent management of resources entrusted to it by the American people. The agency will continue to evaluate, test, and strengthen its internal control, including those related to financial reporting and financial management systems, as required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA). Based on the FMFIA assessments, I have concluded that there is reasonable assurance that the agency is in substantial compliance with FMFIA, and the financial and performance data published in this report are complete, accurate, reliable, and timely, in accordance with the Reports Consolidation Act of 2000 and Office of Management and Budget Circular A-136 requirements. Additionally, I have determined 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.

I take great pride in the performance and dedication of NRC employees in achieving the agency's safety and security goals and look forward to continuing the high-quality service the American people have come to expect from us.

A handwritten signature in black ink, appearing to read "Allison M. Macfarlane". The signature is fluid and extends to the right with a long horizontal stroke.

Allison M. Macfarlane
Chairman
November 12, 2014



CHAPTER 1
MANAGEMENT'S
DISCUSSION AND
ANALYSIS



INTRODUCTION

The U.S. Nuclear Regulatory Commission (NRC) Performance and Accountability Report is an account of the agency's effectiveness in achieving its mission during fiscal year (FY) 2014. The report describes the agency's program and financial management performance during FY 2014, which covers the period from October 1, 2013 to September 30, 2014.

The agency has two strategic goals: Safety and Security. The agency achieved both its Safety and Security goals and met all of its performance indicator targets in FY 2014.

The agency's nuclear reactor and materials licensees maintained their excellent safety record. The agency also improved its operational activities by continuing to invest in its skilled workforce of engineers and scientists through knowledge transfer programs, recruiting a diverse workforce, and providing training opportunities.

The agency is in a sound financial position, having sufficient funds to meet programmatic needs and adequate control of these funds in place. The agency received an unmodified audit opinion on its financial statements from its auditors, with no instances of noncompliance with laws and regulations.

This report consists of four chapters. Chapter 1, "Management's Discussion and Analysis," provides an overview of the NRC and describes its programmatic and financial accomplishments during FY 2014. Chapter 2, "Program Performance," describes in detail the agency's success in meeting its goals and describes the programmatic activities that are the basis for accomplishing those goals. Chapter 3, "Financial Statements and Auditors' Report," describes the agency's financial position. Chapter 4, "Other Information," includes information on management challenges, a summary of the financial statement audit, and other information. The NRC places a high priority on keeping the public informed of its activities. Visit our Web site at www.nrc.gov to access this report (<http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/v17/>) and learn more about who we are and what we do to serve the American public. The agency welcomes comments on this report at nrc-par.resource@nrc.gov.

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 ensure 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.

The NRC is headed by a Commission composed of five members, with one member designated by the President to serve as Chairman. With the advice and consent of the Senate, the President appoints each member to serve a 5-year term. The Chairman is the principal executive officer and official spokesperson for the Commission. The Executive Director for Operations carries out program policies and decisions made by the Commission.

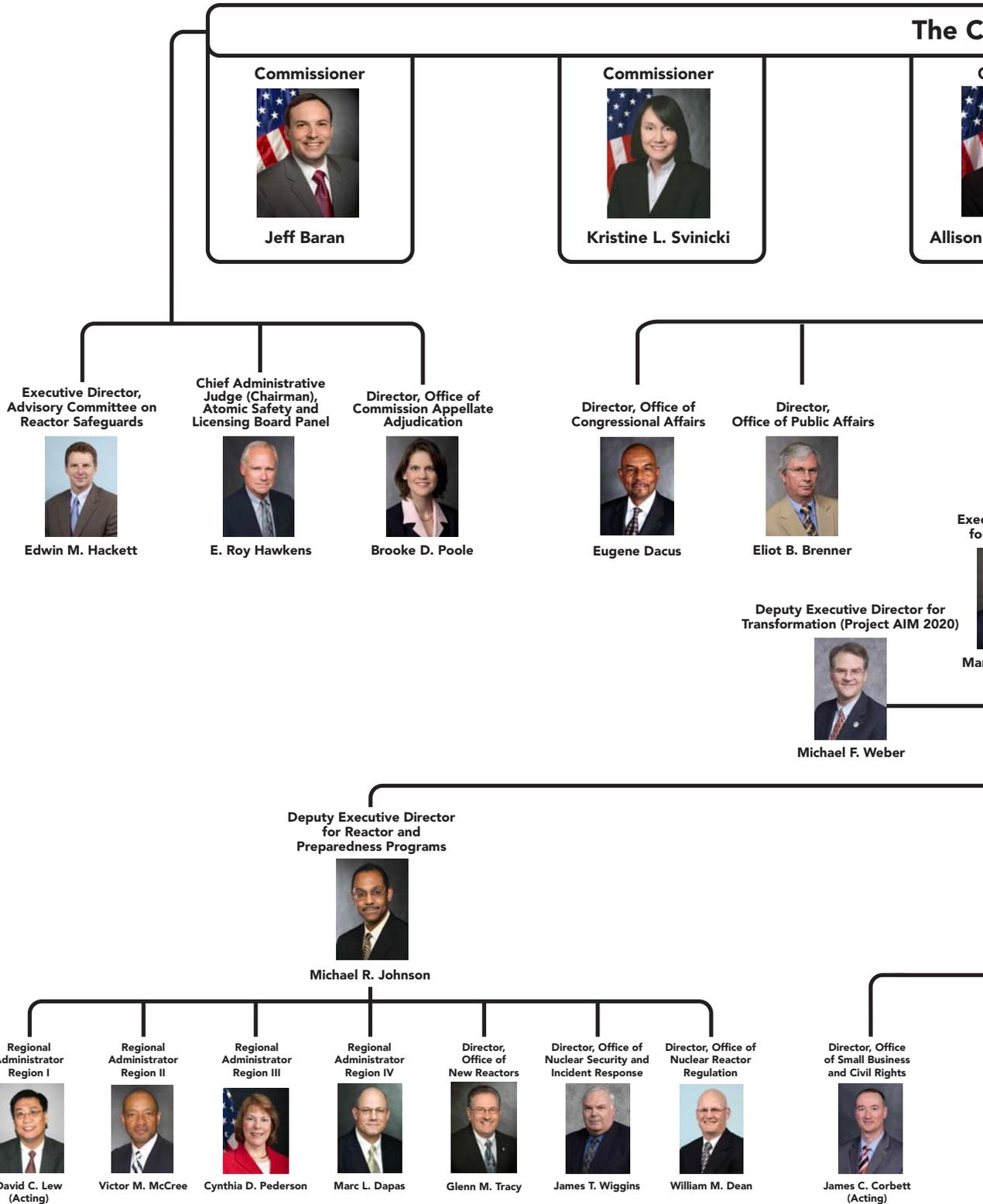
The NRC's headquarters is located in Rockville, MD. The NRC has an Operations Center in the headquarters building that coordinates communications with its licensees, State agencies, and other Federal agencies. This center is the focal point for assessing and responding to operating events in the industry. The NRC operations officers staff the Operations Center 24 hours a day, seven 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 sites.

The NRC's new budget authority for FY 2014 was \$1,055.9 million, with a full-time equivalent staff ceiling of 3,815 employees. The NRC is primarily supported by the collection of fees collected from its licensees that offset approximately 90 percent of its new budget authority. Fees collected from licensees and transferred to U.S. Treasury (Treasury) in FY 2014 were \$871.2 million, with the remaining funds provided by the Treasury general fund.



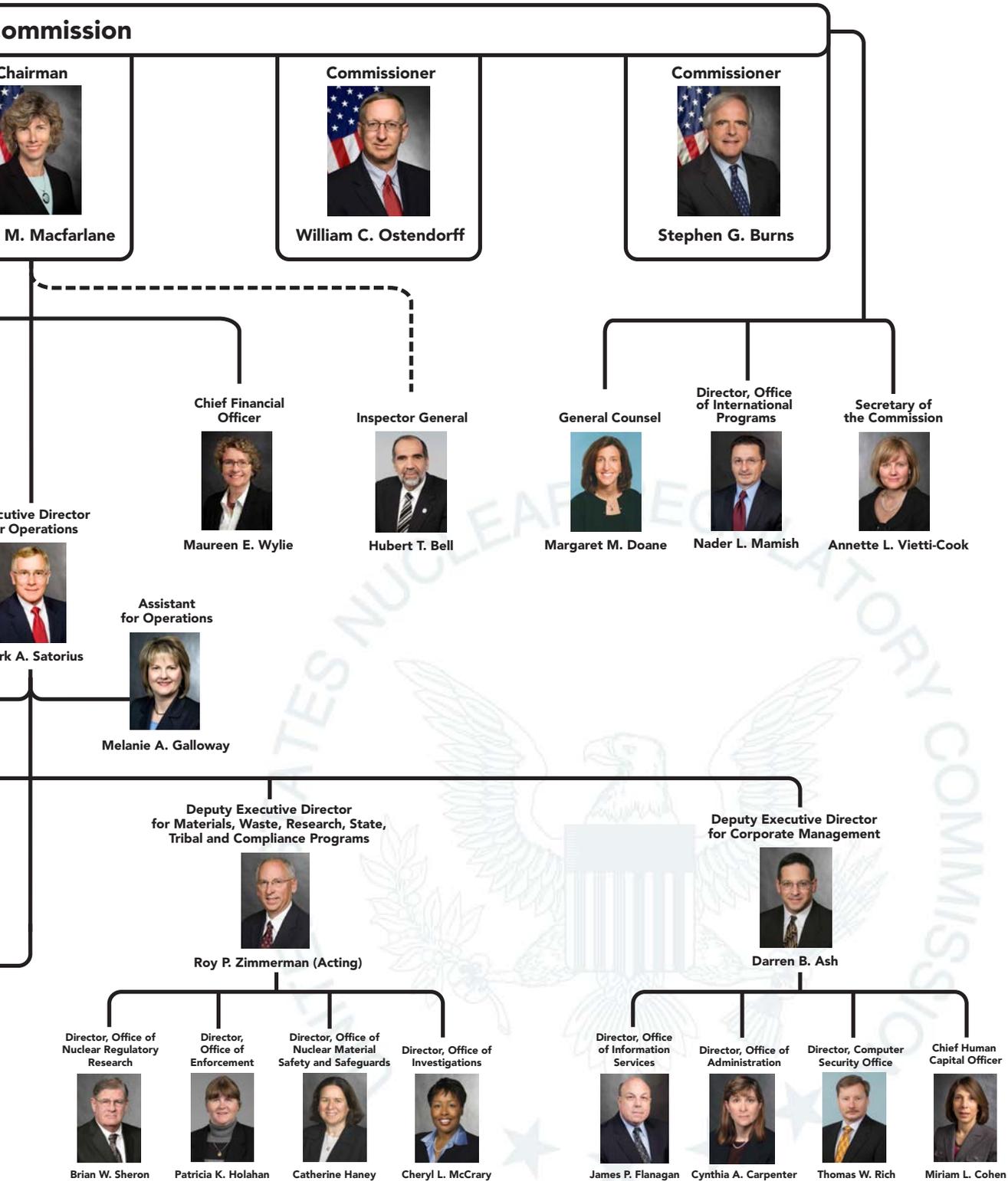
U.S. Nuclear Reg



The dotted line signifies that the Inspector General exercises a much higher degree of independence with the Chairman in carrying out his roles and responsibilities in comparison to other executives reporting to the Chairman.

November 5, 2014

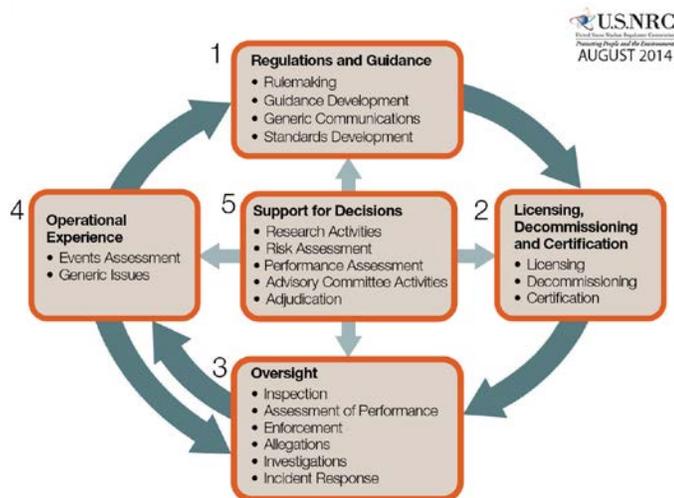
Regulatory Commission



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 decommissioning facilities; inspecting and assessing licensee operations and facilities to ensure that licensees comply with NRC requirements and take 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. Figure 1 provides an overview of the NRC's regulatory process.

Figure 1 – How We Regulate



1. Developing regulations and guidance for applicants and licensees.
2. Licensing or certifying applicants to use nuclear materials, operate nuclear facilities, and decommission facilities.
3. Inspecting and assessing licensee operations and facilities to ensure licensees comply with NRC requirements, responding to incidents, investigating allegations of wrongdoing and taking appropriate followup or enforcement actions when necessary.
4. Evaluating operational experience of licensed facilities and activities.
5. Conducting research, holding hearings, and obtaining independent reviews to support regulatory decisions.

The standards and regulations established by the agency set the rules that users of radioactive materials must follow. Drawing upon 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 agency inspects all facilities that it licenses on a regular basis to ensure that they meet NRC regulations and are operated safely and securely. NRC specialists conduct 10 to 25 routine inspections each year at each of the 100 operating nuclear power plants. In addition, the agency oversees approximately 2,900 licenses for medical, academic, industrial, and general uses of nuclear materials. The agency conducts approximately 1,000 health and safety inspections of its nuclear materials licensees annually. Under the NRC's Agreement State program, 37 States have assumed primary regulatory responsibility over the industrial, medical, and other users of nuclear materials within their States, accounting for approximately 18,000 licensees. The NRC works closely with these States to ensure that they maintain public safety through acceptable licensing and inspection procedures.

THE NUCLEAR INDUSTRY

The NRC is responsible for regulating all aspects of the civilian nuclear industry. The industry can best be described by examining the nuclear material cycle. 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 100 nuclear power plants, and ends with the safe transportation and storage of spent nuclear fuel and other nuclear waste. The NRC's regulatory programs ensure 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 material cycle.

FUEL FACILITIES

The production of nuclear fuel begins at uranium mines where milled uranium ore is used to produce a uranium concentrate called "yellow cake." At a special facility, the yellow cake is converted into uranium hexafluoride (UF₆) gas and loaded into cylinders. The cylinders are sent to a gaseous diffusion plant, where uranium is enriched for use as reactor fuel. The enriched uranium is then converted into oxide powder, fabricated into

fuel pellets (each about the size of a fingertip), loaded into metal fuel rods about 3.5 meters long, and bundled into reactor fuel assemblies at a fuel fabrication facility. Assemblies are then transported to nuclear power plants, non-power research reactor facilities, and naval propulsion reactors for use as fuel (see Figure 2). The NRC licenses eight major fuel fabrication and production facilities and three enrichment facilities in the United States. Because they handle extremely hazardous material, these facilities take special precautions to prevent theft, diversion by terrorists, and dangerous exposures to workers and the public from this nuclear material.

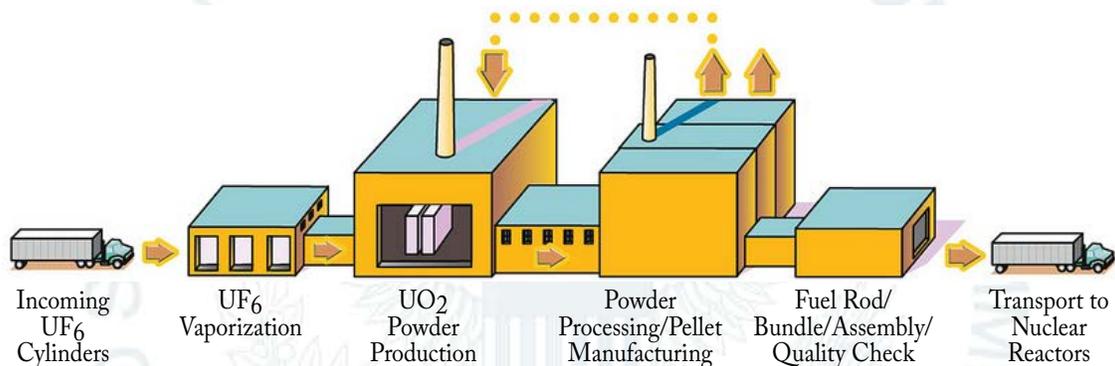
REACTORS

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 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 invisible 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.

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 2 – SIMPLIFIED FUEL FABRICATION PROCESS



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

- (1) the chemical conversion of UF_6 to uranium dioxide (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



Small ceramic fuel pellets

Figure 3 – THE BOILING-WATER REACTOR (BWR)

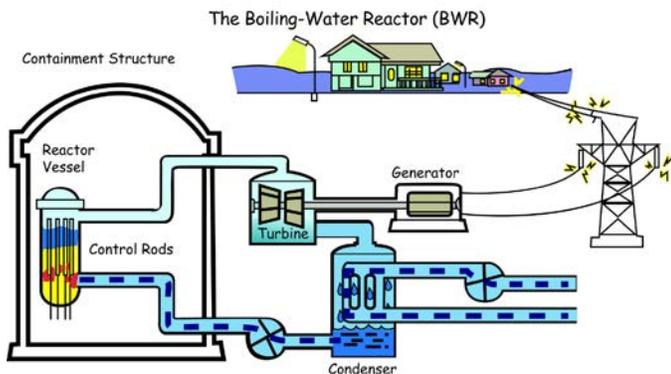
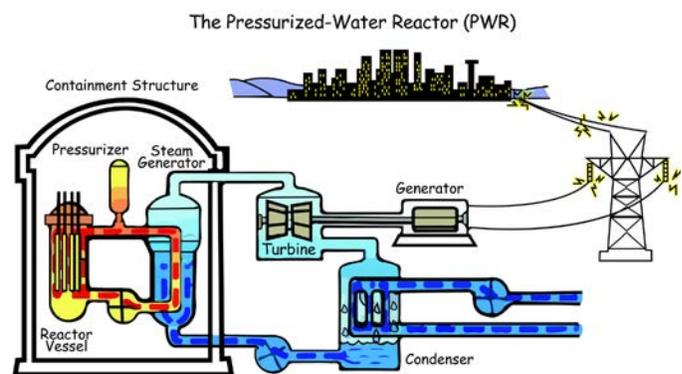


Figure 4 – THE PRESSURIZED WATER REACTOR (PWR)



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. In all, about 112 million nuclear medicine or radiation therapy procedures are performed annually, with the vast majority 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. High-tech 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

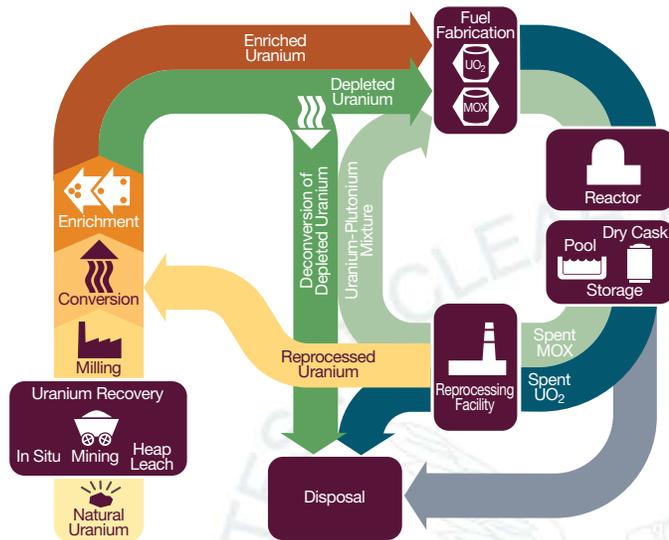
During normal operations, a nuclear power plant generates both high-level radioactive waste, which consists of spent fuel (usually called spent fuel), and low-level radioactive waste, which includes contaminated equipment, filters, maintenance materials, and resins used in purifying water for the reactor 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. Typically, the spent fuel from nuclear power plants is stored in water-filled pools at each reactor site or at a storage facility

in Illinois. The water in the spent fuel storage pool provides cooling and adequately shields and protects workers from the radiation. Several nuclear power plants have also begun using dry casks to store spent fuel. These heavy 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.

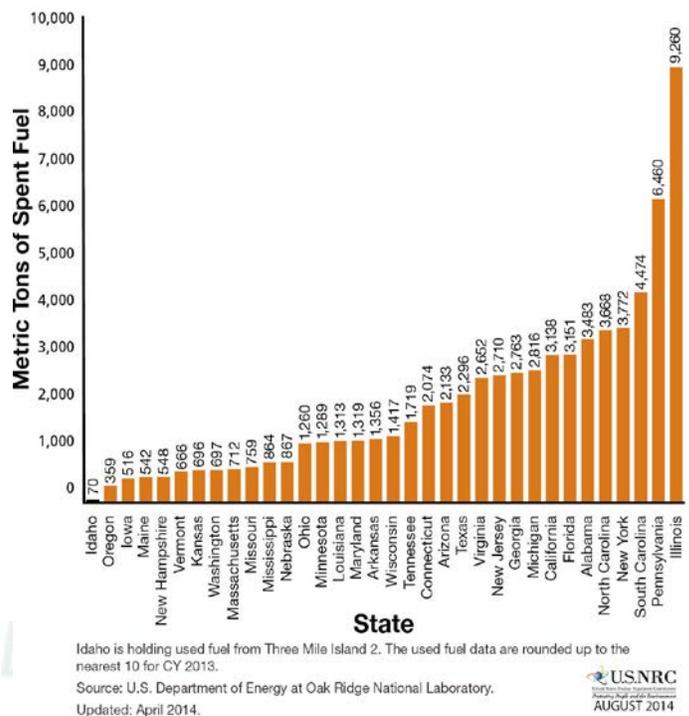
Currently most spent fuel in the United States remains stored at individual plants. Permanent disposal of spent fuel from nuclear power plants will require a disposal facility that can provide reasonable assurance that the waste will remain isolated for thousands of years.

Figure 5 – THE NUCLEAR FUEL CYCLE



Licenses often store low-level waste onsite 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 each of the following general classes of waste: Class A, Class B, and Class C waste. Generally, Class A waste contains lower concentrations of radioactive material

Figure 6 – STORAGE OF COMMERCIAL SPENT FUEL BY STATE THROUGH 2013



than Class B and Class C wastes. There are two low-level disposal facilities that accept a broad range of low-level wastes. They are located in Barnwell, SC and Richland, WA.

FY 2014 PERFORMANCE RESULTS

The NRC's Strategic Plan describes the agency's mission, goals, and strategies. The Strategic Plan can be found on the NRC Web site at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1614/v6/>. The agency's two strategic goals are focused on Safety and Security. The Safety goal is to *Ensure the safe use of radioactive materials*. The Security goal is to *Ensure secure use of radioactive materials*.

Because the nature of the agency's Safety and Security strategic objectives is to prevent or minimize undesirable outcomes, the desired trend for all of its performance indicators is to either maintain these outcomes at zero or at very low levels.

STRATEGIC GOAL I:

Ensure the safe use of radioactive materials.

STRATEGIC OBJECTIVE

Strategic objectives express more specifically the results that are needed to achieve a strategic goal. The strategic objective for Goal 1 is:

Prevent and mitigate accidents and ensure radiation safety.

Minimizing the likelihood of accidents and reducing the consequences of an accident (should one occur) are the key elements for achieving the NRC's Safety goal. Such accidents, particularly for large complex facilities like nuclear power plants, have the potential to release significant amounts of radioactive material to the environment and expose facility workers and the public to high levels of radiation. Even in the absence of accidents, radiological hazards exist during routine operations, and the NRC ensures that measures are in place to minimize exposure for workers and the public and prevent unintended releases of radioactive materials to the environment.

FY 2014 RESULTS

In FY 2014, the NRC achieved its Safety goal strategic objective. The NRC also uses six performance indicators to determine whether it has met its Safety goal. The agency met all six performance indicator targets in FY 2014 (see Table 1).

The first three performance indicators focus on performance at individual nuclear power plants. Inspection results show that all of the nuclear power plants are operating safely. For the first indicator, a red finding or performance indicator signals a significant reduction in the safety margin in the measured area. The fourth indicator tracks the trends of several key indicators of nuclear power plant safety. This indicator is the broadest measure of the safety of nuclear power plants, incorporating the performance results from all plants to determine industry average results. This indicator shows that there were no statistically significant adverse trends in any of the indicators in FY 2014.

The last two safety performance indicators track harmful radiation exposures to the public and occupational workers and radiation exposures that harm the environment. Neither of these two indicators exceeded their targets in FY 2014.

The cost of achieving the agency's Safety goal in FY 2014 was \$998.1 million.

Table 1 – FY 2014 SAFETY PERFORMANCE INDICATORS

1. Number of new conditions evaluated as red by the NRC's Reactor Oversight Process (ROP)¹						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	≤ 3	≤ 3	≤ 3	≤ 3	≤ 3	≤ 3
Actual	0	0	1	1	0	0

¹ This indicator is the number of new red inspection findings during the fiscal year plus the number of new red performance indicators during the fiscal year. Programmatic issues at multi-unit sites that result in red findings for each individual unit are considered separate conditions for purposes of reporting for this indicator. A red performance indicator and a red inspection finding that are due to an issue with the same underlying causes are also considered separate conditions for purposes of reporting for this indicator. Red inspection findings are included in the fiscal year in which the final significance determination was made. Red performance indicators are included in the fiscal year in which the Reactor Oversight Process (ROP) external Web page was updated to show the red indicator.

2. Number of significant accident sequence precursors² (ASPs) of a nuclear reactor accident						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	0	0	0	0	0	0
Actual	0	0	0	0	0	0

² Significant Accident Sequence Precursor (ASP) events have a conditional core damage probability (CCDP) or ΔCDP of > 1 × 10⁻³. Such events have a 1/1000 (1 × 10⁻³) or greater probability of leading to a reactor accident involving core damage. An identical condition affecting more than one plant is counted as a single ASP event if a single accident initiator would have resulted in a single reactor accident.

Table 1 – FY 2014 SAFETY PERFORMANCE INDICATORS (continued)

3. Number of operating reactors with integrated performance that entered the multiple/repetitive degraded cornerstone column or the unacceptable performance column of the Reactor Oversight Process Action Matrix, or the Inspection Manual Chapter 0350 process is ≤ 3 with no performance leading to the initiation of an Accident Review Group³						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	≤ 3	≤ 3	≤ 3	≤ 3	≤ 3	≤ 3
Actual	0	0	2	1	0	0

³ This indicator is the number of plants that have entered the Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column during the fiscal year (i.e., were not in these columns or process the previous fiscal year). Data for this indicator is obtained from the NRC external Web site's Action Matrix Summary page, which provides a matrix of the five columns with the plants listed within their applicable column and notes the plants in the Manual Chapter 0350 process. For reporting purposes, plants that are the subject of an approved deviation from the Action Matrix are included in the column or process in which they appear on the Web page. The target value is set based on the expected addition of several indicators and a change in the long-term trending methodology (which will no longer be influenced by the earlier data and will be more sensitive to changes in current performance).

4. Number of significant adverse trends in industry safety performance is ≤1⁴						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1
Actual	0	0	0	0	0	0

⁴ Considering all indicators qualified for use in reporting.

5. Number of events with radiation exposures to the public or occupational workers that exceed Abnormal Occurrence Criterion I.A.3⁵						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Reactors Target	0	0	0	0	0	0
Reactors Actual	0	0	0	0	0	0
Materials Target	≤ 2	≤ 2	≤ 2	≤ 2	≤ 2	≤ 2
Materials Actual	0	0	0	0	0	1
Waste Target	0	0	0	0	0	0
Waste Actual	0	0	0	0	0	0

⁵ Releases for which a 30-day report requirement under Title 10 of the Code of Federal Regulations (10 CFR) 20.2203(a)(3) is required.

6. Number of radiological releases to the environment that exceed applicable regulatory limits⁶						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Reactors Target ⁵	0	0	0	0	0	0
Reactors Actual	0	0	0	0	0	0
Materials Target	≤ 2	≤ 2	≤ 2	≤ 2	≤ 2	≤ 2
Materials Actual	0	0	0	0	0	0
Waste Target	0	0	0	0	0	0
Waste Actual	0	0	0	0	0	0

⁶ With no event exceeding AO Criterion I.B.

SAFETY GOAL STRATEGIES

The agency used the following safety strategies from its strategic plan to guide its activities and to achieve its Safety goal in FY 2014:

Safety Strategy 1:

Enhance the NRC's regulatory programs as appropriate using lessons learned from domestic and international operating experience and other sources.

Safety Strategy 2:

Enhance the risk-informed and performance-based regulatory framework in response to advances in science and technology, policy decisions, and other factors.

Safety Strategy 3:

Ensure the effectiveness and efficiency of licensing and certification activities to maintain both quality and timeliness of licensing and certification reviews.

Safety Strategy 4:

Maintain effective and consistent oversight of licensee performance to drive continued licensee compliance with NRC safety requirements and license conditions.

Safety Strategy 5:

Ensure the NRC's readiness to respond to incidents and emergencies involving NRC-licensed facilities and radioactive materials and other events of domestic and international interest.

Safety Strategy 6:

Ensure that nuclear facilities are constructed in accordance with approved designs and that there is an effective transition from oversight of construction to oversight of operation.

Safety Strategy 7:

Ensure that the environmental and site safety regulatory infrastructure is adequate to support the issuance of new nuclear licenses.

FUKUSHIMA REGULATORY REVIEW

The NRC's efforts to implement the lessons learned from the Fukushima Dai-ichi accident in March 2011 continued during FY 2014. Nuclear power plants in the United States have made great progress in implementing the near-term actions to address natural disasters that may challenge the design

bases of these plants. The agency oversaw implementation of new requirements to address hazards such as earthquakes and flooding. The NRC has also been using the insights from Fukushima to inform its licensing and oversight activities. The agency has been conducting technical studies and regulatory analyses for ensuring the safe operation of existing reactors and to be applied to new reactors. A more complete discussion of the review and the subsequent actions taken by the NRC can be found in Chapter 2 under "Operating Reactors Oversight."

Additional information can be found on the agency Web site <http://www.nrc.gov/reactors/operating/ops-experience/japan-info.html>

STRATEGIC GOAL 2:

Ensure the secure use of radioactive materials.

STRATEGIC OBJECTIVES

Strategic objectives more specifically express the results that are needed to achieve a strategic goal. The strategic objectives for Goal 2 are:

Ensure protection of nuclear facilities and radioactive materials.

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

Ensure protection of classified and Safeguards information

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

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

FY 2014 RESULTS

In FY 2014, the NRC achieved its Security goal strategic objectives. The NRC also uses five Security goal performance indicators to determine whether the agency has met its Security goal. The agency met all five performance indicator targets in FY 2014 (see Table 2).

The first performance indicator tracks unrecovered losses or thefts of risk-significant radioactive sources. The indicator ensures that those radioactive sources that the agency has determined to be risk-significant to the public health and safety are accounted for at all times. The ability to account for these sources is critical to secure the nation from “dirty bomb” attacks or other means of radiation dispersal.

The second, third, and fourth performance indicators evaluate the number of significant security events and incidents that occur at NRC-licensed facilities. These indicators determine whether nuclear facilities maintain adequate protective forces to prevent theft or diversion of nuclear material or sabotage; whether systems in place at licensee plants accurately account for

the type and amount of materials processed, utilized, or stored; and whether the facilities account for special nuclear material at all times with no losses of this material. There were no events that met the conditions for these indicators in FY 2014.

The last security indicator tracks significant unauthorized disclosures of classified and/or Safeguards information that may cause damage to national security or public safety. This indicator focuses on whether classified information or Safeguards information is stored and utilized in such a way as to prevent its disclosure to the public, terrorist organizations, other nations, or personnel without a need to know. Unauthorized disclosures can harm national security or compromise public health and safety. The indicator also focuses on whether controls are in place to maintain and secure the various devices and systems (electronic or paper based) which the agency and its licensees use to store, transmit, and utilize this information. There were no documented disclosures of this type of information during FY 2014.

The cost of achieving the agency's Security goal was \$68.5 million in FY 2014.

Table 2 – FY 2014 SECURITY PERFORMANCE INDICATORS

1. Unrecovered loss of risk-significant¹ radioactive sources						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	0	0	0	0	0	0
Actual	0	0	1 ²	0	0	0

¹ “Risk-significant” is defined as any unrecovered lost or abandoned sources that exceed the values listed in Appendix P to 10 CFR Part 110 – Category 1 and 2 Radioactive Material. Excluded from reporting under this criterion are those events involving sources that are lost or abandoned under the following conditions: (1) sources abandoned in accordance with the requirements of 10 CFR 39.77(c); (2) recovered sources with sufficient indication that doses in excess of the reporting thresholds specified in AO Criteria I.A.1 and I.A.2 did not occur during the time the source was missing; (3) unrecoverable sources lost under such conditions that doses in excess of the reporting thresholds specified in AO Criteria I.A.1 and I.A.2 were not known to have occurred; (4) other sources that are lost or abandoned and declared unrecoverable; (5) for which the agency has made a determination that the risk-significance of the source is low based upon the locations (e.g., water depth) or physical characteristics (e.g., half-life, housing) of the source and its surroundings; (6) where all reasonable efforts have been made to recover the source; and (7) it has been determined that the source is not recoverable and will not be considered a realistic safety or security risk under this indicator. (This includes licenses under the Agreement States.)

² There were no losses and one theft of radioactive nuclear material that the NRC considered to be the risk significant during FY 2011.

2. Number of substantiated³ cases of actual theft or diversion of licensed, risk-significant radioactive sources or formula quantities⁴ of special nuclear material; or attacks that result in radiological sabotage⁵						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	0	0	0	0	0	0
Actual	0	0	0	0	0	0

³ “Substantiated” means a situation in which an indication of loss, theft, or unlawful diversion such as an allegation of diversion cannot be refuted following an investigation and requires further action on the part of the agency or other proper authorities.

⁴ A formula quantity of special nuclear material is defined in 10 CFR 70.4, “Definitions.”

⁵ “Radiological sabotage” is defined in 10 CFR 73.2, “Definitions.”

Table 2 – FY 2014 SECURITY PERFORMANCE INDICATORS (continued)

3. Number of substantiated losses of formula quantities of special nuclear material or substantiated inventory discrepancies of formula quantities of special nuclear material that are judged to be caused by theft or diversion or by substantial breakdown of the Accountability System						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	0	0	0	0	0	0
Actual	0	0	0	0	0	0
4. Number of substantial breakdowns⁶ of physical security or material control (i.e., access control, containment, or accountability systems) that significantly weakened the protection against theft, diversion, or sabotage						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1
Actual	0	0	0	0	0	0
<i>⁶ A "substantial breakdown" is defined as a red finding in the security cornerstone of the ROP, or any plant or facility determined to either have overall unacceptable performance or be in a shutdown condition (inimical to the effective functioning of the Nation's critical infrastructure) as a result of significant performance problems and/or operational events.</i>						
5. Number of significant unauthorized disclosures⁷ of classified and/or Safeguards information						
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Target	0	0	0	0	0	0
Actual	0	0	0	0	0	0
<i>⁷ "Significant unauthorized disclosure" is defined as a disclosure that harms national security or public health or safety.</i>						

SECURITY GOAL STRATEGIES

The agency used the following security strategies from its Strategic Plan to guide its activities and achieve its Security goal in FY 2014:

Security Strategy 1:

Ensure the effectiveness and efficiency of the regulatory framework using information gained from operating experience and external and internal assessments and in response to technology advances and changes in the threat environment.

Security Strategy 2:

Maintain effective and consistent oversight of licensee performance to drive continued licensee compliance with NRC security requirements and license conditions.

Security Strategy 3:

Support U.S. national security interests and nuclear nonproliferation policy objectives within NRC's statutory mandate through cooperation with domestic and international partners.

Security Strategy 4:

Ensure material control and accounting for special nuclear materials

Security Strategy 5:

Protect critical digital assets.

Security Strategy 6:

Ensure timely distribution of security information to stakeholders and international partners.

Security Strategy 7:

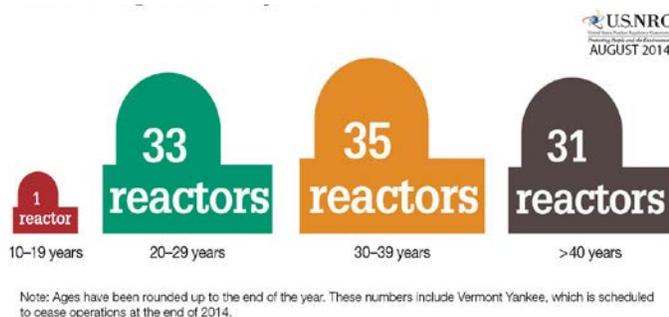
Ensure that programs for the handling and control of classified and Safeguards Information are effectively implemented at the NRC and at licensee facilities.

FUTURE CHALLENGES

The nuclear industry has maintained an excellent safety record at nuclear power plants over the past two decades as both the nuclear industry and the NRC have gained substantial experience in the operation and maintenance of nuclear power facilities. However, maintaining this excellent safety record of

the industry requires that the agency take a proactive approach to accomplishing its mission. The key challenges that the agency faces as the regulator of nuclear materials are to ensure the safe and secure use of radioactive materials in areas where the NRC regulates.

Figure 7 – U.S. COMMERCIAL NUCLEAR POWER REACTORS—YEARS OF OPERATION BY THE END OF 2014



MARKET PRESSURES ON OPERATING PLANTS AND LICENSE APPLICATIONS

Market forces result in pressures to reduce operating costs. As a result, the NRC needs to be prepared to address potential shutdowns of facilities before license expiration and to continue to ensure that oversight programs identify degrading facility safety and security performance. Conversely, the lower capital costs of small modular reactors (under 300 megawatts) may offer industry a more attractive option to add new capacity. Several entities are seeking to submit license applications for small modular reactors in the next several years. The Department of Energy is funding a program “to design, certify and help commercialize innovative small modular reactors (SMRs) in the United States.” The NRC is developing a licensing framework for these as well as other advanced reactors.

SIGNIFICANT OPERATING INCIDENT AT A NON- U.S. NUCLEAR FACILITY

A significant incident at a nuclear facility outside the United States could cause the agency to reassess its safety and security requirements, which could change the agency’s focus on some initiatives related to its objectives until the situation stabilizes.

SIGNIFICANT OPERATING INCIDENT AT A DOMESTIC NUCLEAR FACILITY

A significant incident at a U.S. nuclear facility could cause the agency to reassess its safety and security requirements, which could change the agency’s focus on some initiatives related to its objectives until the situation stabilizes. Because the NRC’s stakeholders are highly sensitive to many issues regarding the use of radioactive materials, even events of relatively minor safety significance could potentially require a response that consumes considerable agency resources.

INTERNATIONAL NUCLEAR STANDARDS DEVELOPMENTS

International organizations, such as the International Atomic Energy Agency (IAEA), will continue to develop and issue standards and guidance affecting global commitments to nuclear safety and security. To ensure that the best results are achieved both domestically and internationally, the NRC needs to proactively engage in these international initiatives and to provide leadership in a cooperative and collegial manner.

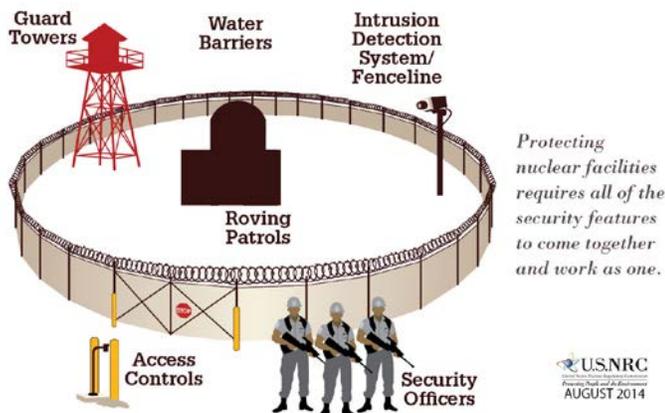
INTERNATIONAL TREATIES AND CONVENTIONS

As part of the international response to lessons learned from the Fukushima Dai-ichi nuclear accident in Japan, the international nuclear regulatory community is reviewing the Convention on Nuclear Safety. As one of the contracting parties to the Convention, the NRC is a member of the working group that is reviewing the Convention. Likewise, the NRC participates in the Joint Convention on the Safety of Spent Fuel Management and on the Safety of Radioactive Waste Management.

GLOBALIZATION OF THE NUCLEAR TECHNOLOGY AND THE NUCLEAR SUPPLY CHAIN

Components for nuclear facilities are increasingly manufactured overseas, resulting in challenges of providing effective oversight to ensure that these components are in compliance with NRC requirements. In addition, the continuing globalization of nuclear technology is driving the need for increasing international engagement on the safe use of radioactive material.

Figure 8 – SECURITY COMPONENTS



SIGNIFICANT TERRORIST INCIDENT

A sector-specific credible threat or actual significant terrorist incident anywhere in the United States would result in the Department of Homeland Security (DHS) raising the threat level under the National Terrorism Advisory System (NTAS). In turn, the NRC would similarly elevate the oversight and response stance for NRC-regulated facilities and licensees. Potentially, new or revised security requirements or other policy decisions might affect the NRC, its partners, and the regulated community. In a similar fashion, a significant terrorist incident at a nuclear facility or activity anywhere in the world would need to be assessed domestically and potentially lead to a modification of existing security requirements for NRC-regulated facilities and licensees.

TREATIES AND CONVENTIONS

The ratification by the United States of international instruments related to the security of nuclear facilities or radioactive materials could potentially impose binding provisions on the Nation and the corresponding governmental agencies, such as the NRC and the Department of Energy (DOE).

GLOBALIZATION OF NUCLEAR TECHNOLOGY

The continuing globalization of nuclear technology is driving the need for increased international engagement on the secure use of radioactive material.

LEGISLATIVE AND EXECUTIVE-BRANCH INITIATIVES

Congressional and Executive Branch initiatives concerning cyber security may potentially impact the NRC's regulatory framework for nuclear security. If the NRC were to become concerned about an aspect of a bill or policy initiative that had been introduced, the staff would consult the Commission to develop a strategy for making such concerns known.

LOST, MISPLACED, INTERCEPTED, OR DELAYED INFORMATION

With the increased use of mobile devices and alternative storage options, the introduction of new communication technologies, and the increased use of telecommunication, there is a heightened risk that sensitive information held by the NRC or its licensees can be lost, misplaced, or intercepted and fall into the hands of unauthorized persons.

DATA COMPLETENESS AND RELIABILITY

The NRC considers the data contained in this report to be complete, reliable, and relevant. The data are complete because the agency reports actual performance data for every performance goal and indicator in the report. In addition, all of the data are reported for each indicator. The agency also considers the data in this report reliable and relevant, because they have been validated and verified. "Data Collection Procedures for Verification and Validation of Performance Measures," contains the processes the agency uses to collect, validate, and verify performance data in this report. This report can be found on page 104 of the NRC's FY 2014 Congressional Budget Justification located on the NRC Web site NRC: Congressional Budget Justification: Fiscal Year 2014 (NUREG-1100, Volume 29).

FINANCIAL PERFORMANCE OVERVIEW

The NRC prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards (SFFAS) and Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements."

As of September 30, 2014, the financial condition of the NRC was sound with respect to having sufficient funds to meet program needs and adequate control of these funds in place to ensure that obligations did not exceed budget authority.

SOURCES OF FUNDS

New Budget Authority. The NRC has two appropriations, Salaries and Expenses and the Office of the Inspector General. The new FY 2014 budget authority was \$1,055.9 million, which included \$1,043.9 million for the Salaries and Expenses appropriation and \$12.0 million for the Office of the Inspector General.

NEW BUDGET AUTHORITY (*In Millions*)

Appropriation	FY 2014	FY 2013
Salaries and Expenses	\$ 1,043.9	\$ 1,027.2
Less: Sequestration	-	(51.7)
Less: Rescission	-	(.3)
New Budget Authority	1,043.9	975.2
Office of the Inspector General	12.0	10.9
Less: Sequestration	-	(.5)
Less: Rescission	-	-
New Budget Authority	12.0	10.4
Total New Budget Authority	\$ 1,055.9	\$ 985.6

The new budget authority increased \$70.3 million compared to the prior year (\$68.7 million for the Salaries and Expenses appropriation and \$1.6 million for the Office of the Inspector General). The increase was primarily due to a \$16.7 million increase in appropriations and the FY 2013 reduction of \$52.5 million in funding resulting from the sequestration and rescission of funds returned to the Treasury.

The Salaries and Expenses new budget authority is available until expended. This includes a provision that not more than \$9.5 million be made available for the Office of the Commission as a 2-year (FY 2014/2015) appropriation that is available for obligation by the NRC through September 30, 2015. After September 30, 2015, the remaining funds which have not been obligated for the Office of the Commission are available until expended as part of the Salaries and Expenses appropriation. The Office of the Inspector General's new budget authority is a 2-year (FY 2014/2015) appropriation which is available for obligation through September 30, 2015. This 2-year funding includes \$0.9 million for Inspector General services for the Defense Nuclear Facilities Safety Board.

The *Omnibus Budget Reconciliation Act of 1990 (OBRA-90)*, as amended, requires the NRC to collect fees to offset approximately 90 percent of its new budget authority, less the amount appropriated to the NRC from the Nuclear Waste Fund (NWF) and amounts appropriated for waste incidental to reprocessing and generic homeland security. Fees collected are returned to the Treasury during the fiscal year to offset the NRC's two appropriations.

Figure 9 – SOURCES OF FUNDS FOR NEW BUDGET AUTHORITY



The projected amount to be recovered from fees in FY 2014 was \$930.7 million, which included \$916.7 million from FY 2014 reactor and materials fees and \$14.0 million from other fees (unpaid current-year invoices and terminated reactors' FY 2014 annual fee collections, offset by payments of prior year invoices in FY 2014). The NRC collected and transferred \$871.2 million to the Treasury (see Figure 9), which

represents 93.6 percent of the approximately \$930.7 million projected to be recovered. Fees collected and transferred to Treasury in FY 2014 increased \$19.3 million from the FY 2013 amount of \$851.9 million, mainly due to the increase in new budget authority.

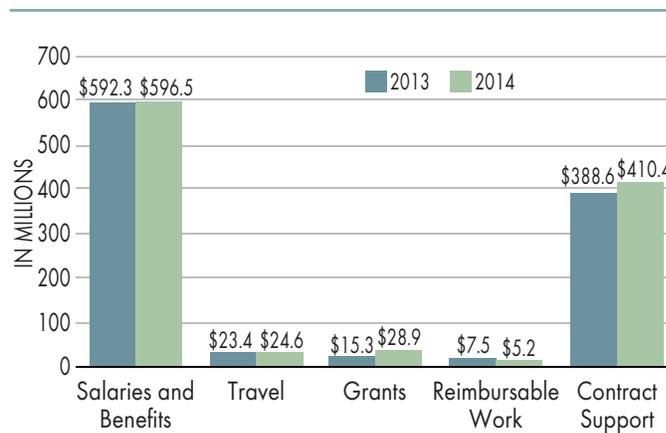
Total Budget Authority. The total budget authority available for the NRC to obligate in FY 2014 was \$1,119.1 million and included \$1,055.9 million of new budget authority, \$22.8 million of prior-year appropriations, \$9.0 million from prior-year funding for reimbursable work, \$10.6 million of recoveries of prior-year unpaid obligations, \$9.8 million of FY 2014 reimbursable work performed for other Federal agencies and commercial customers, and \$11.0 million of prior-year funding for resources received from the DOE to fund NRC activities associated with the *Nuclear Waste Policy Act of 1982*, as amended. Funds available to obligate in FY 2014 increased \$49.2 million from the FY 2013 amount of \$1,069.9 million primarily due to an increase of \$70.3 million in new budget authority, offset by decreases in the beginning unobligated balance brought forward of \$20.1 million, and actual recoveries of prior-year unpaid obligations and spending authority from offsetting collections of \$1.0 million.

USES OF FUNDS

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

The NRC incurred obligations of \$1,065.6 million in FY 2014, which represented an increase of \$38.5 million from the FY 2013 amount of \$1,027.1 million (see Figure 10). Approximately 56 percent of obligations in FY 2014 were used for salaries and benefits. The NRC used the remaining 44 percent to obtain technical assistance for the NRC's principal regulatory programs, to conduct confirmatory safety research, to cover operating expenses (e.g., building rentals, transportation, printing, security services, supplies, office automation, and training), and to pay for staff travel.

Figure 10 – USES OF FUNDS
(Obligations)



The unobligated budget authority available at the end of FY 2014 was \$53.5 million, which was a \$10.7 million increase from the FY 2013 amount of \$42.8 million. Of the \$53.5 million unobligated balance at the end of FY 2014, \$8.3 million was for reimbursable work, \$4.8 million was for the NWF, \$6.2 million was for special purpose funds, and \$34.2 million was available to fund critical NRC needs in FY 2015. The \$42.8 million unobligated balance at the end of FY 2013 included \$9.0 million for reimbursable work, \$11.0 million for the NWF and \$22.8 million to fund critical NRC needs in FY 2014.

AUDIT RESULTS

The NRC received an unmodified audit opinion on its FY 2014 financial statements and an unqualified audit opinion on internal controls. The auditors found no reportable instances of noncompliance with laws and regulations during the FY 2014 audit. A summary of the financial statement audit results is included in the "Other Accompanying Information" section of this report.

LIMITATIONS ON THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the NRC, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the NRC in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

FINANCIAL STATEMENT HIGHLIGHTS

The NRC's financial statements summarize the agency's financial activity position. The financial statements, footnotes, and required supplementary information are included in Chapter 3, "Financial Statements and Auditors' Report." The following information is an analysis of the financial statements.

ANALYSIS OF THE BALANCE SHEET

ASSET SUMMARY *(In Millions)*

As of September 30,	2014	2013
Fund Balance with Treasury	\$ 377.4	\$ 318.2
Accounts Receivable, Net	111.6	91.8
Property & Equipment, Net	90.3	107.8
Other	8.0	5.0
Total Assets	\$ 587.3	\$ 522.8

Assets. The NRC's total assets were \$587.3 million as of September 30, 2014, representing an increase of \$64.5 million from the same period of FY 2013. Changes in major categories include increases of \$59.2 million in the Fund Balance with Treasury, \$19.8 million in Accounts Receivable, Net, and \$3.0 million in Other Assets, offset by a decrease of \$17.5 million in Property & Equipment, Net.

The Fund Balance with Treasury was \$377.4 million as of September 30, 2014, which accounts for 64 percent of total assets. This account represents appropriated funds, license fee collections, and other funds maintained at the Treasury to

pay for current liabilities and to finance authorized purchase commitments. The \$59.2 million increase in the fund balance is primarily the result of an increase in new budget authority for FY 2014 of \$70.3 million and a decrease in gross outlays of \$28.6 million, which increases the fund balance; offset by a decrease of \$39.3 million in the beginning balance compared with the prior year. The decrease in gross outlays primarily consisted of decreases of \$24.3 million in contract disbursements, \$5.2 million in grant disbursements, and \$4.2 million in reimbursements collected; offset by increases of \$4.7 million in salaries and benefits disbursements, and \$0.3 million in travel costs.

Accounts receivable consists of amounts that other Federal agencies and the public owe to the NRC for license fees. Accounts Receivable, Net, as of September 30, 2014, was \$111.6 million, which included an offsetting allowance for doubtful accounts of \$4.4 million. For FY 2013, the year-end Accounts Receivable, Net, balance was \$91.8 million, including an offsetting allowance for doubtful accounts of \$1.8 million. The net increase in accounts receivable from the prior year of \$19.8 million is primarily due to outstanding license fee bills where payments were received shortly after the close of the fiscal year.

Property and Equipment consists primarily of typical office furnishings, 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 General Services Administration (GSA).) At the end of FY 2014, Property and Equipment, Net was \$90.3 million, a decrease of \$17.5 million from the FY 2013 amount of \$107.8 million. The decrease is primarily due to decreases of \$12.0 million in leasehold improvements (mainly for the write-off for the initial build-out of 4 floors in the Three White Flint North (3WFN) building resulting from a change in the lease agreement associated with the NRC vacating the space) and a decrease of \$5.3 million in information technology (IT) software due primarily to amortization of the software, which decreases the net book value. Leasehold improvements were \$75.5 million in FY 2014 and \$87.5 million in FY 2013 and include improvements to the NRC's leased buildings for Headquarters (including the new 3WFN building) and regional offices. IT software was \$13.6 million in FY 2014 compared to \$18.8 million in FY 2013.

LIABILITIES SUMMARY *(In Millions)*

As of September 30,	2014	2013
Accounts Payable	\$ 38.2	\$ 38.0
Federal Employee Benefits	6.7	7.0
Other Liabilities	79.4	74.5
Total Liabilities	\$ 124.3	\$ 119.5

Liabilities. Total Liabilities were \$124.3 million as of September 30, 2014, representing an increase of \$4.8 million from the FY 2013 year-end balance of \$119.5 million. Accounts Payable, Federal Employee Benefits, and Other Liabilities remained approximately the same as the prior year. For FY 2014, Other Liabilities include \$46.9 million in accrued annual leave, \$12.3 million in accrued funded salaries and benefits, \$9.2 million in grants payable, \$5.5 million in advances received by the NRC for services that will be provided, \$3.0 million in funded employee benefit contributions, \$1.6 million in accrued workers' compensation, and \$0.9 million in contract holdbacks, capital lease liability, and miscellaneous liabilities.

Total Liabilities include liabilities not covered by budgetary resources, which represents expenses recognized in the financial statements that will be paid from future appropriations. The liabilities not covered by budgetary resources were \$55.2 million for FY 2014 compared to \$55.5 million for FY 2013, a \$0.3 million decrease. For FY 2014, the liabilities not covered by budgetary resources represent 44 percent of total liabilities and include \$46.9 million in unfunded accrued annual leave that has been earned but not yet taken, \$1.6 million in accrued workers' compensation included in Other Liabilities, and \$6.7 million as an actuarial estimate of accrued future workers' compensation expenses included in Federal Employee Benefits.

NET POSITION SUMMARY *(In Millions)*

As of September 30,	2014	2013
Unexpended Appropriations	\$ 306.2	\$ 242.7
Cumulative Results of Operations	156.8	160.6
Total Net Position	\$ 463.0	\$ 403.3

Net Position. The difference between Total Assets and Total Liabilities, Net Position, was \$463.0 million as of September 30, 2014, an increase of \$59.7 million from the FY 2013 year-end balance. Net Position consists of two

components: Unexpended Appropriations, the amount of spending authority that remains unused at the end of the year, and Cumulative Results of Operations, the cumulative excess of financing sources over expenses. Unexpended Appropriations were \$306.2 million at the end of FY 2014, an increase of \$63.5 million from the prior fiscal year-end. Cumulative Results of Operations decreased by \$3.8 million from \$156.8 million in FY 2014 compared to \$160.6 million in FY 2013.

ANALYSIS OF THE STATEMENT OF NET COST

The Statement of Net Cost represents 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, 2014, was \$160.0 million, representing a decrease of \$50.9 million compared to the FY 2013 net cost of \$210.9 million. This includes a decrease of gross costs of \$6.5 million and a decrease in earned revenues of \$44.3 million, which offset gross costs.

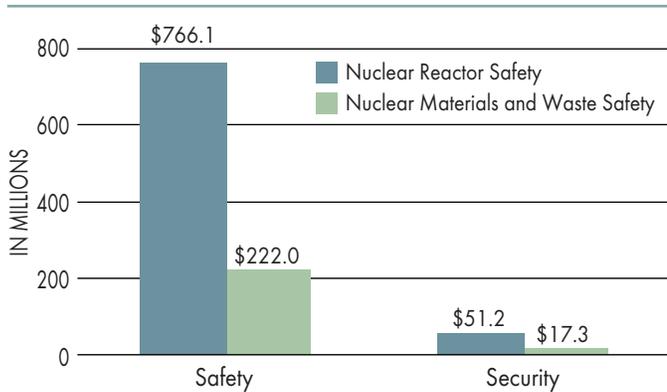
NET COST OF OPERATIONS *(In Millions)*

For the years ended September 30,	2014	2013
Nuclear Reactor Safety	\$ 2.2	\$ 70.8
Nuclear Materials and Waste Safety	157.8	140.1
Net Cost of Operations	\$ 160.0	\$ 210.9

Gross Costs. The NRC's total gross costs were \$1,056.6 million for FY 2014, a decrease of \$6.5 million from the prior year's amount of \$1,063.1 million. The Nuclear Reactor Safety program gross costs for FY 2014 were \$817.3 million compared to FY 2013 gross costs of \$831.1 million, a decrease of \$13.8 million, and the Nuclear Materials and Waste Safety program gross costs were \$239.3 million compared to FY 2013 gross costs of \$232.0 million, an increase of \$7.3 million.

The cost of achieving the agency's Safety and Security goals for the agency's programs for FY 2014 is the gross cost presented in the Statement of Net Cost. The total cost for achieving the agency's Safety goal was \$988.1 million and the cost of achieving the agency's Security goal was \$68.5 million (see Figure 11 on page 21).

Figure 11 – GROSS COSTS by Major Program



Earned Revenue. Total earned revenue as of September 30, 2014, was \$896.6 million, an increase of \$44.4 million from the September 30, 2013, earned revenue of \$852.2 million. The Nuclear Reactor Safety program had revenues in FY 2014 of \$815.1 million compared to FY 2013 revenues of \$760.3 million, an increase of \$54.8 million primarily due to increases in operating reactor annual fees of \$71.0 million; offset by decreases in full-cost new reactor fees of \$6.3 million and full-cost operating reactor fees of \$7.4 million. The Nuclear Materials and Waste Safety program had revenues from license fees in FY 2014 of \$81.5 million compared to \$92.0 million in FY 2013. The decrease of \$10.5 million was primarily due to decreases in Part 171 annual fees for Fuel Facilities of \$2.5 million, Part 170 full-cost fees for Fuel Facilities of \$4.3 million and Small Materials Users of \$2.7 million.

Fees collected (earned primarily in FY 2014) and returned to Treasury were \$871.2 million compared to \$851.9 million in FY 2013. The increase was the result of increased new budget authority in FY 2014, which increased the amount of fees from licensees that the NRC was required to collect. The NRC is required to collect approximately 90 percent of its new budget authority through license fee billing. Fees for reactor and materials licensing and inspections are collected in accordance with 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,” 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.”

ANALYSIS OF THE STATEMENT OF CHANGES IN NET POSITION

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. In FY 2014, the NRC had an increase in Net Position of \$59.8 million compared to FY 2013 resulting from a decrease of \$3.8 million in Cumulative Results of Operations, offset by an increase of \$63.6 million in Unexpended Appropriations.

The decrease in Cumulative Results of Operations of \$3.8 million was a result of a decrease in financing sources of \$55.1 million, offset by decrease in the net cost of operations of \$50.9 million. In FY 2014, the NRC collected \$19.1 million more in license fees than in FY 2013 resulting in less appropriations used to finance operations. Additionally, operating expenses and the purchase of capital assets decreased by \$39.0 million in FY 2014 as compared to FY 2013, offset by a decrease of \$3.0 million in reimbursable revenue earned for services provided. The decrease in the net cost of operations was due to an increase of \$44.3 million in earned revenue and a decrease of \$6.5 million in gross costs.

A change in unexpended appropriations results primarily from appropriations received being more, or less, than appropriations used and adjustments (e.g., sequestration, rescission) during the fiscal year. In FY 2014, unexpended appropriations increased \$63.6 million from FY 2013 due to increases of \$55.1 million in Appropriations Used and \$52.5 million resulting from a change in Adjustments, which reduced unexpended appropriations in FY 2013 due to the sequestration and rescissions; offset by a decrease in the beginning balance of unexpended appropriations of \$42.4 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.

The Total Budgetary Resources for FY 2014 were \$1,119.1 million, which was \$49.2 million more than the

\$1,069.9 million available for FY 2013. The increase was primarily \$70.3 million in new budget authority in FY 2014 resulting from a \$17.8 million increase in appropriations and a \$52.5 million sequestration and rescission of funds which reduced the FY 2013 appropriation; offset by a decrease in the beginning unobligated balance brought forward of \$20.1 million. (The NRC received \$1,055.9 million in FY 2014 new budget authority compared to \$985.6 million in FY 2013.)

The Status of Budgetary Resources accounts for operational activities funded with the NRC's budgetary resources during the fiscal year. The NRC's obligations for FY 2014 totaled \$1,065.6 million, an increase of \$38.5 million from the prior-year amount of \$1,027.1 million. The increase is primarily due to contract obligations for management and support consisting of \$25.3 million in Headquarters leasehold improvements, supplies and materials, and other administrative contract services; and \$13.6 million for grants. Unobligated budgetary resources at the end of FY 2014 that were apportioned by OMB were \$48.5 million compared to \$30.0 million in FY 2013. The \$18.5 million increase is primarily due to a \$70.3 million increase in new budget authority in FY 2014; offset by a decrease of \$20.6 million in the beginning unobligated balance (which excludes the NWF because funds are exempt from apportionment); offset by an increase of \$30.2 million in obligations incurred in FY 2014 (which excludes NWF obligations). Budgetary resources not obligated at the end of the fiscal year were \$53.5 million, an increase of \$10.7 million from the prior-year balance of \$42.8 million.

MANAGEMENT ASSURANCES SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

This section provides information on NRC's compliance with the *Federal Managers' Financial Integrity Act of 1982* (Public Law 97-255), OMB Circular A-123, *Management's Responsibility for Internal Control*, and the *Federal Financial Management Improvement Act of 1996*.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The *Federal Managers' Financial Integrity Act of 1982* (Integrity Act) mandates that agencies establish internal control to provide reasonable assurance that the agency complies with

applicable laws and regulations; safeguards assets against waste, loss, unauthorized use, or misappropriation; and properly accounts for and records revenues and expenditures. The Integrity Act encompasses program, operational, and administrative areas, as well as accounting and financial management. It also requires the Chairman to provide an assurance statement on the adequacy of internal controls and on the conformance of financial systems with Government-wide standards, shown below.

PROGRAMMATIC INTERNAL CONTROL

Internal control is the organization, policy, and procedures that help managers achieve intended results and safeguard the integrity of their programs. NRC managers are responsible for designing and implementing effective internal control in their areas of responsibility. Each NRC business and corporate support product line manager prepares an annual assurance certification that identifies any control weaknesses requiring the attention of the NRC Executive Committee on Internal Control (ECIC). These certifications are based on internal control activities such as probabilistic risk assessments, as well as other activities, such as self-assessments, Construction and Reactor Oversight Process, Integrated Materials Performance Evaluation Program, Fukushima Dai-ichi Task force Lessons Learned, Agency Action Review Meeting outcome, financial statement audits, Inspector General and U.S. Government Accountability Office audits and reports, and other information provided by the congressional committees of jurisdiction.

The ECIC consists of senior executives from the Office of the Chief Financial Officer and the Office of the Executive Director for Operations. The agency's General Counsel and Inspector General participate as advisors.

The ECIC met to review the reasonable assurance certifications provided by the NRC business and corporate support product line managers. The ECIC then informed the Chairman as to whether the NRC had any internal control deficiencies serious enough to require reporting as a weakness or noncompliance.

The NRC's programmatic and financial internal control programs require that internal control deficiencies be documented and reported in business line quarterly



U.S. NUCLEAR REGULATORY COMMISSION
FISCAL YEAR 2014
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

The U.S. Nuclear Regulatory Commission (NRC) managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act* of 1982 (Integrity Act). The NRC conducted its assessment of internal control over programmatic operations in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control* (A-123) guidelines. Based on the results of this evaluation, NRC can provide reasonable assurance that its internal control over programmatic operations is in substantial compliance with applicable laws and guidance, and no material weaknesses were found as of September 30, 2014.

In addition, the NRC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of A-123. Based on the results of the evaluation, the NRC can provide reasonable assurance that its internal control over financial reporting as of June 30, 2014, was operating effectively, and no material weaknesses were found in the design or operation of the internal control over financial reporting.

The NRC can also provide reasonable assurance that its financial systems comply with applicable Federal accounting standards as required by the *Federal Financial Management Improvement Act* of 1996.

Allison M. Macfarlane
Chairman
U.S. Nuclear Regulatory Commission
November 12, 2014

- programs achieved their intended results, and are protected from waste, fraud, abuse, and mismanagement;
- resources were used consistently with the agency's mission;
- information systems were authorized and appropriately secured;
- laws and regulations were followed; and
- reliable and timely information was obtained, maintained, reported, and used for sound decision-making.

Based on management's certification of reasonable assurance, as well as the results of programmatic internal control activities such as the Cumulative Effects of Regulation, Reactor Oversight Process, Revised Fuel Cycle Oversight Program, Integrated Materials Performance Evaluation Program, Waste Confidence, independent audit reports, and other sources of information, NRC is able to provide a statement of assurance that its programmatic internal control met the objectives of the Integrity Act. The NRC has reasonable assurance that its internal control is effective and conforms to Government-wide standards.

OMB CIRCULAR A-123
"MANAGEMENT'S
RESPONSIBILITY FOR
INTERNAL CONTROL"

performance reports and internal control plans. Together, both ensure that key issues receive senior management attention. Combined with the individual assurance statements discussed previously, the internal control information in these plans provides the framework for monitoring and improving the agency's internal control on an ongoing basis.

FY 2014 INTEGRITY ACT RESULTS

In accordance with Section 2 of the Integrity Act, and under the guidance established in OMB Circular A-123, *Management's Responsibility for Internal Control* (A-123), NRC business and corporate support product line management certified that, as of September 30, 2014, there was reasonable assurance that internal control was in place to achieve the following objectives:

INTERNAL CONTROL OVER FINANCIAL REPORTING
(APPENDIX A)

In FY 2006, the NRC implemented the requirements of the revised OMB Circular A-123, which defined and strengthened management's responsibility for internal control in Federal agencies. The revised circular included updated internal control standards. Appendix A requires Federal agencies to assess the effectiveness of internal controls over financial reporting and to prepare a separate annual statement of assurance as of June 30, 2014.

The NRC adopted a 3-year rotational testing plan for internal control over financial reporting. The agency determined that three of the nine key processes (financial reporting, revenue, and information technology) were significant enough to include in the testing each year of the 3-year cycle. The remaining six key processes were to be tested once in the 3-year cycle, two each year. In FY 2014, the NRC continued its assessment of internal control over financial reporting. The agency reevaluated its scope of financial reports, materiality values, risk assessments, key processes, and key controls. Based on the results of this evaluation, the NRC can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2014, and that the evaluation found no material weaknesses in design or operation of the internal controls over financial reporting.

REQUIREMENTS FOR EFFECTIVE MEASUREMENT AND REMEDIATION OF IMPROPER PAYMENTS (APPENDIX C)

In the FY 2013 Performance and Accountability Report (PAR), the NRC continued to report on the results of improper payment testing completed in FY 2011. The results of that testing allowed the agency to conduct future testing and/or risk assessments on a 3-year cycle. During FY 2014, the NRC's plan was to test its commercial payment program as previously identified as required for testing on a triennial basis, as well as conduct additional risk assessments to determine whether any other programs were susceptible to making significant improper payments in accordance with the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Reporting Act of 2010* (IPERA) and the *Improper Payment Elimination and Improvement Act of 2012* (IPERIA). In accordance with the IPERA and OMB guidance, the NRC focused its efforts in FY 2014 toward conducting a new risk assessment around its commercial payment program and other programs that were susceptible to making significant improper payments.

The results of the FY 2014 risk assessment did not identify any programs that are susceptible to making significant improper payments. While the results of the FY 2014 risk assessment identified programs as low risk, the NRC is taking this opportunity to continue to improve controls around its payment processes. The NRC will continue to monitor

payment processes in FY 2015, in addition to conducting periodic reviews of key controls for IPIA programs identified by management. We will continue to conduct risk assessments every 3 years, in accordance with the IPIA, as amended by IPERA and IPERIA, as well as OMB guidance. When OMB releases the revised Circular A-123, Appendix C, we will review the new guidance to determine the impact it has on the NRC's current IPIA program. The next NRC IPIA risk assessment will take place in FY 2017. However, the NRC will conduct risk assessments, as needed, if there are material changes in the way programs operate or if new programs are established.

FEDERAL FINANCIAL MANAGEMENT IMPROVEMENT ACT

The *Federal Financial Management Improvement Act of 1996* (FFMIA) requires each agency to implement and maintain systems that comply substantially with (1) Federal financial system requirements, (2) applicable Federal accounting standards, and (3) the standard general ledger at the transaction level. FFMIA requires the Chairman to determine whether the agency's financial management system complies with FFMIA and to develop remediation plans for systems that do not comply.

FY 2014 FFMIA RESULTS

In accordance with guidance established in OMB Circular A-127, "Policies and Standards for Financial Management Systems," the CFO reviewed audit reports and other sources of information, and as of September 30, 2014, can provide reasonable assurance that NRC's financial systems substantially comply with applicable Federal accounting standards as required by the *Federal Financial Management Improvement Act of 1996* (Improvement Act).

FINANCIAL MANAGEMENT SYSTEMS STRATEGIES

The NRC continued in FY 2014 to make substantial progress in modernizing its financial systems. The Strategic Acquisition Systems (STAQS), the agency-wide procurement system which automates a previous manual business function went

live in the beginning of FY 2014. STAQs real-time interface procurement financial transactions transmits to the core ledger system, the Financial Accounting and Integrated Management Information System (FAIMIS). Also during FY 2014, the Budget Formulation System (BFS) has had an agency-wide Spend Plan application for contractual funds utilization added to its capabilities. The NRC continued to provide routine financial system management user system training while enhancing reporting needs based on evolving NRC business functions. The agency maintained its upgrade plans to move to the E-Gov Travel Service 2 (ETS2) system and Time and Labor Modernization (TLM) system to address legislative requirements, strengthen controls, and further automate system processes.

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 2014, the NRC paid 98 percent of the 8,159 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 2014, delinquent debt was \$15.8 million or 1 percent of annual billings. The NRC was able to refer 99.1 percent of all eligible debt over 180 days delinquent to the Treasury for collection. This success was due to an extensive cleanup effort resulting from the deployment of a new accounting system and process changes. The NRC hopes to continue this success through FY 2015

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. On June 30, 2014, the NRC issued a final rule in the *Federal Register* amending the licensing, inspection, and annual fees charged to its applicants and licensees. The amendments are necessary to implement the *Omnibus Budget Reconciliation Act of 1990* (OBRA-90), as amended, which requires the NRC to recover through fees approximately 90 percent of its budget authority, not including amounts appropriated for Waste Incidental to Reprocessing (WIR) and amounts appropriated for generic homeland security activities. Based on the *Consolidated and Further Continuing Appropriations Act of 2014*, the NRC's required fee recovery amount for the FY 2014 budget was projected at approximately \$930.7 million. After accounting for billing adjustments, the total amount to be billed as fees to licensees is \$916.7 million. The NRC Fee Recovery Schedules for FY 2014 are located at <http://www.gpo.gov/fdsys/pkg/FR-2014-06-30/pdf/2014-15193.pdf>.

INSPECTOR GENERAL ACT OF 1978

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

