

SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION



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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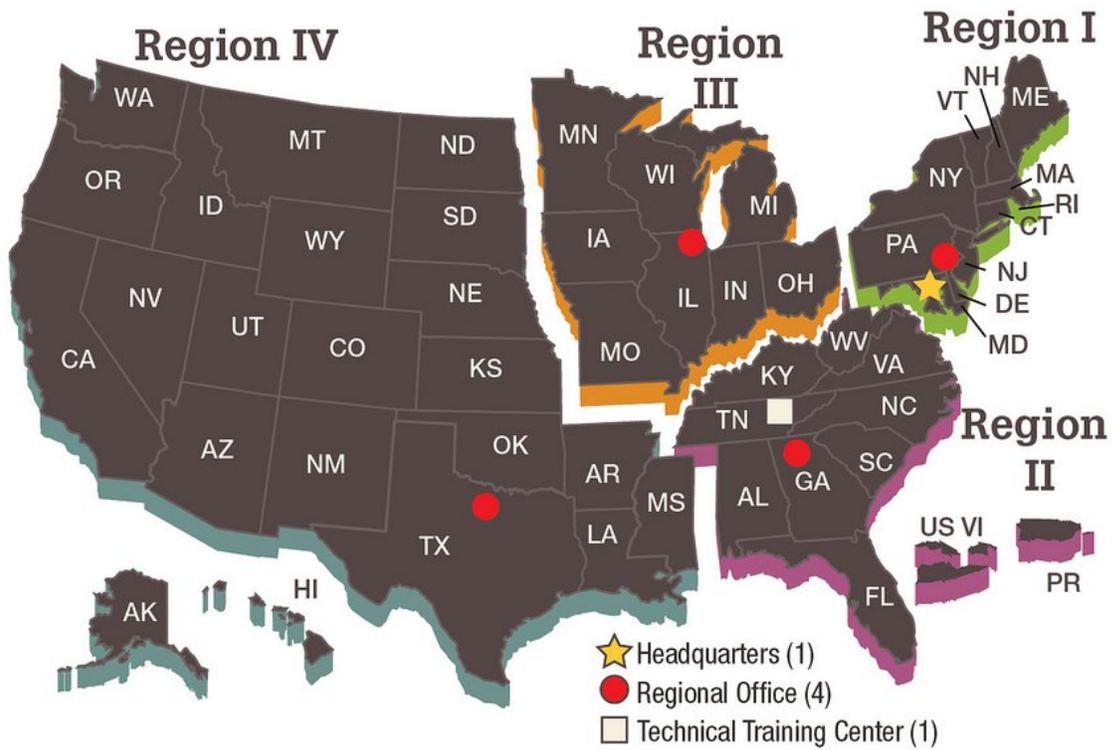
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This report is a summary of the U.S. Nuclear Regulatory Commission's (NRC's) Fiscal Year (FY) 2014 Performance and Accountability Report (PAR), published on November 17, 2014. This report is in an easy-to-read format and is available on the NRC Web site at <http://www.nrc.gov>. In addition, a video message from the Chairman and a full copy of the PAR are available on the DVD located on the back inside cover.



The U.S. Nuclear Regulatory Commission (NRC) Headquarters

NRC Regions



A MESSAGE FROM THE CHAIRMAN



I am pleased to present the U.S. Nuclear Regulatory Commission's (NRC's) Summary of Performance and Financial Information for Fiscal Year (FY) 2014. This summary 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 summary also provides key financial and performance information to Congress and the American people of how we used our resources during FY 2014. The summary 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 during FY 2014 of the Nation's 100 operating nuclear reactors, 31 research and test reactors, and 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 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, the previous Chairman concluded that there is reasonable assurance that the agency is in substantial compliance with FMFIA, and the financial and performance data published in this summary 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, my predecessor 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 blue ink that reads "Stephen G. Burns". The signature is fluid and cursive.

Stephen G. Burns
Chairman
February 08, 2015

INTRODUCTION

The U.S. Nuclear Regulatory Commission (NRC) Summary of Performance and Financial Information presents an overview of the agency's program performance and financial management performance during fiscal year (FY) 2014, which covers the period from October 1, 2013, to September 30, 2014. This summary report provides an opportunity for the American public to assess how effectively the NRC uses its funds to achieve results.

When preparing this report, the NRC staff followed the guidance of the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements." The summarized financial statement data are based on the same underlying data as the financial statements presented in the FY 2014 Performance and Accountability Report (PAR).

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 its 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 3,815 full-time equivalent staff. The NRC is primarily supported by fees collected from its licensees.

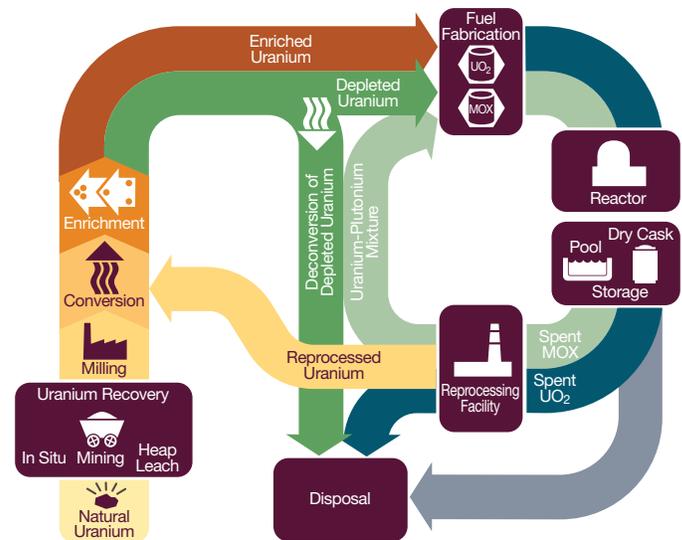
THE NUCLEAR INDUSTRY

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 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 1). 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.

Figure 1 – THE NUCLEAR FUEL CYCLE



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 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.

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.

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 handling 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.

PROGRAM PERFORMANCE OVERVIEW

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 the 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 maintain these outcomes at either zero or at very low levels.



STRATEGIC GOAL 1:

Ensure the safe use of radioactive materials.

STRATEGIC OBJECTIVE

Strategic objectives more specifically express 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.

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.

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 Process¹						
	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
<i>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.</i>						
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
<i>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.</i>						
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 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
<i>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).</i>						
4. Number of significant adverse trends in industry safety performance⁴						
	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>⁴ Considering all indicators qualified for use in reporting.</i>						
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.

Table 1 – FY 2014 SAFETY PERFORMANCE INDICATORS (continued)

6. Number of radiological releases to the environment that exceed applicable regulatory limits ⁶						
	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.

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 to ensure 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 of the FY 2014 Performance and Accountability Report 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 is the key element 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.

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.

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. There were no such losses or thefts in FY 2014.

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, used, 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 used 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) that the agency and its licensees use to store, transmit, and use 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."

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

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.

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

⁷ "Significant unauthorized disclosure" is defined as a disclosure that harms national security or public health or safety.

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.

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.

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

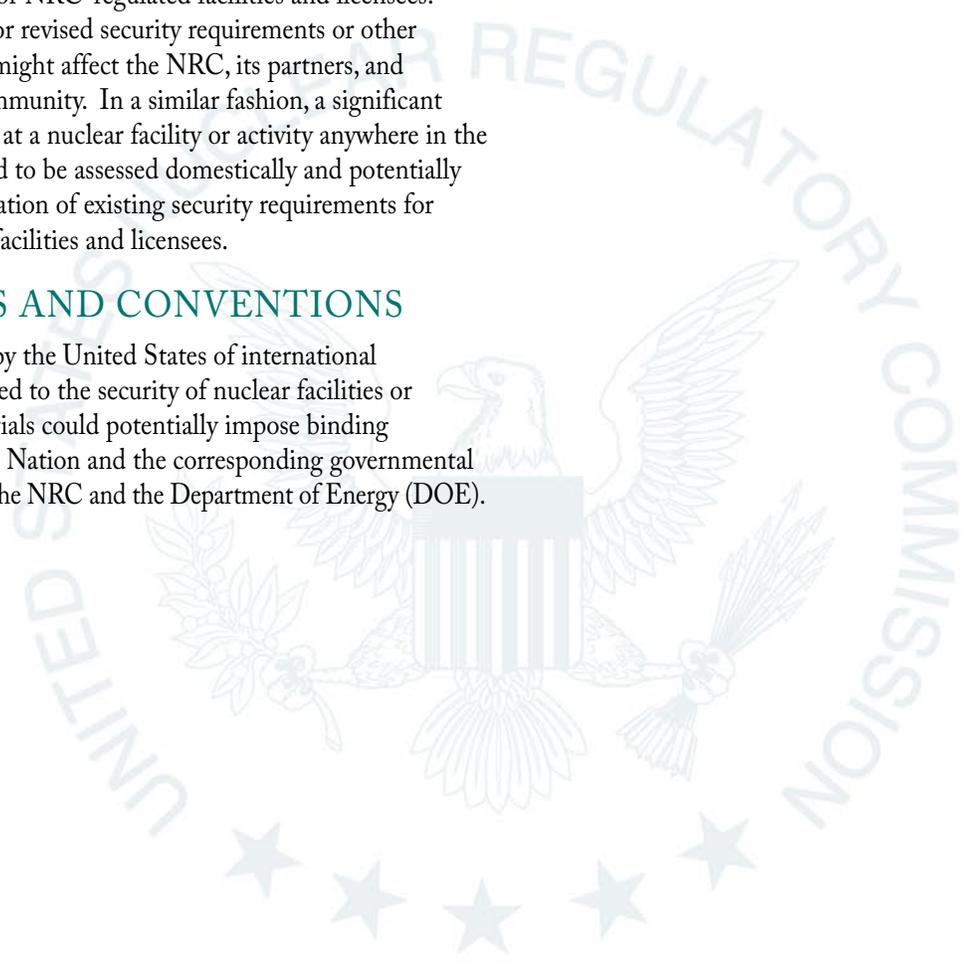
The ratification by the United States of international instruments related to the security of nuclear facilities or radioactive materials could potentially impose binding provisions on the Nation and the corresponding governmental agencies, such as the NRC and the Department of Energy (DOE).

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.



THE INSPECTOR GENERAL'S ASSESSMENT OF THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE NRC

BACKGROUND

On January 24, 2000, Congress enacted the *Reports Consolidation Act of 2000*, requiring Federal agencies to provide financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. The act requires the Inspector General (IG) of each Federal agency to annually summarize what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges.

To accomplish this assessment, the NRC IG considered the overall work of the Office of the Inspector General (OIG), the OIG staff's general knowledge of agency operations, and other relevant information to develop and update the list of management and performance challenges and assess the agency's progress in addressing these challenges. In addition, beginning in 2012, OIG staff performed an analysis of the past 10 years of audit findings and assigned them to performance categories, such as internal controls, accountability and communications. Approximately 540 audit findings and recommendations were analyzed. Every year since, OIG staff incorporated new audit findings into this analysis. As part of the most recent analysis – which focused on the last 5 years of audit findings and recommendations – OIG staff identified a total of eight performance categories that are supported by the audit findings. These categories represent the most serious management and performance challenges facing the agency. They relate directly to the mission-oriented management challenges in past OIG reports in that improvement in the eight performance categories supports improvement in the past mission-oriented challenge areas. The audit-based categories also support enhancing performance in NRC strategic areas and management objectives.

Likewise, the Investigations staff of OIG analyzed 5 years of investigation information for identification of performance trends and opportunities to improve performance. A total of 287 investigations were reviewed. This information was evaluated for applicability to the audit based categories already identified and sorted on that basis as it applied. Additionally, the investigation information was analyzed for any other trends and one additional management challenge category (cyber security) was developed.

These nine categories are more specific and actionable than those in past NRC OIG management and performance challenge reports. They represent significant opportunities for the agency to improve performance affecting its strategic goals and management objectives. The agency's performance relative to the new challenge areas will be evaluated by OIG as new information becomes available, including audit and investigative findings and Issue Area Monitoring.¹ As OIG notes improved performance in a challenge, the challenge will be removed, as warranted.

ASSESSMENT RESULTS

NRC's mission is to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. Like other Federal agencies, NRC faces management and performance challenges in carrying out its mission.

¹Through OIG's Issue Area Monitor (IAM) program, OIG staff designated as IAMs are assigned responsibility for keeping abreast of major agency programs and activities. The broad IAM areas address nuclear reactors, nuclear materials, nuclear waste, information management, security, financial and administrative programs, human resources, and international programs.

THE INSPECTOR GENERAL'S ASSESSMENT OF THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE NRC

Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the IGs.

The NRC IG has defined serious management and performance challenges as *mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals*. Based on this definition, the IG identified the following as the most serious management and performance challenges facing NRC as of October 1, 2014:

MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING NRC AS OF OCTOBER 1, 2014 <i>(as identified by the Inspector General)</i>	
1	Internal Controls.
2	Guidance and Procedures.
3	Training.
4	Acquisition, Contracting, and Procurement.
5	Project Management.
6	Internal Communication and Coordination.
7	Human Capital Management.
8	Accountability.
9	Cyber Security.

The agency provided formal comments on this report; these comments and OIG's response to the comments are included in the full report.



MESSAGE FROM THE CHIEF FINANCIAL OFFICER



I am pleased to present the summary financial statements for the U.S. Nuclear Regulatory Commission (NRC) Fiscal Year (FY) 2014 Summary of Performance and Financial Information. For the eleventh consecutive year, an independent auditor has rendered an unmodified opinion on the NRC financial statements. The auditor has also rendered an unqualified opinion on our internal control over financial reporting, concluding that the NRC is compliant with pertinent provisions of laws and regulations.

Receiving this most recent clean opinion was particularly satisfying since FY 2014 presented continuing challenges in workload and budgetary conditions. The NRC ensured that personnel were paid on time and travelers were accommodated during the Government shutdown. The NRC remained open seven business days longer than a majority of Federal agencies due to management of agency carryover funding to cover salaries and benefits for NRC employees. Once a Continuing Resolution was passed, the agency quickly resumed normal operations. The NRC managed through budget uncertainty to allocate its resources to address the highest priority regulatory activities and effectively account for the use of funds in its financial statements due to

the talent and dedication of the agency's financial managers and staff.

The agency has continued to make substantial progress in modernizing its financial systems in FY 2014. The Strategic Acquisition System (STAQS), the agency-wide procurement system that automates a previously manual business function, became operational. The real-time interface of STAQS ensures the agency is properly handling all procurement financial transactions with the core ledger system, the Financial Accounting and Integrated Management Information System. An agency-wide Spend Plan application for contractual funds utilization was added to the Budget Formulation System. During FY 2014, the NRC continued to provide routine financial management system user training while enhancing reporting needs based on evolving NRC business functions. The agency also continued upgrade plans to move to the E-Gov Travel Service 2 system and Time and Labor Modernization system to address legislative requirements, strengthen controls, and further automate system processes.

The NRC's continued the use of its Programmatic Internal Control framework in FY 2014 based upon Federal agency standards for best practices. This framework streamlined and improved the processes and administrative requirements and provides a more interdependent approach to ensure the effectiveness of the agency's programmatic internal controls.

The NRC is committed to ensuring the safety and security of the Nation's civilian use of radioactive materials in the most effective and efficient manner. The regulation of the Nation's nuclear industries during times of fiscal and regulatory challenges requires careful stewardship of limited agency resources and demands superior financial performance. I am proud that we have continued using sound business practices to accomplish our regulatory mission and am confident that we will continue such improvements in the future.

A handwritten signature in blue ink, appearing to read 'Maureen E. Wylie'.

Maureen E. Wylie
Chief Financial Officer
February 17, 2015

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 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.

Table 4 – NEW BUDGET AUTHORITY (In Millions)

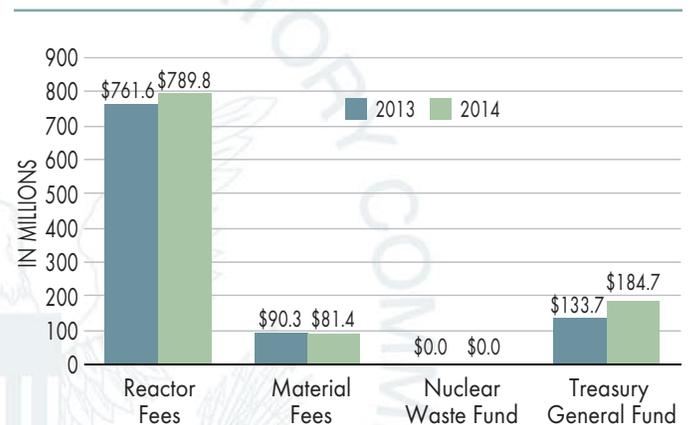
Appropriation	FY 2014	FY 2013
Salaries and Expenses	\$ 1,043.9	\$ 1,027.2
Less: Sequestration	–	(51.7)
Less: Rescission	–	(.3)
New Budget Authority	1,043.9	975.2
Office of the Inspector General	12.0	10.9
Less: Sequestration	–	(.5)
Less: Rescission	–	–
New Budget Authority	12.0	10.4
Total New Budget Authority	\$ 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 that 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 that 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 2 – 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, which represents 93.6 percent of the approximately \$930.7 million projected to be recovered. Fees collected and transferred to the 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.

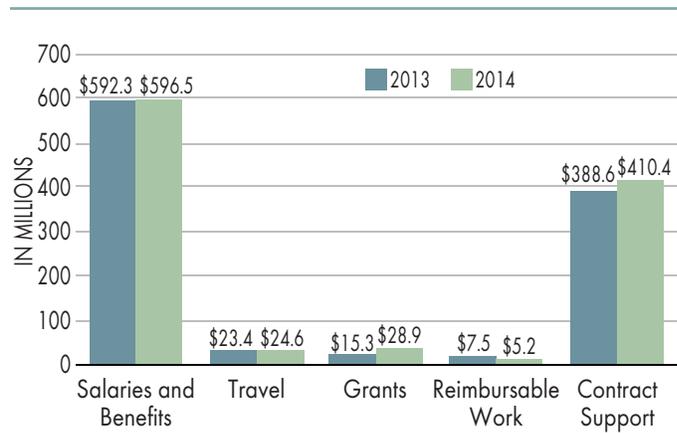
Total Budget Authority. The total budget authority available for the NRC to obligate in FY 2014 was \$1,119.1 million and included \$1,055.9 million of new budget authority, \$22.8 million of prior-year appropriations, \$9.0 million from prior-year funding for reimbursable work, \$10.6 million of recoveries 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 3). 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 3 – 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. The Summary of the Financial Statement Audit and Management Assurances is included on page 30 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 for Federal entities and the formats prescribed by 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. The summary financial statements presented in this report (See pages 28 and 29) are drawn from the financial statements presented in the FY 2014 PAR.

SUMMARY FINANCIAL STATEMENT HIGHLIGHTS

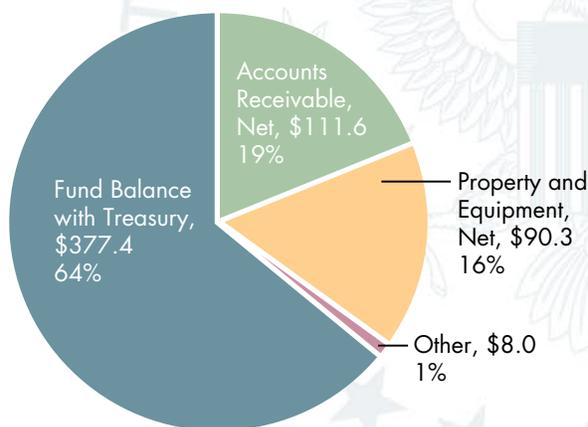
The NRC's summary financial statements summarize the financial activity and the financial position of the agency.

ANALYSIS OF THE SUMMARY BALANCE SHEET

The Balance Sheet, which shows the NRC's assets, liabilities, and net position, is summarized in the Summary Balance Sheet on page 28.

Assets. The NRC's total assets (see Figure 4) 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.

Figure 4 – ASSET SUMMARY (In Millions)



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.

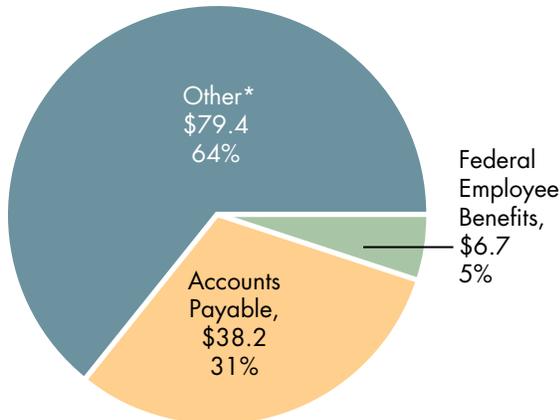
Accounts receivable consists of amounts that other Federal agencies and the public owe to the NRC for license fees. Accounts Receivable, Net, as of September 30, 2014, was \$111.6 million, which included an offsetting allowance for doubtful accounts of \$4.4 million. For FY 2013, the year-end Accounts 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 where the NRC operates are leased from the General Services Administration.) 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 buildout of four 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. Total Liabilities (see Figure 5) 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.

*Figure 5 – LIABILITIES SUMMARY
(In Millions)*



*Other Liabilities: \$46.9 Accrued Annual Leave, \$12.3 Accrued Salaries and Benefits, \$9.2 Grants Payable, \$11.0 Other

Total Liabilities include liabilities not covered by budgetary resources, which represent expense 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.

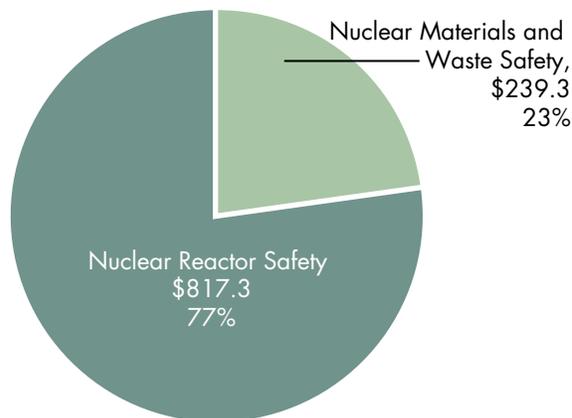
Net Position. The difference between Total Assets and Total Liabilities, Net Position, was \$463.0 million as of September 30, 2014, an increase of \$59.7 million from the FY 2013 year-end balance. Net Position consists of two components: Unexpended Appropriations, the amount of spending authority that 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 SUMMARY STATEMENT OF NET COST

The Summary Statement of Net Cost, which links the NRC's program performance to the cost of programs, is shown on page 28.

The Summary Statement of Net Cost represents the gross cost (see Figure 6 on page 19) 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.

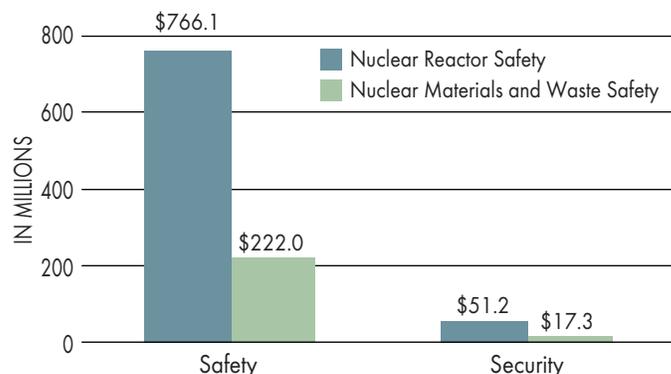
Figure 6 – GROSS COSTS BY PROGRAM
(In Millions)



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.

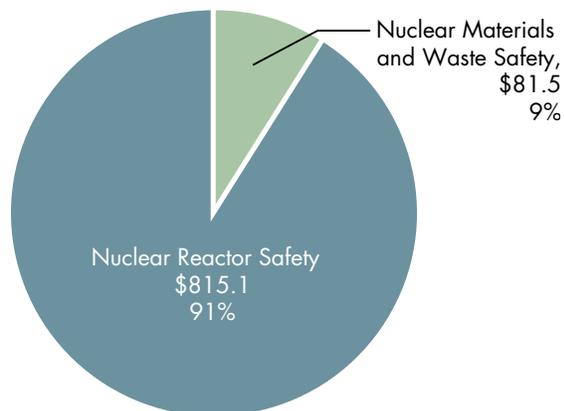
The cost of achieving the agency’s Safety and Security goals for the agency’s programs for FY 2014 is the gross cost presented in the Statement of Net Cost. The total cost for achieving the agency’s Safety goal was \$988.1 million and the cost of achieving the agency’s Security goal was \$68.5 million (see Figure 7).

Figure 7 – GROSS COSTS BY STRATEGIC GOALS



Earned Revenue. Total earned revenue (see Figure 8 on page 20) 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 10 CFR Part 171 annual fees for Fuel Facilities of \$2.5 million, 10 CFR Part 170 full-cost fees for Fuel Facilities of \$4.3 million and Small Materials Users of \$2.7 million.

Figure 8 – EARNED REVENUE BY PROGRAM (In Millions)



Fees collected (earned primarily in FY 2014) and returned to the Treasury were \$871.2 million compared to \$851.9 million in FY 2013 (see Figure 2 on page 15). 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 SUMMARY STATEMENT OF CHANGES IN NET POSITION

The Statement of Changes in Net Position, which reports the NRC’s change in net position for the reporting period, is summarized in the Summary Statement of Changes in Net Position on page 29. 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 a 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.

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



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*.

A handwritten signature in black ink, appearing to read "Allison M. Macfarlane".

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

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 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", 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:

- 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, the 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"

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 control 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 IT) 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 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 to 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 Chief Financial Officer 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 to make substantial progress in FY 2014 in modernizing its financial systems. The Strategic Acquisition Systems (STAQS), the agency-wide procurement system that automates a previous manual business function went live in the beginning of FY 2014. STAQS's 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/>.

INSPECTOR GENERAL'S TRANSMITTAL LETTER



OFFICE OF THE
INSPECTOR GENERAL

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

February 12, 2015

MEMORANDUM TO: Chairman Burns

FROM: Hubert T. Bell */RA/*
Inspector General

SUBJECT: TRANSMITTAL OF THE INDEPENDENT AUDITORS'
REPORT ON THE SUMMARY FINANCIAL STATEMENTS
(OIG-15-A-10)

Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements*, Revised, September 18, 2014, requires all entities covered under *The Chief Financial Officer's Act of 1990* to prepare a summary of performance and financial information which summarizes performance and accountability results for the fiscal year. The summary report should include the most important performance and financial information contained in NRC's *Performance and Accountability Report* in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The purpose of this memorandum is to transmit CliftonLarsonAllen LLP (CLA) Auditors' Report on the Summary Financial Statements. NRC publishes this report and summary financial statements as part of the "*Fiscal Year 2014 Summary of Performance and Financial Information*."

CLA is responsible for the attached auditors' report, dated February 12, 2015. The Office of the Inspector General (OIG) is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight of CLA's work, as differentiated from an audit in conformance with *Government Auditing Standards*, was not intended to enable us to express, and accordingly we do not express, an opinion on the summary financial statements included in the summary report. However, OIG's oversight of CLA's work disclosed no instances where CLA did not comply with applicable auditing standards.

We appreciate the cooperation provided by NRC staff.

Attachment: As stated

cc: Commissioner Svinicki
Commissioner Ostendorff
Commissioner Baran
M. Satorius, EDO
M. Wylie, CFO

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS



CliftonLarsonAllen LLP

www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT ON SUMMARY FINANCIAL STATEMENTS

Inspector General
United States Nuclear Regulatory Commission

Chairman
United States Nuclear Regulatory Commission

The accompanying summary financial statements, which comprise the summary balance sheets as of September 30, 2014 and 2013, the summary statements of net cost and summary statements of changes in net position for the years then ended are derived from the audited financial statements of the United States Nuclear Regulatory Commission (NRC) as of and for the years ended September 30, 2014 and 2013, and the related notes, which collectively comprise the NRC's basic financial statements. We expressed an unmodified audit opinion on those audited financial statements in our report dated November 7, 2014. The audited financial statements, and the summary financial statements derived therefrom, do not reflect the effects of events, if any, that occurred subsequent to the date of our report on the audited financial statements.

The summary financial statements do not contain the statement of budgetary resources and all the disclosures required by accounting principles generally accepted in the United States of America. Reading the summary financial statements, therefore, is not a substitute for reading the audited financial statements of NRC.

Management's Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

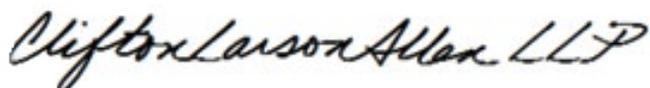
Our responsibility is to express an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our

CONTINUED

procedures, which were conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The procedures consisted principally of comparing the summary financial statements with the related information in the audited financial statements from which the summary financial statements have been derived, and evaluating whether the summary financial statements are prepared in accordance with accounting principles generally accepted in the United States of America. We did not perform any audit procedures regarding the audited financial statements after the date of our report on those financial statements.

Opinion

In our opinion, the summary financial statements of the NRC as of and for the years ended September 30, 2014 and 2013 referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

CliftonLarsonAllen LLP

Arlington, Virginia
February 12, 2015

SUMMARY FINANCIAL STATEMENTS

SUMMARY BALANCE SHEET* (In Thousands)

As of September 30,	2014	2013
Assets		
Fund balance with Treasury	\$ 377,391	\$ 318,244
Accounts receivable, net	111,567	91,808
Property and equipment, net	90,280	107,771
Other	8,076	4,952
Total Assets	\$ 587,314	\$ 522,775
Liabilities		
Accounts payable	\$ 38,185	\$ 38,048
Federal employee benefits	6,669	7,023
Other	79,416	74,427
Total Liabilities	124,270	119,498
Net Position		
Unexpended appropriations	306,226	242,640
Cumulative results of operations	156,818	160,637
Total Net Position	463,044	403,277
Total Liabilities and Net Position	\$ 587,314	\$ 522,775

SUMMARY STATEMENT OF NET COST* (In Thousands)

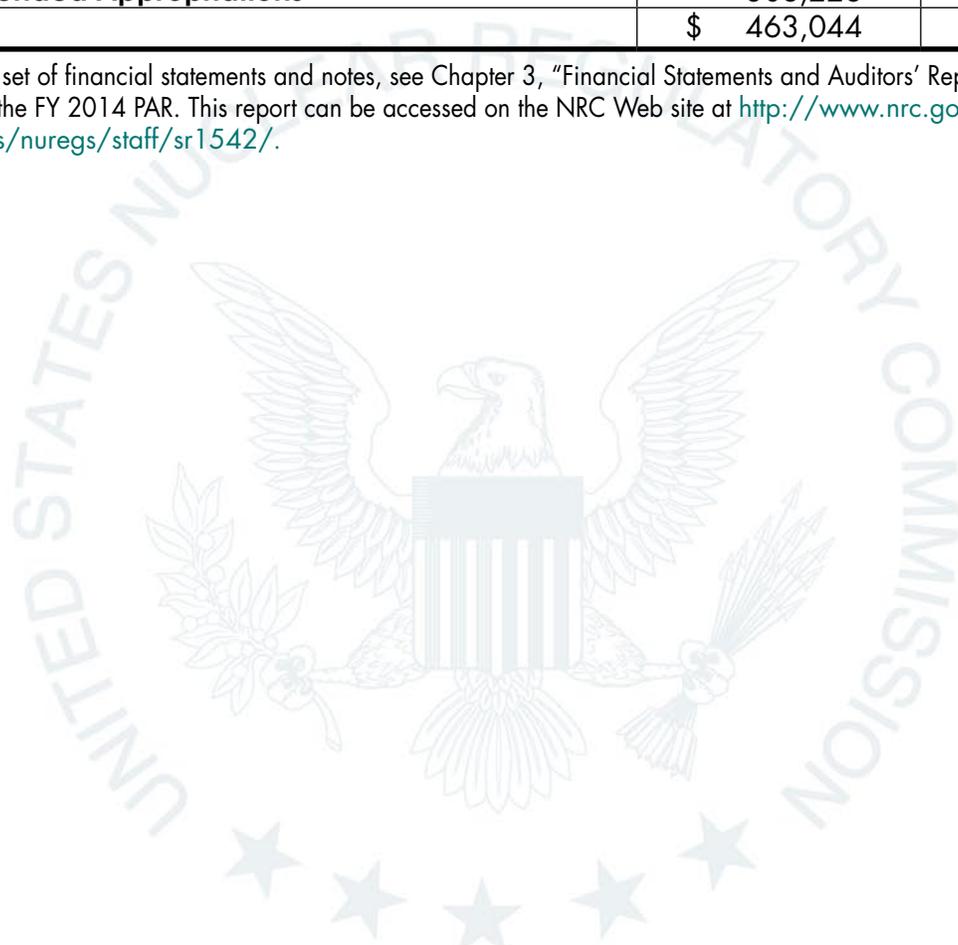
For the years ended September 30,	2014	2013
Nuclear Reactor Safety		
Gross costs	\$ 817,279	\$ 831,114
Less: Earned revenue	(815,037)	(760,283)
Total Net Cost of Nuclear Reactor Safety	2,242	70,831
Nuclear Materials and Waste Safety		
Gross costs	239,305	232,011
Less: Earned revenue	(81,515)	(91,959)
Total Net Cost of Nuclear Materials and Waste	157,790	140,052
Net Cost of Operations	\$ 160,032	\$ 210,883

SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF CHANGES IN NET POSITION* *(In Thousands)*

For the years ended September 30,	2014	2013
Cumulative Results of Operations		
Beginning Balance	\$ 160,637	\$ 160,194
Budgetary Financing Sources	121,264	176,651
Other Financing Sources	34,949	34,675
Net Cost of Operations	(160,032)	(210,883)
Net Change	(3,819)	443
Cumulative Results of Operations	\$ 156,818	\$ 160,637
Unexpended Appropriations		
Beginning Balance	\$ 242,640	\$ 285,080
Budgetary Financing Sources	63,586	(42,440)
Total Unexpended Appropriations	306,226	242,640
Net Position	\$ 463,044	\$ 403,277

* For a complete set of financial statements and notes, see Chapter 3, "Financial Statements and Auditors' Report," beginning on page 69 of the FY 2014 PAR. This report can be accessed on the NRC Web site at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/>.



SUMMARY OF FINANCIAL STATEMENT AUDIT
AND MANAGEMENT ASSURANCES**

SUMMARY OF FINANCIAL STATEMENT AUDIT FOR FY 2014

Audit Opinion – Unmodified	Restatement – No	Material Weaknesses – No
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SUMMARY OF MANAGEMENT ASSURANCES FOR FY 2014

Effectiveness of Internal Control over Financial Reporting and Operations (FMFIA § 2)

Statement of Assurance – Unqualified	Material Weaknesses – No
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Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance – Systems conform to financial management systems requirements	Nonconformance – No
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Compliance with Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
Systems Requirements, Accounting Standards, and United States Standard General Ledger at Transaction Level	No lack of Substantial Compliance Noted	No lack of Substantial Compliance Noted

**For the complete Summary of Financial Statement Audit and Management Assurances, see page 145 of the FY 2014 PAR. This report can be accessed on the NRC Web site at <http://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/>.

BIBLIOGRAPHIC DATA SHEET

NRC FORM 335 <small>(12-2010) NRCMD 3.7</small>		U.S. NUCLEAR REGULATORY COMMISSION		1. REPORT NUMBER <small>(Assigned by NRC, Add Vol., Supp., Rev., and Addendum Numbers, if any.)</small> NUREG-1542, Vol. 20, Supp.1					
BIBLIOGRAPHIC DATA SHEET <small>(See instructions on the reverse)</small>				3. DATE REPORT PUBLISHED					
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				MONTH	YEAR				
February	2015								
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NRC FORM 335 (12-2010)



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FISCAL YEAR 2014
CHAIRMAN'S MESSAGE
SUMMARY OF PERFORMANCE AND
FINANCIAL INFORMATION

NUREG-1542, Vol. 20, Supp 2
February 2015



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