

FISCAL YEAR **2015**

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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TABLE OF CONTENTS

A MESSAGE FROM THE CHAIRMAN.....	1
INTRODUCTION.....	2
ABOUT THE NRC.....	2
THE NUCLEAR INDUSTRY.....	3
FY 2015 PERFORMANCE RESULTS.....	4
FUTURE CHALLENGES.....	12
THE INSPECTOR GENERAL'S ASSESSMENT OF THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE NRC.....	14
MESSAGE FROM THE CHIEF FINANCIAL OFFICER.....	16
FINANCIAL PERFORMANCE OVERVIEW.....	17
MANAGEMENT ASSURANCES, SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE.....	22
INSPECTOR GENERAL'S TRANSMITTAL LETTER.....	27
INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS.....	28
SUMMARY FINANCIAL STATEMENTS.....	30
SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES.....	32
BIBLIOGRAPHIC DATA SHEET.....	33

This report is a summary of the U.S. Nuclear Regulatory Commission's (NRC's) Fiscal Year (FY) 2015 Performance and Accountability Report (PAR), published on November 16, 2015. 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.

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) 2015. This summary presents the NRC's continuing success in achieving our mission to license and regulate the use of radioactive materials to protect public health and safety, promote the common defense and security and protect 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 2015. 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 of the Nation's 100 operating nuclear reactors, one of which began operation in early FY 2016, and 31 research and test reactors. The agency also maintains oversight of the five 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 2015.

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 controls, 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 continue to be impressed by 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, written over a light blue background.

Stephen G. Burns
Chairman
1 February 2016



INTRODUCTION

The U.S. Nuclear Regulatory Commission (NRC) Summary of Performance and Financial Information presents an overview of the agency's program and financial management performance during fiscal year (FY) 2015, which covers the period from October 1, 2014, to September 30, 2015. 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 2015 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.

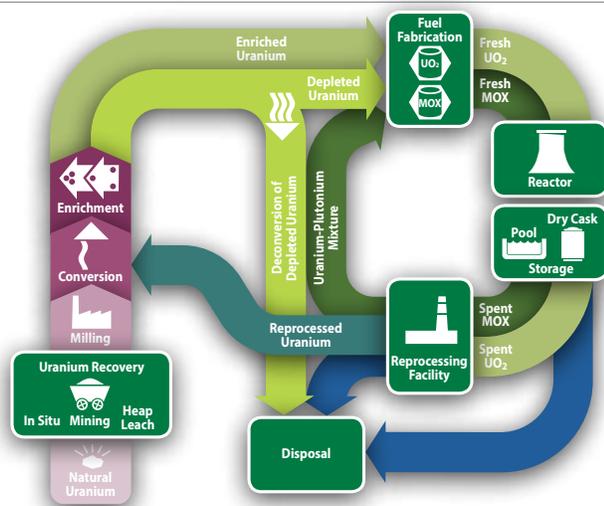
The agency also has four regional offices located in King of Prussia, PA; Atlanta, GA; Lisle, IL; and Arlington, TX. The regional offices allow the agency to work closely with its licensees to ensure safety. The NRC also employs at least two resident inspectors at each of the Nation's nuclear power reactor sites.

The NRC's budget for FY 2015 was \$1,015.3 million, with a full-time equivalent staff ceiling of 3,778.5. The NRC is primarily supported by fees collected from its licensees. The agency collected \$885.3 million (approximately 90 percent) of its budget for FY 2015 from licensees, with the remaining funds provided by the U.S. Treasury (Treasury).

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.

FIGURE 1 – THE NUCLEAR FUEL CYCLE



FUEL FACILITIES

The production of nuclear fuel begins at uranium mines where milled uranium ore is used to produce a uranium concentrate called “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.

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 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 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, 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.

FY 2015 PERFORMANCE RESULTS

The NRC's FY 2014 – 2018 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*.

With the implementation of the Strategic Plan, the agency developed new performance indicators that are more in line with the Plan. Because the nature of the agency's Safety and Security strategic objectives is to prevent or minimize undesirable outcomes, the desired trends for all of its performance indicators are 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 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 2015 RESULTS

In FY 2015, the NRC achieved its Safety goal strategic objective. The NRC uses six performance indicators to determine whether it has met its Safety goal. The

agency met all six performance indicator targets in FY 2015. Table 1 (see page 7) shows the outcomes from FY 2010 – FY 2014.

The cost of achieving the agency’s Safety goal in FY 2015 was \$1,025.5 million.

PERFORMANCE INDICATORS: FY 2015

The purpose behind the NRC’s performance indicators is to track the effectiveness, of agency programs to prevent or minimize undesirable outcomes. Therefore, the trends indicating the agency’s success in accomplishing its mission would be at or near zero.

The following performance indicators were developed in conjunction with the development of the agency’s FY 2014–2018 Strategic Plan. More information on the abnormal occurrence (AO) criteria is found in the *Data Sources, Data Quality, and Data Security* section of this chapter.

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

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

Performance Indicator: Number of radiation exposures that meet or exceed AO Criteria I.A.1 (unintended radiation exposure to an adult), I.A.2 (unintended radiation exposure to a minor), or I.A.3¹ (radiation exposure that has resulted in unintended permanent functional damage to an organ or physiological system)

Timeframe: Annual

Business Line	FY 2015	
Operating Reactors	Target: 0	Actual: 0
New Reactors	Target: 0	Actual: 0
Fuel Facilities	Target: 0	Actual: 0
Decommissioning and Low-Level Waste	Target: 0	Actual: 0
Spent Fuel Storage and Transportation	Target: 0	Actual: 0
Nuclear Materials Users	Target: ≤3	Actual: 2

¹All references to the AO criteria in this section refer to the definitions in Appendix A of the “Report to Congress on Abnormal Occurrences: Fiscal Year 2014,” NUREG-0090, Volume 37, published May 2015.

Discussion: This indicator tracks the effectiveness of the NRC’s nuclear safety regulatory programs, in part through the number of radiation exposures to the public and occupational workers that exceed AO criteria. This indicator tracks both nuclear reactors and other nuclear materials users, such as hospitals and industrial users. Two such exposures took place during FY 2015. Incidents of this nature would be included in the NRC’s annual report to Congress, the latest version of which is available online through the NRC’s Agencywide Documents Access and Management System (ADAMS) at [Accession No. ML15140A285](#).

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

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

Timeframe: Annual

Business Line	FY 2015	
Operating Reactors	Target: 0	Actual: 0
New Reactors	Target: 0	Actual: 0
Fuel Facilities	Target: 0	Actual: 0
Decommissioning and Low-Level Waste	Target: 0	Actual: 0
Spent Fuel Storage and Transportation	Target: 0	Actual: 0
Nuclear Materials Users	Target: 0	Actual: 0

Discussion: This indicator tracks the effectiveness of the NRC’s nuclear material regulatory programs. Exceeding the applicable regulatory limits is defined as a release of radioactive material that causes a total effective radiation dose equivalent to individual members of the public greater than 0.1 rem in a year, exclusive of dose contributions from background radiation. In FY 2015, there were no releases of this nature.

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

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



Timeframe: Annual

Business Line	FY 2015	
Operating Reactors	Target: 0	Actual: 0
Fuel Facilities	Target: 0	Actual: 0
Decommissioning and Low-Level Waste	Target: 0	Actual: 0

Discussion: This indicator tracks the effectiveness of the NRC's criticality regulatory programs through the number of unintended self-sustaining nuclear reactions occurring within a fiscal year. Intended criticality events include the startup of a nuclear power reactor.

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

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

Timeframe: Annual

Business Line	FY 2015	
Operating Reactors	Target: ≤3	Actual: 0
New Reactors	Target: ≤3	Actual: 0

Discussion: The NRC's **Reactor Oversight Process (ROP)** monitors nuclear power plant performance in three areas: (1) reactor safety, (2) radiation safety, and (3) security. Analysis of individual plant performance is based on both licensee-submitted performance indicators and NRC inspection findings, which are independent assessments of licensee performance by the NRC as the regulatory authority. Each issue is evaluated and assigned one of four categories in order of increasing significance: green, white, yellow, or red. Greater oversight by the NRC results as the severity of the findings increase. A red finding or performance indicator signals a significant reduction in the safety margin in the measured area. No red findings were issued in FY 2015.

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

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

Timeframe: Annual

Business Line	FY 2015	
Fuel Facilities	Target: 0	Actual: 0
Decommissioning and Low-Level Waste	Target: 0	Actual: 0
Spent Fuel Storage and Transportation	Target: 0	Actual: 0

Discussion: This indicator tracks the effectiveness of the NRC's safety programs for nonreactor facilities or during transportation of nuclear materials through the number of instances in which safety margins at nonreactor facilities are at unacceptable levels.

Performance Goal 6: Prevent medical events involving radioactive materials that result in death or have a significant unintended impact on patient health.

Performance Indicator: Number of medical events that meet or exceed a revised version of AO Criterion III.C.3 (events involving the medical use of radioactive materials in patients or human research subjects) to be developed in 2016

Timeframe: Annual

Business Line	FY 2015	
Nuclear Materials Users	Target: N/A*	Actual:

* This indicator has been discontinued because the Commission approved alternate metrics in FY 2015 and did not approve the addition of Criterion III.C.3.

Discussion: This indicator tracks the effectiveness of the NRC's regulatory safety program for the medical use of nuclear material through the number of medical events meeting or exceeding Criterion III.C.3.

TABLE 1 – FY 2010-2014 SAFETY PERFORMANCE INDICATORS

1. Number of New Conditions Evaluated as Red by the NRC's Reactor Oversight Process*						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	≤ 3	≤ 3	≤ 3	≤ 3	≤ 3	Replaced by Safety Performance Goal 4
Actual	0	1	1	0	0	
* This measure is the number of new red inspection findings and the number of new red performance indicators during the fiscal year. Programmatic issues at multiunit sites that result in red findings for each individual unit are considered separate conditions for purposes of reporting for this measure. A red performance indicator and a red inspection finding that are caused by an issue with the same underlying causes also are considered separate conditions for purposes of reporting for this measure. 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 ROP external Web page was updated to show the red indicator.						
2. Number of Significant Accident Sequence Precursors (ASPs) * of a Nuclear Reactor Accident						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	≤ 0	≤ 0	≤ 0	≤ 0	≤ 0	Replaced by Safety Performance Goal 4
Actual	0	0	0	0	0	
* Significant ASP events have a conditional core damage probability (CCDP) or ΔCDP of greater than 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.						
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 Group*						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	≤ 3	≤ 3	≤ 3	≤ 3	≤ 3	Replaced by Safety Performance Goal 4
Actual	0	2	1	0	0	
* This measure is the number of plants that have entered the process in Inspection Manual Chapter (IMC) 0350, "Oversight of Reactor Facilities in a Shutdown Condition due to Significant Performance and/or Operational Concerns," dated December 15, 2006; the multiple/repetitive degraded cornerstone column; or the unacceptable performance column during the fiscal year (but, were not in these columns or process the previous fiscal year). Data for this measure are obtained from the NRC's external Web 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 IMC 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 ≤ 1*						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015**
Target	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1**
Actual	0	0	0	0	0	0**

* Considering all indicators qualified for use in reporting

**Indicator discontinued with the adoption of the indicators for the FY2014-2018 Strategic Plan

TABLE 1 – FY 2010-2014 SAFETY PERFORMANCE INDICATORS (CONTINUED)

5. Number of Events with Radiation Exposures to the Public or Occupational Workers That Exceed Abnormal Occurrence (AO) Criterion I.A.3*							
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Reactors	Target	0	0	0	0	0	
Reactors	Actual	0	0	0	0	0	
Materials	Target	≤ 2	≤ 2	≤ 2	≤ 2	≤ 2	Replaced by Safety Performance Goal 1
Materials	Actual	0	0	0	0	0	
Waste	Target	0	0	0	0	0	
Waste	Actual	0	0	0	0	0	

*Releases for which a 30-day report 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 Limits*							
		FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Reactors	Target	0	0	0	0	0	
Reactors	Actual	0	0	0	0	0	
Materials	Target	≤ 2	≤ 2	≤ 2	≤ 2	≤ 2	Replaced by Safety Performance Goal 2
Materials	Actual	0	0	0	0	0	
Waste	Target	0	0	0	0	0	
Waste	Actual	0	0	0	0	0	

*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 2015:

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 2015. 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” in the FY 2015 Performance and Accountability Report.

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 factors 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 2015 RESULTS

In FY 2015, the NRC achieved its Security goal strategic objectives. The NRC also uses three Security goal performance indicators to determine whether the agency has met its Security goal. The agency met all three performance indicator targets in FY 2015. Outcomes from FY 2010 – FY 2014 are in Table 2 (see page 11).

The cost of achieving the agency’s Security goal was \$58.0 million in FY 2015.

SECURITY PERFORMANCE INDICATORS: FY 2015

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

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

Performance Indicator: Number of instances of sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material that meet or exceed AO Criteria I.C.1 (unrecovered lost, stolen, or abandoned sources), I.C.2 (substantiated case of actual theft or diversion), and the portion of Criterion I.C.3 (substantiated loss of a formula quantity) concerning theft or diversion of special nuclear material.

Timeframe: Annual

Business Line	FY 2015	
All Business Lines	Target: 0	Actual: 0

Discussion: This indicator tracks the agency’s effectiveness at preventing sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material through tracking any loss or theft of radioactive nuclear sources that the NRC has determined to be of significant risk. The indicator tracks the agency’s performance in ensuring the proper accounting for radioactive sources of significant risk that could be used for malicious purposes. It also tracks whether NRC-licensed facilities maintain adequate protective capabilities to prevent theft or



diversion of nuclear material or sabotage that could result in substantial harm to the public health and safety, tracks whether special nuclear material is accounted for, and verifies that formula-quantity losses of this material do not occur. The indicator also tracks whether the systems in place at NRC-licensed facilities maintain accurate inventories of the special nuclear material (SNM) that the facilities process, use, or store. No such incidents took place during FY 2015.

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

Performance Indicator: Number of substantial breakdowns of physical security, cyber security, or material control and accountability that meet or exceed a revised version of AO Criterion I.C.4 (substantial breakdown in physical security or materials control) that will include breakdowns of cyber security and the portion of AO Criterion I.C.3 concerning breakdowns of the accountability system for special nuclear material.

Timeframe: Annual

Business Line	FY 2015	
All Business Lines	Target: ≤ 1	Actual: 0

Discussion: This indicator tracks the agency’s effectiveness in maintaining security by tracking any breakdowns in access control, containment, or accountability systems that significantly weakened the protection against theft, diversion, or sabotage for nuclear materials that the agency has determined to be of significant risk. In FY 2015, there were no incidents of this nature.

Security Objective 2: Ensure protection of classified and Safeguards information.

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

Performance Indicator: Number of significant unauthorized disclosures of classified or Safeguards Information by licensees as defined by AO Criterion I.C.5 and by NRC employees or contractors as defined by analogous NRC internal criteria.

Timeframe: Annual

Business Line	FY 2015	
All Business Lines	Target: 0	Actual: 0

Discussion: This indicator includes significant unauthorized disclosures of classified information or Safeguards Information (SGI) that cause damage to national security or public safety. SGI is a special category of sensitive unclassified information concerning the physical protection of operating power reactors, spent fuel shipments, strategic special nuclear material, or other radioactive material. This indicator tracks whether information that can harm national security (classified information) or cause damage to the public health and safety (SGI) has been stored and used in ways as to prevent its disclosure to the public, terrorist organizations, other nations, or personnel without a need to know. No significant unauthorized disclosures occurred in FY 2015.

TABLE 2 – FY 2010-2014 SECURITY PERFORMANCE INDICATORS

1. Unrecovered Losses of Risk-Significant* Radioactive Sources						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	0	0	0	0	0	Replaced by Security Performance Goal 1
Actual	0	1**	0	0	0	
<p>*“Risk-significant” is defined as any unrecovered, lost, or abandoned sources that exceed the values listed in Appendix P, “Category 1 and 2 Radioactive Material,” to 10 CFR Part 110, “Export and Import of Nuclear Equipment and 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 in 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 that 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) a source for which the agency has made a determination that its risk significance is low based on its location (e.g., water depth) or its physical characteristics (e.g., half-life and housing) and its surroundings, (6) cases in which all reasonable efforts have been made to recover the source, and (7) the determination was made that the source is not recoverable and will not be considered a realistic safety or security risk under this measure. (This includes licenses under the Agreement States.)</p> <p>**There were no losses and one theft of radioactive nuclear material that the NRC considered to be risk significant during FY 2011.</p>						
2. Number of Substantiated* Cases of Actual Theft or Diversion of Licensed, Risk-Significant Radioactive Sources, or Formula Quantities** of Special Nuclear Material or Attacks That Result in Radiological Sabotage***						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	0	0	0	0	0	Replaced by Security Performance Goal 1
Actual	0	0	0	0	0	
<p>*“Substantiated” means a situation in which an indication of loss, theft, or unlawful diversion, such as an allegation of diversion, report of lost or stolen material, statistical processing difference, or other indication of loss of material control or accountability cannot be refuted following an investigation and requires further action on the part of the agency or other proper authorities.</p> <p>**A formula quantity of special nuclear material is defined in 10 CFR 70.4, “Definitions.”</p> <p>***“Radiological sabotage” is defined in 10 CFR 73.2, “Definitions.”</p>						
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 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	0	0	0	0	0	Replaced by Security Performance Goal 1
Actual	0	0	0	0	0	
4. Number of Substantial Breakdowns* 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 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	≤ 1	≤ 1	≤ 1	≤ 1	≤ 1	Replaced by Security Performance Goal 2
Actual	0	0	0	0	0	
<p>*A “substantial breakdown” is defined as a red finding in the security cornerstone of the ROP or any plant or facility that is determined either to 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 or operational events.</p>						
5. Number of Significant Unauthorized Disclosures* of Classified and/or Safeguards Information						
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Target	0	0	0	0	0	Replaced by Security Performance Goal 3
Actual	0	0	0	0	0	
<p>*“Significant unauthorized disclosure” is defined as a disclosure that harms national security or public health or safety.</p>						

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 2015:

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.

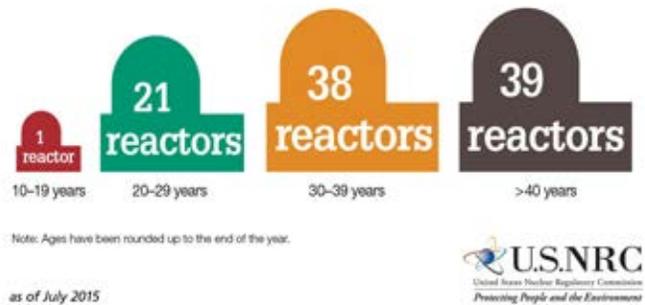
Security Strategy 6: Ensure timely distribution of security information to stakeholders and international partners.

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 2 – U.S. COMMERCIAL NUCLEAR POWER REACTORS – YEARS OF OPERATION BY THE END OF 2015



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 (see Figure 2). Several entities are seeking to submit license applications for small modular reactors in the next several years. The Department of Energy (DOE) 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.

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 DOE.

GLOBALIZATION OF THE NUCLEAR TECHNOLOGY AND THE NUCLEAR SUPPLY CHAIN

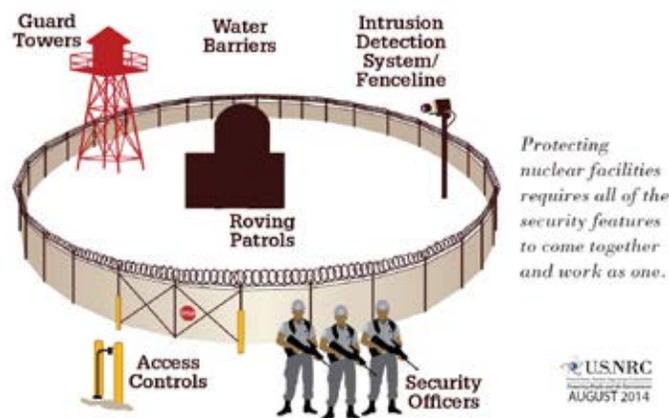
Components for nuclear facilities are increasingly manufactured overseas, resulting in challenges of providing effective oversight to ensure that these components are in compliance with NRC requirements. In addition, the continuing globalization of nuclear

technology is driving the need for increasing international engagement on the safe and secure 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 (see Figure 3).

FIGURE 3 – SECURITY COMPONENTS



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.

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



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

**OFFICE OF THE
INSPECTOR GENERAL**

NRC is an independent Federal agency established to license and regulate the Nation's civilian use of radioactive materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

NRC's principal regulatory functions are to establish regulatory requirements and conduct confirmatory research to support requirements; issue licenses to facility operators and owners, possessors, and users of nuclear materials; oversee these licensees to ensure they are in compliance with NRC requirements and operate safely and securely; and respond to emergencies involving regulated activities. Based on NRC's mission and objectives, the Office of the Inspector General (OIG) annually identifies what it considers to be the most serious management and performance challenges facing NRC. Our goal is to focus attention on these issues to enhance the effectiveness of NRC programs and operations.

The six management and performance challenges OIG identified for FY 2016 are directly related to NRC's mission areas (commercial nuclear reactors and nuclear materials), security, information technology and information management, financial programs, and administrative functions. These challenges represent what OIG considers to be inherent and continuing program challenges relative to maintaining effective and efficient oversight and internal controls. While program improvements are needed, NRC is continually making progress to improve the efficiency and effectiveness of its programs. Challenges do not necessarily equate to problems.

1. Regulation of nuclear reactor safety programs. NRC is responsible for maintaining an established regulatory framework for the safe and secure use of civilian nuclear reactors, including commercial nuclear power plants as well as research, test, and training reactors. Key reactor safety challenges include

- Ensuring an adequate and efficient reactor and operator licensing process, accounting for safety impacts of major changes to plant configuration, and sufficiently evaluating older plants for license extensions.
- Providing an adequate number of trained inspectors for sufficient oversight, and ensuring inspection procedures are adequate and are being followed.

2. Regulation of nuclear materials and radioactive waste programs. NRC is responsible for maintaining an established regulatory framework for the safe and secure use of nuclear materials; medical, industrial, and academic applications; uranium recovery, conversion and enrichment activities; fuel fabrication and development; and, high-level and low-level radioactive waste. Key nuclear materials and radioactive waste oversight challenges include

- Ensuring that licensing activities are conducted consistent with NRC requirements.
- Providing effective oversight of licensees' radioactive materials programs to preclude loss or theft.

3. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security. NRC must remain vigilant with regard to the security of its infrastructure and that of nuclear facilities and nuclear materials. Key security challenges include

- Ensuring that cyber security protective measures keep pace with the growing threat.
- Continuing to pursue the need for new regulations focused on unique requirements of decommissioned nuclear power plants.

4. Management of information technology and information management. Technology advances rapidly. The challenge is deciding which of these new technologies will work to the best interest of NRC now. Key information technology and information management challenges include

- Ensuring that information is protected and meets user requirements.
- Implementing The Federal Information Technology Acquisition Reform Act of 2014, which enhances the Chief Information Officers authorities.

5. Management of financial programs. NRC is required by the Omnibus Budget Reconciliation Act of 1990 to collect fees totaling approximately 90 percent of its annual budget authority. In recent years, multiple external stakeholders have questioned NRC's budget and fees structure. Key financial programs challenges include

- Maintaining a fee structure in accordance with laws and regulations and that is fair to agency licensees.
- Maintaining effective controls over financial reporting, contracts, and grants.

6. Management of administrative functions. NRC should continue exploring ways to reduce administrative inefficiencies while maintaining the appropriate corporate support to carry out agency operations. Key administrative functions challenges include

- Reducing related costs while continuing to provide essential administrative functions that help the agency carry out its mission.
- Providing current staff with the training and tools to maintain and/or improve the skills needed to effectively perform their jobs.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1527/ML15274A142.pdf>

A 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) 2015 Summary of Performance and Financial Information. An independent auditor has rendered an unmodified opinion on the NRC financial statements for the twelfth consecutive year. The auditor has also rendered an unqualified opinion on our internal control over financial reporting, and noted no reportable instances of noncompliance with tested provisions of laws, regulations contracts or grants.

During FY 2015, the agency began implementation of its Project Aim initiative to improve efficiency, effectiveness, and agility for responding to a range of possible futures while fulfilling the NRC's mission in the present and well into the future. NRC staff has been identifying opportunities to improve by examining what work the agency has been doing and what work should be continued and/or discontinued. Additionally, the Office of the Chief Financial Officer has been supporting this initiative through transformation of Cost Activity Codes to enhance information on labor and contract costs.

The agency made progress in systems modernization in FY 2015. The agency's accounting and financial management systems included a system upgrade for its core general ledger system, the Financial Accounting and Integrated Management Information System, allowing the required functionality to incorporate the U.S. Treasury Government-wide Treasury Accounting Symbol reporting mandate. The NRC also launched a pilot program for the NRC's Budget Formulation System for interactive reporting to enhance and centralize the agency's financial management planning and forecasting business process. The NRC migrated to the E-Gov Travel Service 2 in May 2015 and completed a planned upgrade and migration of the Human Resource Management System to address legislative requirements, add new capabilities, and strengthen controls.

The NRC performed a fee revenue comparative analysis study in FY 2015 to determine best practices among fee setting Federal agencies requirements in an effort to streamline Fee Policy activities and shorten the Fee Rule development window. To enhance transparency, the agency held a public outreach meeting on the FY 2015 Proposed Fee Rule to discuss the rule in detail and solicit comments from stakeholders. The NRC improved the clarity of the FY 2015 Fee Rule work papers and posted them on-line for public access.

The agency also continued to streamline and improve its Programmatic Internal Control Framework to align with Government Accountability Office's (GAO's) updated Standards for Internal Control in the Federal Government. These efforts improved operating processes, reduced administrative burden on technical staff, increased management accountability, and provided a more interdependent approach to ensure the effectiveness and efficiency of agency operations.

Ensuring the safety and security of the Nation's civilian use of radioactive materials in the most effective and efficient manner remains the focus of the NRC's mission. The regulation of the Nation's nuclear industries during times of fiscal and regulatory challenges requires careful stewardship of agency resources and demands superior financial performance. I am pleased that our use of sound business practices and the dedication and expertise of our staff support accomplishment of our regulatory mission and am confident that we will continue such improvements in the future.

A handwritten signature in black ink, appearing to read "Maureen E. Wylie". The signature is fluid and cursive, written over a light-colored background.

Maureen E. Wylie
Chief Financial Officer
February 12, 2016

FINANCIAL PERFORMANCE OVERVIEW

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

As of September 30, 2015, 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 obligations did not exceed budget authority.

SOURCES OF FUNDS

TOTAL BUDGET AUTHORITY (In Millions)

For the fiscal years ended September 30,	2015	2014
Appropriations		
Salaries and Expenses	\$ 1,003.2	\$ 1,043.9
Office of the Inspector General	12.1	12.0
Total Appropriations	1,015.3	1,055.9
Other Budget Authority		
Prior-years Appropriations	40.4	22.8
Prior-years Funding for Reimbursable Work	8.3	9.0
Prior-years Funding from DOE*	4.8	11.0
Spending Authority from Offsetting Collections	8.0	9.8
Recoveries of Prior-year Unpaid Obligations	5.0	10.6
Total Other Budget Authority	66.5	63.2
Total NRC Budget Authority	\$ 1,081.8	\$ 1,119.1

*DOE funding for the NRC activities associated with the Nuclear Waste Policy Act of 1982, as amended.

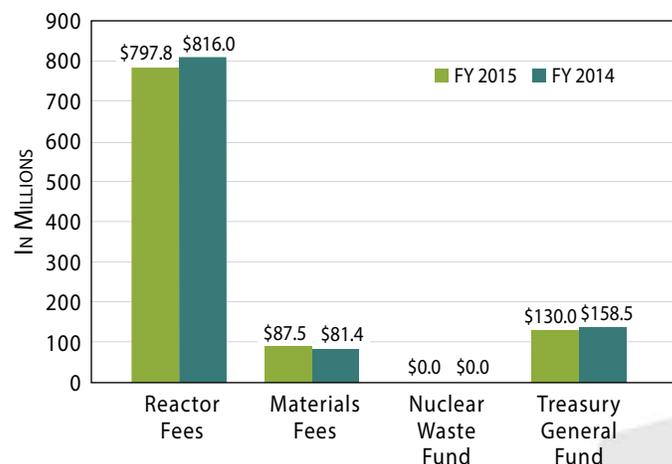
Appropriations. The NRC received two appropriations: (1) for Salaries and Expenses and (2) for the Office of the Inspector General (OIG). The FY 2015 appropriations were \$1,015.3 million, which included \$1,003.2 million for the Salaries and Expenses appropriation and \$12.1 million for the OIG.

The NRC’s appropriation decreased \$40.6 million compared to the prior year, primarily due to a decrease of \$40.7 million for the Salaries and Expenses appropriation. The appropriation for the OIG stayed basically at the same level with a \$0.1 million increase.

The Salaries and Expenses appropriation is available until expended. This includes a provision that not more than \$7.5 million may be made available for the Office of the Commission as a 2-year (FY 2015/2016) appropriation that is available for obligation by the NRC through September 30, 2016. After September 30, 2016, the remaining funds which have not been obligated for the Office of the Commission will be available until expended as part of the Salaries and Expenses appropriation. The OIG appropriation is available to obligate for 2 years (FY 2015/2016) by the OIG through September 30, 2016. This 2-year funding includes \$0.85 million for Inspector General (IG) services to be provided to 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 (WIR) and generic homeland security. The NRC returns the fees it collects to the Treasury during the FY, which offset the NRC’s two appropriations.

FIGURE 4 – SOURCES OF FUNDS FOR APPROPRIATIONS



The projected amount to be recovered from fees in FY 2015 was \$895.5 million, which included \$888.7 million from FY 2015 reactor and materials fees and \$6.8 million from other fees (unpaid current-year invoices and terminated reactors' FY 2015 annual fee collections, offset by payments of prior-year invoices in FY 2015.) The NRC collected and transferred \$885.3 million to the Treasury (see Figure 4 on page 17), which represents 98.9 percent of the approximately \$895.5 million projected to be recovered in FY 2015. The fees collected for FY 2014 and transferred to the Treasury totaled \$897.4 million and included \$871.2 million transferred during FY 2014 and \$26.2 million transferred in early FY 2015. The decrease of \$12.1 million in fees collected and transferred to the Treasury was mainly due to the decrease in appropriations in FY 2015.

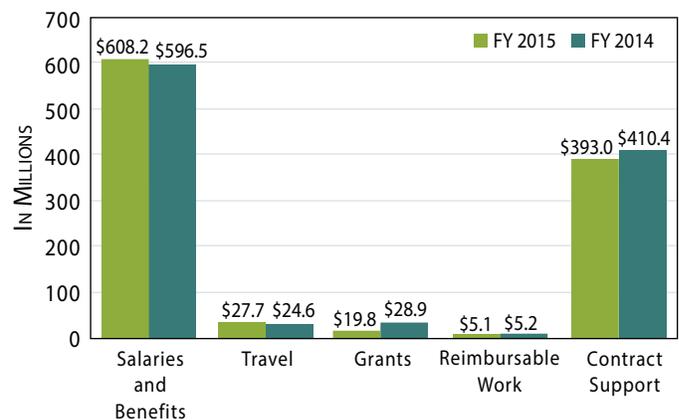
Total Budget Authority. The total budget authority available for the NRC to obligate in FY 2015 was \$1,081.8 million, which includes \$1,015.3 million for appropriations, \$40.4 million of prior-year appropriations, \$8.3 million from prior-year funding for reimbursable work, \$5.0 million of recoveries of prior-year unpaid obligations, \$8.0 million from FY 2015 spending authority from offsetting collections (reimbursable work performed for other Federal agencies and commercial customers, and prior-year refunds), and \$4.8 million of prior-year funding for resources received from the DOE to fund the NRC activities associated with the *Nuclear Waste Policy Act of 1982*. Funds available to obligate in FY 2015 decreased from the FY 2014 amount of \$1,119.1 million primarily due to decreases of \$40.6 million in appropriations, \$5.6 million in actual recoveries of prior-year unpaid obligations and \$1.8 million spending authority from offsetting collections; offset by an increase in the beginning unobligated balances brought forward of \$10.7 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 \$1,053.8 million in FY 2015, which represented a decrease of \$11.8 million from FY 2014 (see Figure 5). Approximately 58 percent of obligations in FY 2015 were for salaries and benefits. The remaining 42 percent were used to obtain technical assistance for the NRC's principal regulatory programs, to conduct confirmatory safety research, to cover operating expenses (e.g., building rentals, transportation, printing, security services, supplies, office automation, and training), and to pay for staff travel.

FIGURE 5 – USES OF FUNDS (*Obligations*)



The unobligated budget authority available at the end of FY 2015 was \$28.0 million which was a \$25.5 million decrease from the FY 2014 amount of \$53.5 million. Of the \$28.0 million unobligated balance at the end of FY 2015, \$7.9 million was for reimbursable work, \$2.8 million was for the NWF, \$4.2 million was for special purpose funds, and \$13.1 million was available to fund critical needs of the NRC in FY 2016. The \$53.5 million unobligated balance at the end of FY 2014 included \$8.3 million for reimbursable work, \$4.8 million for the NWF, \$6.2 million for special purpose funds, and \$34.2 million to fund critical needs of the NRC in FY 2015.

AUDIT RESULTS

The NRC received an unmodified audit opinion on its FY 2015 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 2015 audit.

The Summary of Financial Statement Audit and Management Assurances is included on page 32 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. The summary financial statements presented in this report (see pages 30 and 31) are drawn from the financial statements presented in the FY 2015 Performance and Accountability Report.

FINANCIAL STATEMENT HIGHLIGHTS

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

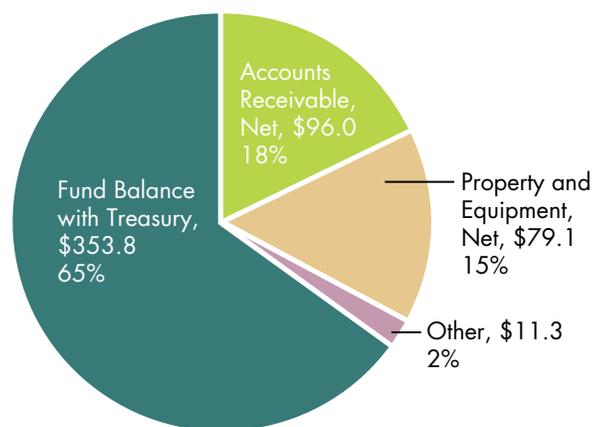
ANALYSIS OF THE SUMMARY BALANCE SHEET

The Balance Sheet, which shows the NRC's assets, liabilities, and net position, is condensed in the Summary Balance Sheet on page 30.

Assets. The NRC's total assets (see Figure 6) were \$540.2 million as of September 30, 2015, representing a decrease of \$47.1 million from the same period of FY 2014. Changes in major categories include decreases of \$23.6 million in the Fund Balance with

Treasury, \$15.6 million in Accounts Receivable, Net, and \$11.2 million in Property and Equipment, Net, offset by an increase of \$3.3 million in Other Assets.

FIGURE 6 – ASSET SUMMARY (In Millions)



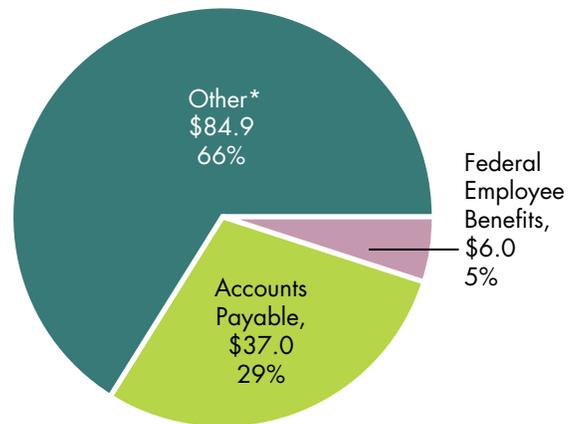
The Fund Balance with Treasury was \$353.8 million as of September 30, 2015, which accounts for 65 percent of total assets. This account represents appropriated funds, license fee collections, and other funds maintained at the Treasury to pay for current liabilities and to finance authorized purchase commitments. The \$23.6 million decrease in the fund balance is primarily the result of an increase in the beginning balance of \$59.1 million, offset by a decrease in appropriations of \$40.6 million and an increase in net disbursements (cash outlays) of \$41.4 million, which primarily consists of increases in salaries and benefits of \$11.2 million, contract services of \$20.0 million, equipment and software of \$6.9 million, and travel of \$3.3 million.

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, 2015, was \$96.0 million, which included an offsetting allowance for doubtful accounts of \$2.2 million. For FY 2014, the year-end Accounts Receivable, Net, balance was \$111.6 million, including an offsetting allowance for doubtful accounts of \$4.4 million. The net decrease in accounts receivable from the prior year of \$15.6 million is primarily due to outstanding receivables at the end of FY 2014, whereby collections were received during the first week of FY 2015.

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 U.S. General Services Administration.) At the end of FY 2015, net property and equipment was \$79.1 million, a decrease of \$11.2 million from the FY 2014 amount of \$90.3 million. The decrease is primarily due to a decrease of \$13.9 million in leasehold improvements (mainly for the writeoff for the initial buildout of the Three White Flint North office building resulting from a change in the lease agreement associated with the NRC vacating the space) and a decrease of \$6.9 million in the book value of completed capitalized software and leasehold improvement projects, net of amortization expense; offset by increases of \$4.2 million for capitalized software development-in-progress and \$3.0 million for leasehold improvements-in-progress on the Headquarters office buildings in Rockville, MD.

Liabilities. Total liabilities were \$127.9 million as of September 30, 2015, representing an increase of \$3.6 million from the FY 2014 year-end balance of \$124.3 million. Accounts Payable, Federal Employee Benefits, and Other Liabilities remained approximately the same as the prior year. For FY 2015, Other Liabilities represents 66 percent of the Total Liabilities and includes \$46.5 million in accrued annual leave, \$18.3 million in accrued funded salaries and benefits, \$12.1 million in grants payable, \$5.5 million in advances received by the NRC for services that will be provided, \$1.6 million in accrued workers' compensation, and \$0.9 million in contract holdbacks, capital lease liability, and miscellaneous liabilities.

FIGURE 7 – LIABILITIES SUMMARY (In Millions)



*Other Liabilities: \$46.5 Accrued Annual Leave, \$18.3 Accrued Funded Salaries and Benefits, \$12.1 Grants Payable, \$8.0 Other

Total Liabilities include liabilities not covered by budgetary resources, which represent expenses recognized in the financial statements that will be paid from future appropriations. The liabilities not covered by budgetary resources were \$54.1 million for FY 2015, compared to \$55.2 million for FY 2014, a \$1.1 million decrease. For FY 2015, the liabilities not covered by budgetary resources represent 42 percent of Total Liabilities and include \$46.5 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 \$6.0 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 \$412.3 million as of September 30, 2015, a decrease of \$50.7 million from the FY 2014 year-end balance. Net Position is comprised 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.

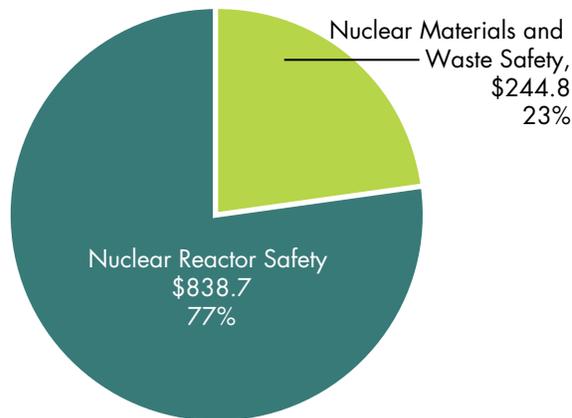
Unexpended Appropriations were \$283.2 million at the end of FY 2015, a decrease of \$23.0 million from the prior fiscal year-end. Cumulative Results of Operations decreased by \$27.7 million from \$156.8 million in FY 2014 to \$129.1 million in FY 2015.

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 30.

The Statement of Net Cost presents the gross cost of the NRC's two major programs (Nuclear Reactor Safety and Nuclear Materials and Waste Safety) as identified in the NRC Annual Performance Plan, offset by earned revenue. The purpose of this statement is to link program performance to the cost of programs. The NRC's net cost of operations for the year-ended September 30, 2015, was \$182.6 million, representing an increase of \$22.6 million compared to the FY 2014 net cost of \$160.0 million. This includes an increase of \$26.9 million in gross costs and an increase in earned revenues of \$4.3 million, which offset gross costs.

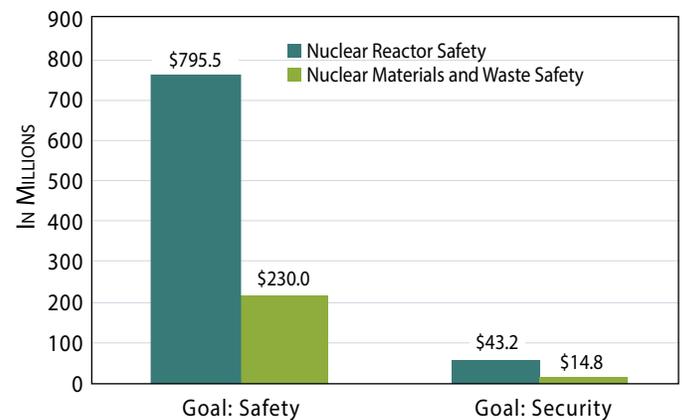
FIGURE 8 – GROSS COSTS BY PROGRAM
(In Millions)



Gross Costs. The NRC's total gross costs were \$1,083.5 million for FY 2015, an increase of \$26.9 million from the prior-year amount of \$1,056.6 million. The Nuclear Reactor Safety program gross costs for FY 2015 were \$838.7 million compared to FY 2014 gross costs of \$817.3 million, an increase of \$21.4 million, primarily due to increases of \$12.0 million in contract services and \$9.4 million in salaries and benefits. The Nuclear Materials and Waste Safety program gross costs for FY 2015 were \$244.8 million compared to FY 2014 gross costs of \$239.3 million, an increase of \$5.5 million (see Figure 8).

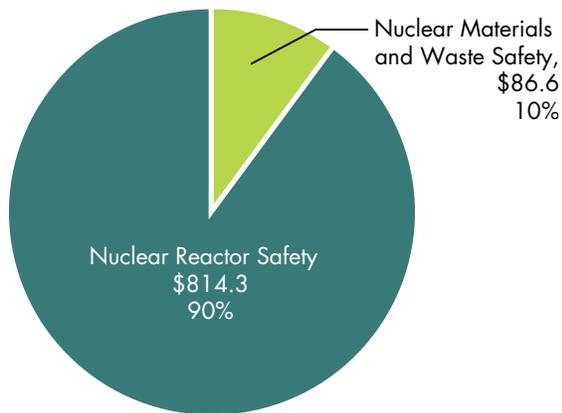
The cost of achieving the agency's Safety and Security goals for the agency's programs for FY 2015 is the gross cost presented in the Statement of Net Cost. The total cost for achieving the agency's Safety goal was \$1,025.5 million and the cost of achieving the agency's Security goal was \$58.0 million (see Figure 9).

FIGURE 9 – GROSS COSTS BY STRATEGIC GOALS



Earned Revenue. Total earned revenue (see Figure 10 on page 22) for FY 2015 was \$900.8 million, an increase of \$4.3 million from the FY 2014 earned revenue of \$896.5 million. Revenue from the Nuclear Reactor Safety program in FY 2015 was \$814.3 million compared to \$815.1 million in FY 2014, a decrease of \$0.8 million. Revenue from the Nuclear Materials and Waste Safety program in FY 2015 was \$86.6 million compared to \$81.5 million in FY 2014, an increase of \$5.1 million.

FIGURE 10 – EARNED REVENUE BY PROGRAM
(In Millions)



Fees collected (earned primarily in FY 2015) and offset against the NRC appropriations were \$911.5 million compared to \$871.2 million in FY 2014. The increase of \$40.3 million in license fee collections was the result of an increase of \$14.1 million in current-year license fee collections, and \$26.2 million for prior-year license fee collections which were applied to FY 2014 appropriations (see Figure 4 on page 17). The NRC is required to collect approximately 90 percent of its appropriation 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 NRC’s change in net position for the reporting period, is condensed in the Summary Statement of Changes in Net Position on page 31.

Net position is affected by changes in its two components: Cumulative Results of Operations and Unexpended

Appropriations. In FY 2015, the NRC had a decrease in Net Position of \$50.8 million resulting from a decrease of \$27.7 million in Cumulative Results of Operations and a decrease of \$23.1 million in Unexpended Appropriations.

The decrease in Cumulative Results of Operations of \$27.7 million was primarily comprised of a decrease in the beginning balance, brought forward October 1, of \$3.8 million, an increase in the net cost of operations of \$22.6 million, and a decrease in financing sources other than the NRC licensing fees of \$1.3 million. The increase in net cost of operations was due to an increase of \$26.9 million in gross costs, offset by an increase of \$4.3 million in earned revenue. The decrease in financing sources was due to \$7.1 million of imputed financing from costs absorbed by others; offset by an increase of \$5.8 million in appropriations used to finance operations.

The change in unexpended appropriations results from appropriations received, net of license fee collections, being more or less than appropriations used to fund the NRC operations. The decrease in FY 2015 unexpended appropriations of \$23.1 million is due to an increase in the beginning balance, brought forward October 1, of \$63.6 million; offset by an \$80.9 million decrease in appropriations received, net of licensee fees collected, and an increase of \$5.8 million in appropriations used to fund the NRC operations. The decrease of \$80.9 million in appropriations received, net of license fees collected, is due to appropriations received for FY 2015 of \$1,015.3 million, reduced by current-year license fee collections of \$885.3 million and prior-year license fee collections of \$26.2 million; compared to appropriations received in FY 2014 of \$1,055.9 million, reduced by FY 2014 license fee collections of \$871.2 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* (FMFIA) 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.

PROGRAMMATIC INTERNAL CONTROL

Programmatic internal control consists of the organization, planning, 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 in accordance with the NRC's FMFIA Governance Framework. Under this governance framework, each NRC business line lead 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, Management Control Reviews, Construction and Reactor Oversight, Force-on-Force Inspections, Security Core Inspections, Integrated Materials Performance Evaluation Program, Lessons Learned Oversight Board recommendations, financial statement audit, Inspector General and U.S. Government Accountability Office (GAO) audits and reports, and other information supplied by the agency's Senior Assessment Team (SAT). The SAT provides detailed, centralized oversight and monitoring of financial systems and reporting. The business line leads provided substantial reasonable assurance justification documentation to support their respective certifications,

as well as documented areas where internal controls can be strengthened. The ECIC assessed the agency's programmatic operations, financial systems, and internal control over financial reporting and voted to recommend that the Chairman sign the agency's Integrity Act Statement and reported to the Chairman that there were no internal control deficiencies serious enough to require reporting as a weakness or noncompliance.

The ECIC is comprised 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.

In FY 2013, the agency updated its programmatic internal control framework. This effort required a paradigm shift in how the agency examines, documents, communicates, monitors, and reports on programmatic internal control. The agency's programmatic internal control program now aligns with its lines of business, budget structure, Strategic Plan, and performance reporting. The updated framework addresses the five GAO Standards for Internal Control in the Federal Government, as well as GAO's Risk Assessment Monitoring Tool, and the Committee of Sponsoring Organizations of the Treadway Commission, Internal Control – Integrated Framework. The updated framework streamlined the agency's programmatic internal control and reasonable assurance processes, reduced administrative requirements on program and technical staff, better leveraged existing programmatic internal control activities across the agency's lines of business, and eliminated silos and duplications of effort. The updated framework focused on shifting from an individual, office-based approach to assessing, documenting, monitoring, and reporting on programmatic internal control, to a business line-based approach, as supported by the *Government Performance Results Act and Modernization Act of 2010*. As a result, the NRC programmatic internal control program has become proactive in establishing the control environment that substantially complies with FMFIA.



U.S. NUCLEAR REGULATORY COMMISSION
FISCAL YEAR 2015
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 is able to provide an unqualified statement of assurance that the internal controls and financial management systems meet the objectives of the Integrity Act with no material weaknesses.

The NRC conducted its assessment of internal control over programmatic operations in accordance with Office of Management and Budget 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, 2015.

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, 2015, 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*.

Stephen G. Burns
Chairman
U.S. Nuclear Regulatory Commission
November 9, 2015

control over financial reporting and to prepare a separate annual statement of assurance as of June 30, 2015.

The NRC adopted a rotational testing plan to assess the effectiveness of its internal controls over financial reporting. In FY 2015, the NRC continued its assessment of internal controls over financial reporting and reevaluated the scope of its financial reports, materiality values, risk assessments, key processes, and key controls to update the test plan. It was determined that two of the eight key processes (financial reporting and information technology) were significant enough to include in the testing each year of the test plan cycle. The remaining six key processes (budget execution, disbursements, payroll, procurement, property, and revenue) were to be tested once in a 2-year cycle, three each year. Based on the results of the FY 2015 evaluation, the NRC can provide reasonable assurance that its internal controls over financial reporting were operating effectively as of June 30, 2015, and that the evaluation found no material weaknesses in the design or operation of the internal controls over financial reporting.

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

OFFICE OF MANAGEMENT AND BUDGET
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

In FY 2011, the NRC completed an initial risk assessment to determine if any programs were susceptible to making significant improper payments in accordance with the *Improper Payments Information Act of 2002* (IPIA) as amended by the *Improper Payments Elimination and Reporting Act of 2010* (IPERA) and the *Improper Payment Elimination and Recovery Improvement Act of 2012* (IPERIA). The results of that assessment allowed the agency to conduct future risk assessments on a triennial basis. In its FY 2014 PAR, the NRC reported on the results of the improper payment risk assessment completed in that year.

The results of the FY 2014 risk assessment did not identify any programs that were susceptible to making significant improper payments. While the results of the FY 2014 risk assessment identified programs as low risk, the NRC continues to monitor its payment processes, in addition to conducting periodic reviews of key controls for IPIA programs identified by management. The NRC will continue to conduct a risk assessment every 3 years, in accordance with the IPIA, as amended by IPERA and IPERIA as well as OMB guidance. The next NRC IPIA risk assessment will take place in FY 2017. However, the NRC will conduct additional risk assessments, as needed, if there are material changes in the way programs operate or if the NRC establishes new programs.

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 2015 FFMIA RESULTS

The Office of Chief Financial Officer (OCFO) successfully completed a system upgrade for its core general ledger system, the Financial Accounting and Integrated Management Information System (FAIMIS). The upgrade provides the platform for the required functionality to incorporate the U.S. Treasury Government-wide Treasury Accounting Symbol (GTAS) reporting mandate for FY 2015. The agency successfully migrated to the E-Gov Travel Service 2 system (ETS2) in May 2015. The Human Resource Management System (HRMS), formerly known as Time and Labor Modernization (TLM), has completed the upgrade planning and has begun the migration to the new release to address legislative requirements and strengthen controls. Finally, the Budget Formulation System (BFS) has launched a pilot program

for interactive reporting to enhance and centralize the agency's resource planning and forecasting business process.

In accordance with guidance established in A-123, Appendix D, the Chief Financial Officer reviewed audit reports and other sources of information, and as of September 30, 2015, can provide reasonable assurance that NRC's financial systems substantially comply with the requirement of the FFMIA.

FINANCIAL MANAGEMENT SYSTEMS STRATEGIES

For a second consecutive fiscal year, the OCFO has completed significant financial system modernization projects in FY 2015. The NRC plans to further upgrade FAIMIS to acquire the necessary required functionality for the FY 2018 OMB-mandated Internet Payment Platform (IPP) implementation. The agency will continue to integrate and further automate FAIMIS with the newly implemented ETS2. The BFS has introduced a pilot integrated reporting dashboard and completed a minor system upgrade to coincide with the agency's infrastructure Internet browser upgrade project.

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 2015, the NRC paid 98 percent of the 8,043 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 2015, delinquent debt was \$4.6 million or 0.5 percent of annual billings. The NRC was



able to refer 93.5 percent of all eligible debt over 180 days delinquent to the Treasury for collection. In addition, the NRC met the collections requirements of *Omnibus Budget Reconciliation Act of 1990* (OBRA-90) which requires the agency to recover through fees approximately 90 percent of its budget authority in the current fiscal year.

The *Digital Accountability and Transparency Act of 2014* reduces the referral of delinquent invoices from 180 to 120 days for FY 2016. To accomplish this new requirement, the NRC will request input from the program and regional offices earlier in the quarter and the amount of time given to respond to requests will be limited so that appropriate actions can be taken in a timely manner.

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, 2015, 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 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), Defense Nuclear Facilities Safety Board, and amounts appropriated for generic homeland security activities. Based on the *Consolidated and Further Continuing Appropriations Act of 2015*, the NRC's fee recovery amount for the FY 2015 budget was \$895.5 million. After accounting for billing adjustments, the total amount to be billed as fees to licensees was \$888.7 million. The NRC Fee Recovery Schedules for FY 2015 are located at <http://www.gpo.gov/fdsys/pkg/FR-2015-06-30/pdf/2015-15763.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 (OIG) open audit recommendations. The status of these recommendations can be found at: <http://pbadupws.nrc.gov/docs/ML1527/ML15279A095.pdf>



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

OFFICE OF THE
INSPECTOR GENERAL

February 9, 2016

MEMORANDUM TO: Chairman Burns

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

SUBJECT: TRANSMITTAL OF THE INDEPENDENT AUDITORS'
REPORT ON THE SUMMARY FINANCIAL STATEMENTS
(OIG-16-A-09)

Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements*, Revised, August 4, 2015, 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 2015 Summary of Performance and Financial Information*."

CLA is responsible for the attached auditors' report. 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. E. Wylie, CFO
V. M. McCree, EDO

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, 2015 and 2014, the summary statements of net cost and summary statements of changes in net position for the years then ended, and the related notes, are derived from the audited financial statements of the United States Nuclear Regulatory Commission (NRC) as of and for the years ended September 30, 2015 and 2014. We expressed an unmodified audit opinion on those audited financial statements in our report dated November 6, 2015. 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 on the basis described in Note 1.

Auditors' Responsibility

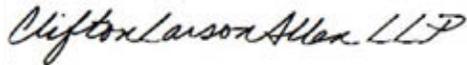
Our responsibility is to express an opinion about whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with auditing standards generally accepted in the United

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

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 the basis described in Note 1. 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, 2015 and 2014 referred to above are consistent, in all material respects, with the audited financial statements from which they have been derived, on the basis described in Note 1.



CliftonLarsonAllen LLP

Arlington, Virginia
February 9, 2016



SUMMARY FINANCIAL STATEMENTS

SUMMARY BALANCE SHEET* (In Thousands)

As of September 30,	2015	2014
Assets		
Fund balance with Treasury	\$ 353,838	\$ 377,391
Accounts receivable, net	96,039	111,567
Property and equipment, net	79,056	90,280
Other	11,288	8,076
Total Assets	\$ 540,221	\$ 587,314
Liabilities		
Accounts payable	\$ 37,011	\$ 38,185
Federal employee benefits	6,040	6,669
Other	84,915	79,416
Total Liabilities	127,966	124,270
Net Position		
Unexpended appropriations	283,151	306,226
Cumulative results of operations	129,104	156,818
Total Net Position	412,255	463,044
Total Liabilities and Net Position	\$ 540,221	\$ 587,314

SUMMARY STATEMENT OF NET COST* (In Thousands)

For the years ended September 30,	2015	2014
Nuclear Reactor Safety		
Gross costs	\$ 838,682	\$ 817,279
Less: Earned revenue	(814,280)	(815,037)
Total Net Cost of Nuclear Reactor Safety	24,402	2,242
Nuclear Materials and Waste Safety		
Gross costs	244,777	239,305
Less: Earned revenue	(86,554)	(81,515)
Total Net Cost of Nuclear Materials and Waste	158,223	157,790
Net Cost of Operations	\$ 182,625	\$ 160,032

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

For the years ended September 30,	2015	2014
Cumulative Results of Operations		
Beginning Balance	\$ 156,818	\$ 160,637
Budgetary Financing Sources	127,252	121,264
Other Financing Sources	27,659	34,949
Net Cost of Operations	(182,625)	(160,032)
Net Change	(27,714)	(3,819)
Cumulative Results of Operations	\$ 129,104	\$ 156,818
Unexpended Appropriations		
Beginning Balance	\$ 306,226	\$ 242,640
Budgetary Financing Sources	(23,075)	63,586
Total Unexpended Appropriations	283,151	306,226
Net Position	\$ 412,255	\$ 463,044

NOTES TO THE SUMMARY FINANCIAL STATEMENTS

NOTE 1. BASIS OF PRESENTATION

The NRC FY 2015 summary financial statements were prepared in accordance with applied criteria determined by management which is consistent with OMB A-136, Financial Reporting Requirements, Section III Summary of Performance and Financial Information. The NRC FY 2015 summary financial statements are consistent in all material respects with the NRC audited financial statements as of and for the periods ended September 30, 2015 and September 30, 2014, from which they have been derived.

NOTE 2. ACCOUNTING POLICIES

The summary financial statements were prepared in accordance with policies described in the notes to the NRC audited financial statements as of and for the periods ended September 30, 2015 and September 30, 2014; however, they do not include all the information necessary for financial statements prepared in accordance with accounting principles generally accepted for Federal entities in the United States of America. The summary financial statements are sufficiently complete so that the summary financial statements contain the information necessary and are at an appropriate level of aggregation, so that they are not misleading in the circumstances.

* For a complete set of financial statements and notes, see Chapter 3, "Financial Statements and Auditors' Report," beginning on page 83 of the FY 2015 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 2015

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0
<i>Total Material Weaknesses</i>	0	0	0	0	0

Summary of Management Assurances for FY 2015

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

Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0
<i>Total Material Weaknesses</i>	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0
<i>Total Material Weaknesses</i>	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance	Systems conform to financial management system requirements				
Nonconformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
None	0	0	0	0	0
<i>Total Nonconformances</i>	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)

	Agency	Auditor
1. Systems Requirements	No Lack of Substantial Compliance Noted	No Lack of Substantial Compliance Noted
2. Accounting Standards	No Lack of Substantial Compliance Noted	No Lack of Substantial Compliance Noted
3. U.S. Standard General Ledger at the Transaction Level	No Lack of Substantial Compliance Noted	No Lack of Substantial Compliance Noted

BIBLIOGRAPHIC DATA SHEET

NRC FORM 335 (12-2010) NRCMD 3.7		U.S. NUCLEAR REGULATORY COMMISSION		1. REPORT NUMBER (Assigned by NRC, Add Vol., Supp., Rev., and Addendum Numbers, if any.) NUREG-1542, Vol. 21, Supp.1	
BIBLIOGRAPHIC DATA SHEET <i>(See instructions on the reverse)</i>					
2. TITLE AND SUBTITLE U.S. Nuclear Regulatory Commission Fiscal Year 2015 Summary of Performance and Financial Information			3. DATE REPORT PUBLISHED		
			MONTH February	YEAR 2016	
5. AUTHOR(S) David Holley, James Coyle, et. al			4. FIN OR GRANT NUMBER N/A		
			6. TYPE OF REPORT Annual		
8. PERFORMING ORGANIZATION - NAME AND ADDRESS (If NRC, provide Division, Office or Region, U. S. Nuclear Regulatory Commission, and mailing address; if contractor, provide name and mailing address.) Division of Planning and Budget Office of the Chief Financial Officer U.S. Nuclear Regulatory Commission Washington, DC 20555-0001					
9. SPONSORING ORGANIZATION - NAME AND ADDRESS (If NRC, type "Same as above", if contractor, provide NRC Division, Office or Region, U. S. Nuclear Regulatory Commission, and mailing address.) Same as above					
10. SUPPLEMENTARY NOTES					
11. ABSTRACT (200 words or less) The Fiscal Year 2015 NRC Summary of Performance and Financial Information provides performance and summary audited financial statements that enable the U.S. Congress, the President, and the public to assess the performance of the agency in achieving its mission and stewardship of its resources.					
12. KEY WORDS/DESCRIPTORS (List words or phrases that will assist researchers in locating the report.) Summary of Performance and Financial Information Fiscal Year (FY) 2015				13. AVAILABILITY STATEMENT unlimited	
				14. SECURITY CLASSIFICATION <i>(This Page)</i> unclassified	
				14. SECURITY CLASSIFICATION <i>(This Report)</i> unclassified	
				15. NUMBER OF PAGES	
				16. PRICE	

NRC FORM 335 (12-2010)

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NRC publications in the NUREG series, NRC regulations, and Title 10, "Energy," in the *Code of Federal Regulations* may also be purchased from one of these two sources.

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Documents available from public and special technical libraries include all open literature items, such as books, journal articles, transactions, Federal Register notices, Federal and State legislation, and congressional reports. Such documents as theses, dissertations, foreign reports and translations, and non-NRC conference proceedings may be purchased from their sponsoring organization.

Copies of industry codes and standards used in a substantive manner in the NRC regulatory process are maintained at:

The NRC Technical Library

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Rockville, MD 20852-2738

These standards are available in the library for reference use by the public. Codes and standards are usually copyrighted and may be purchased from the originating organization or, if they are American National Standards, from:

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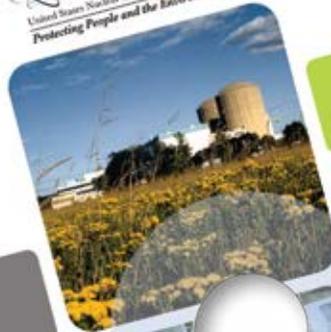
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