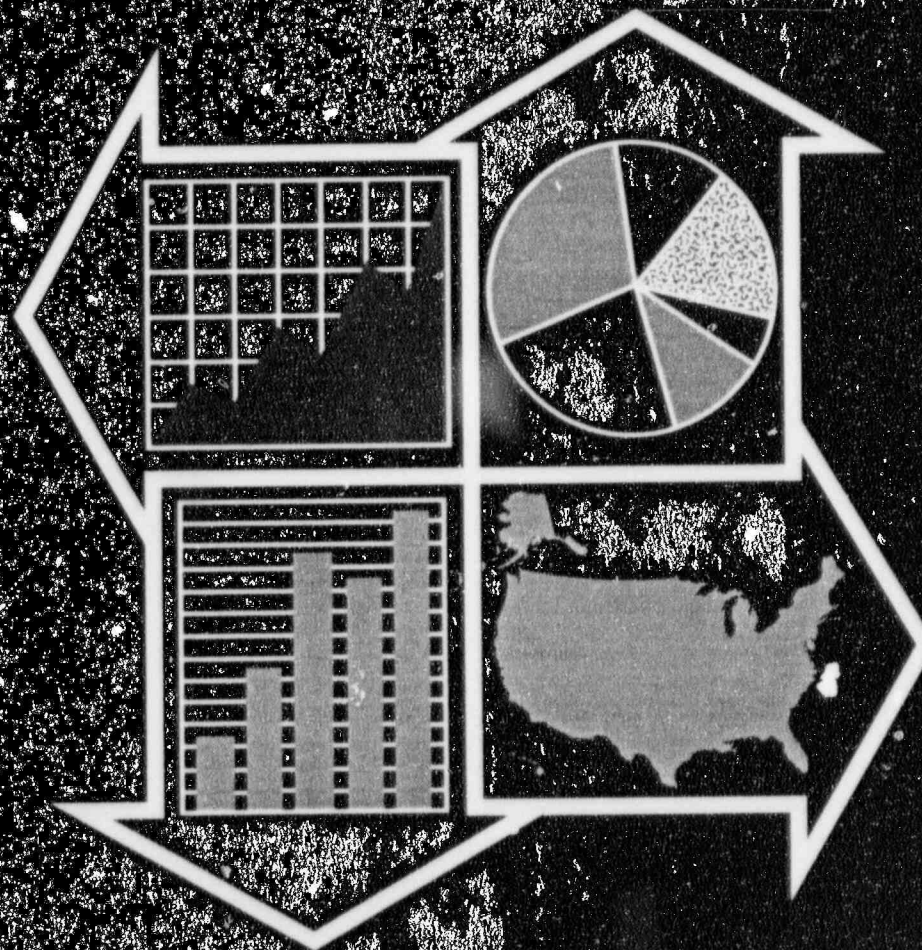


# NUCLEAR REGULATORY COMMISSION



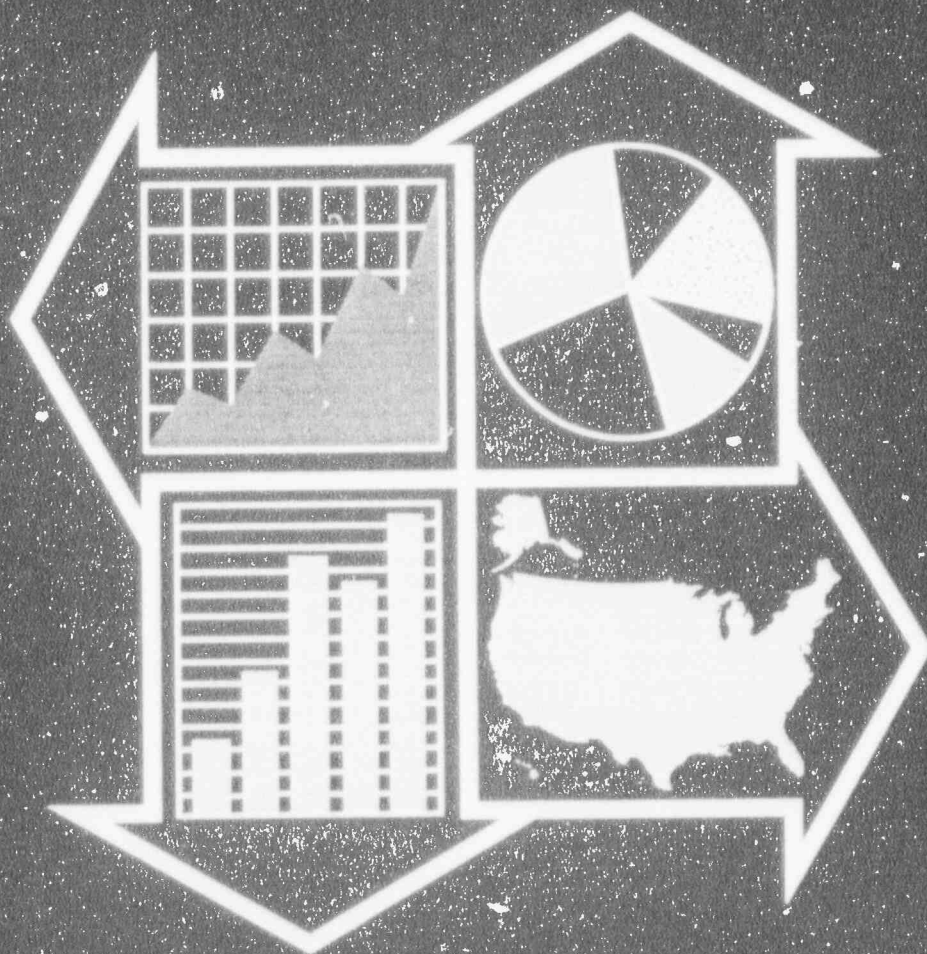
## FINANCIAL STATEMENT FOR FISCAL YEAR 1993

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# NUCLEAR REGULATORY COMMISSION



## FINANCIAL STATEMENT FOR FISCAL YEAR 1993

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## ***PRINCIPLES OF GOOD REGULATION***

The NRC adheres to the following Principles of Good Regulation:

**INDEPENDENT.** Nothing but the highest possible standards of ethical performance and professionalism should influence regulation. However, independence does not imply isolation. All available facts and opinions must be sought openly from licensees and other interested members of the public. The many and possibly conflicting public interests involved must be considered. Final decisions must be based on objective, unbiased assessments of all information, and must be documented with reasons explicitly stated.

**OPEN.** Nuclear regulation is the public's business, and it must be transacted publicly and candidly. The public must be informed about and have the opportunity to participate in the regulatory processes as required by law. Open channels of communication must be maintained with Congress, other government agencies, licensees, and the public, as well as with the international nuclear community.

**EFFICIENT.** The American taxpayer, the rate-paying consumer, and licensees are all entitled to the best possible management and administration of regulatory activities. The highest technical and managerial competence is required, and must be a constant agency goal. The NRC must establish means to evaluate and continually upgrade its regulatory capabilities. Regulatory activities should be consistent with the degree of risk reduction they achieve. Where several effective alternatives are available, the option which minimizes the use of resources should be adopted. Regulatory decisions should be made without undue delay.

**CLEAR.** Regulations should be coherent, logical, and practical. There should be a clear nexus between regulations and agency goals and objectives whether explicitly or implicitly stated. Agency positions should be readily understood and easily applied.

**RELIABLE.** Regulations should be based on the best available knowledge from research and operational experience. Systems interactions, technological uncertainties, and the diversity of licensees and regulatory activities must all be taken into account so that risks are maintained at an acceptably low level. Once established, regulation should be perceived to be reliable and not unjustifiably in a state of transition. Regulatory actions should always be fully consistent with written regulations and should be promptly, fairly, and decisively administered so as to lend stability to the nuclear operational and planning processes.

The effective regulation of users of nuclear materials requires constant vigilance and faithful adherence to these basic principles.

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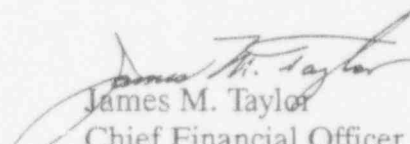
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## ***MESSAGE FROM THE CHIEF FINANCIAL OFFICER***

I am pleased to issue the financial statement for fiscal year 1993 as required by the Chief Financial Officers (CFOs) Act of 1990. This financial statement includes an overview of the NRC, the audited principal financial statements and audit reports, and supplemental financial and management information.

The Nuclear Regulatory Commission (NRC) is committed to ensuring adequate protection for the public health and safety, common defense and security, and the environment in the civilian use of nuclear materials in the United States. I continue to believe that sound financial management, an integral part of regulatory management, will improve the efficiency and effectiveness with which the NRC carries out its regulatory mission. Program and financial managers, working in partnership using modern management techniques and an integrated financial management system, will enable the NRC to make decisions and measure performance to achieve desirable outcomes and real cost effectiveness.

The audit report on the FY 1993 principal financial statements reflects the progress that has been made towards correcting previously reported problems. During FY 1993, improvements were made to financial management practices, financial systems, and quality of data available to evaluate NRC activities. We have also increased the efficiency and effectiveness of our program financing, with the results being reduced budgets. However, I continue to be aware of the need for further improvements to reach the level of financial management envisioned by the CFOs Act. Achievement of these goals is a high priority of mine, as well as of senior management throughout the agency.

  
James M. Taylor  
Chief Financial Officer



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## OVERVIEW

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## INTRODUCTION

The U.S. Nuclear Regulatory Commission (NRC) is an independent regulatory agency of the Federal Government that was created by the Energy Reorganization Act of 1974, as amended. That Act, along with the Atomic Energy Act of 1954, as amended, provides the foundation for the regulation of the nation's civilian uses of nuclear materials.

## NRC MISSION

The U.S. Congress has determined that the safe use of nuclear materials for peaceful purposes is a legitimate and important national goal. Consistent with this goal, the NRC's mission is to ensure adequate protection of the public health and safety, the common defense and security, and the environment in the use of nuclear materials in the United States.

The NRC's scope of responsibility includes regulation of commercial nuclear power plants; research, test, and training reactors; fuel cycle facilities; medical, academic, and industrial uses of nuclear materials; and the transport, storage, and disposal of nuclear materials and wastes. The NRC carries out its mission through a system of licensing and regulatory activities that includes:

- licensing the construction, operation, and decommissioning of nuclear reactors and other nuclear facilities, such as nuclear fuel fabrication facilities, uranium enrichment facilities, and nonpower test and research reactors;
- licensing the possession, use, processing, handling, and export of nuclear material;
- licensing the construction, operation, and closure of low-level radioactive waste disposal sites and the geologic repository for high-level radioactive waste;
- licensing nuclear reactor operators;
- inspecting licensed facilities and activities;
- conducting research to provide independent expertise and information for making timely regulatory judgments and for anticipating problems of potential safety significance;
- developing and implementing rules and regulations that govern licensed nuclear activities; and
- collecting, analyzing, and disseminating information about the operational safety of commercial nuclear power reactors.

## ***NRC ORGANIZATION AND LOCATIONS***

The NRC is headed by five Commissioners nominated by the President and confirmed by the Senate for five-year terms. One of them is designated by the President as Chairman, serving as the principal executive officer and official spokesperson of the Commission. The staff, headed by the Executive Director for Operations (EDO), carries out the policies and decisions made by the Commission.

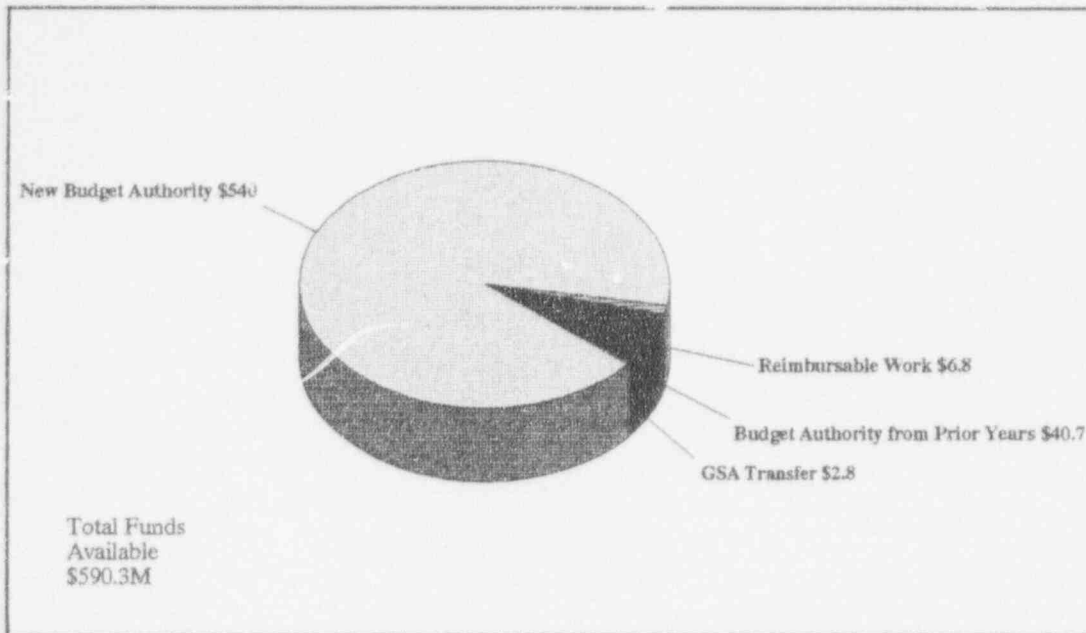
The Chairman, with the approval of the Commission, designated the NRC's EDO as the Chief Financial Officer (CFO). The EDO/CFO is the chief operating and administrative officer of the NRC and has responsibility for the day-to-day financial management of the Agency. The Deputy CFO/Controller reports directly to the EDO/CFO and assists in the financial management activities of the Agency.

The NRC headquarters staff is located in Maryland. In addition to the headquarters staff, the NRC has four regional offices, located in Pennsylvania, Georgia, Illinois, and Texas, as shown in Figure 1 in the Supplemental section. Also, at least two NRC resident inspectors are located at each commercial nuclear power reactor site in the nation.

## ***SOURCES OF FUNDS***

The NRC has two no-year appropriations, and funds for both are available until expended. One appropriation is for Agency salaries and expenses and the other is for the Office of the Inspector General (IG). The total NRC new budget authority for Fiscal Year (FY) 1993 was \$540.0 million, which consisted of \$535.4 million from the Salaries and Expenses Appropriation and \$4.6 million from the IG Appropriation. Additionally, \$40.7 million from prior-year appropriations was available to expend in FY 1993, the NRC accepted new reimbursable work to be performed for others of \$6.8 million and the General Services Administration (GSA) authorized \$2.8 million to be expended from their appropriation for the operation and repair of certain buildings occupied by the NRC. The sum of all funds available to expend for FY 1993 was \$590.3 million.





The Omnibus Budget Reconciliation Act (OBRA) of 1990 requires NRC to recover approximately 100 percent of its new budget authority, less the amount appropriated from the Department of Energy (DOE) Nuclear Waste Fund, by assessing license and annual fees. For FY 1993, \$21.1 million of the \$540.0 million in new budget authority was appropriated from the Nuclear Waste Fund, resulting in \$518.9 million to be recovered through fees.

The NRC's assets, other than appropriated funds, are limited. Capitalized personal property is limited to typical office furnishings, personal property acquired by contractors with NRC funds, nuclear reactor simulators, computer hardware, and off-the-shelf as well as customized computer software. The NRC has no real property, loan, or loan guarantee programs.

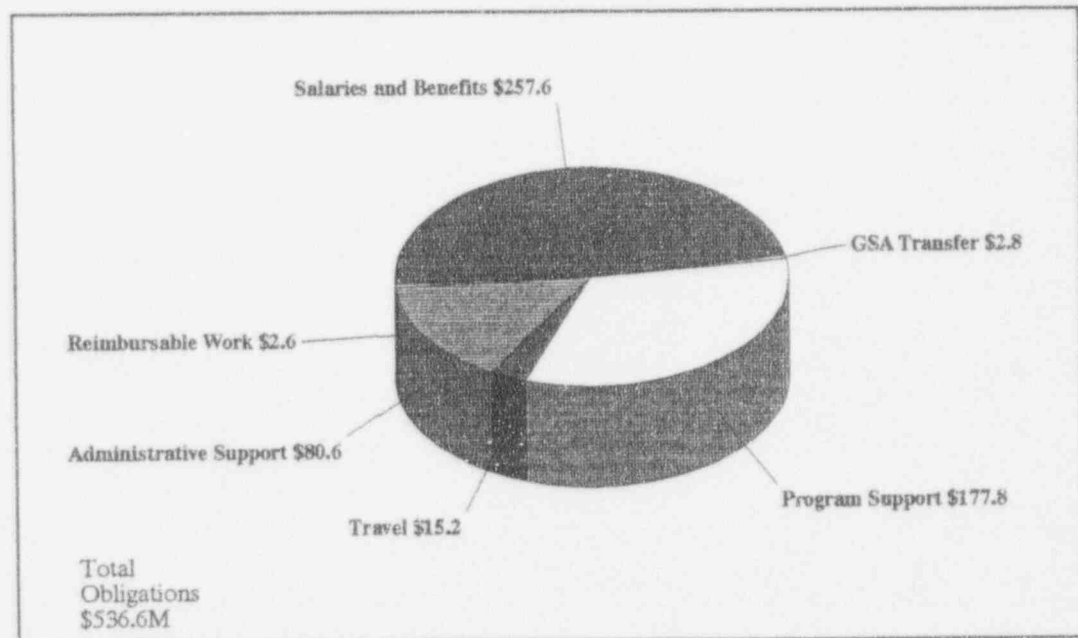
## FINANCIAL PERFORMANCE

### FINANCIAL CONDITION OF THE NRC

As of September 30, 1993, the financial condition of the NRC is sound with respect to having sufficient funds to meet program needs and sufficient control of these funds to ensure that our obligations do not exceed budget authority. The Statement of Financial Position shows a net position (assets minus liabilities) of \$219.5 million. Because of the nature of NRC programs and sources of funds, NRC has no material contingent liabilities. Consistent with the requirements of OBRA, the NRC collected 97.7 percent of its new budget authority excluding the amount appropriated from the Nuclear Waste Fund.

### USES OF FUNDS BY FUNCTION

As previously stated, the total budget authority available for use by the NRC in FY 1993 was \$590.3 million. Of that amount, the NRC incurred obligations of \$536.6 million with 48 percent used for salaries and benefits; 33 percent used to obtain technical assistance for the NRC's principal regulatory programs and to conduct confirmatory reactor safety research; and 19 percent used for administrative expenses (e.g., building rentals, transportation, printing, security services, supplies, office automation, and training), staff travel, and reimbursable work. The remaining \$53.7 million in budget authority that was not obligated in FY 1993 will be available to fund critical needs in FY 1994.



### FEES AND ACCOUNTS RECEIVABLE

The following chart shows the amount of new budget authority estimated to be collected (100 percent less amount appropriated from the DOE Waste Fund) and the amount collected in FY's 1991 through 1993.

| FY   | Budget Amount to Be Collected (Millions) | Actual Collected (Millions) | Percent |
|------|--|-----------------------------|---------|
| 1991 | \$445.3                                  | \$438.6                     | 98.5    |
| 1992 | \$492.5                                  | \$489.3                     | 99.4    |
| 1993 | \$518.9                                  | \$507.1                     | 97.7    |



An increase in accounts receivable resulted from implementing OBRA. As of September 30, 1993, NRC total accounts receivable, before the \$6.0 million allowance for uncollectible accounts, was \$74.1 million, of which \$74.0 million was fee-related, as shown in the chart below. The remaining \$0.1 million in accounts receivable is classified as either employee-related accounts receivable or other accounts receivable.

| <b>Fee-Related Accounts Receivable</b><br><b>(as of 9/30/93)</b> |               |                            |               |
|--|---------------|----------------------------|---------------|
| <b>Fee-Related</b>   | <b>Number</b> | <b>Dollars in Millions</b> |               |
| <b>Current</b>   | 908           |                            | \$54.1        |
| <b>Days Overdue:</b>   |               |                            |               |
| 1 to 30 days   | 2,384         | 15.9                       |               |
| 31 to 365 days   | 63            | 1.0                        |               |
| Over 365 days  | <u>687</u>    | <u>3.0</u>                 |               |
|  | <u>3,134</u>  |                            | <u>19.9</u>   |
| <b>Total</b>   | <u>4,042</u>  |                            | <u>\$74.0</u> |

The accounts receivable that are overdue by fewer than 30 days result from FY 1993 annual fees, and many of these overdue accounts are expected to be paid within 30 to 60 days after the end of the fiscal year. To resolve the overdue accounts receivable and to deter late payment of fees in the future, the NRC is assessing interest and penalties on overdue accounts, referring the accounts to a debt collection agency, and revoking licenses after all past due notices are sent. However, as shown in the Statement of Financial Position, the NRC estimates that \$5.9 million of the accounts receivable are uncollectible accounts. These uncollectible accounts include those for which NRC will grant an exemption from the fee for good cause and those for which the licensee will refuse to pay after the NRC exhausts its cost-effective actions to obtain payment.

### ***FUTURE FINANCIAL MANAGEMENT CHALLENGES***

Since the passage of the Chief Financial Officers Act of 1990 (CFOs Act), the NRC has been aware of the need to improve its financial systems, procedures, and operations and, more importantly, to increase management emphasis and attention to sound financial management. Although NRC has improved its financial management, additional improvements are needed to reach the level of financial management envisioned by the CFOs Act. The preparation of this

financial statement, Office of Inspector General audits and assessments, and internal financial management assessments have indicated a need for increased awareness of the importance of financial management, improved financial management processes, and improved accountability. As a result of these assessments and audits, the NRC identified four material weaknesses. Progress has been made to resolve these weaknesses as discussed in the Supplemental section. The NRC is committed to a continuing examination of its financial management controls to determine financial risks and vulnerabilities and to correct any weaknesses.

At the beginning of FY 1993, the NRC implemented a proprietary financial system, the Federal Financial System (FFS), through a cross-servicing arrangement with the Financial Management Service of the Department of the Treasury. The FFS has already proved to be an effective and flexible core financial system in that its highly integrated nature has significantly facilitated certain accounting reconciliations and eliminated the need for other reconciliations.

Integration of other financial data into FFS (e.g. fee data) will occur in the future. Emphasis is being placed on improved program management-centered reports for offices use in managing their programs.

### ***LIMITATIONS OF PRINCIPAL STATEMENTS***

The principal statements have been prepared to report the financial position and results of operations of the NRC, pursuant to the requirements of the Chief Financial Officers Act of 1990. While statements have been prepared from the books and records of the NRC in accordance with the formats prescribed by OMB, the statements are different from 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 sovereign entity, that unfunded liabilities reported in the principal statements cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Other limitations are included in the footnotes to the principal statements.

### ***PROGRAM PERFORMANCE***

This section highlights key aspects of the NRC's programs, including performance measures that are required by the CFOs Act of 1990. A more complete description of programs and activities can be found in the NRC's Annual Report that is required by the Energy Reorganization Act of 1974. The program performance measures are related to outcomes such as safety effectiveness, outputs such as inspection effort, and timeliness of actions. The resources for these programs, as described in the NRC Five-Year Plan (FYP), are included in the Supplemental Financial and Management Information section.

## ***NRC'S FIVE-YEAR PLAN***

The FYP is the foundation of the Agency's planning, programming, and budgeting process. The FYP, which is updated annually, provides the basis for future budget submissions to OMB and the Congress and for assessments of the NRC's progress in achieving its goals. Throughout the year, the NRC evaluates mandated program and budget adjustments, policy changes, new legislation, workload changes, and the need for programmatic shifts. Changes approved by the Commission are incorporated in the next update of the FYP. The overall goals of the FYP are included in the following discussions of each Agency program.

## ***REACTOR SAFETY***

The major goals of the NRC's reactor safety program are to —

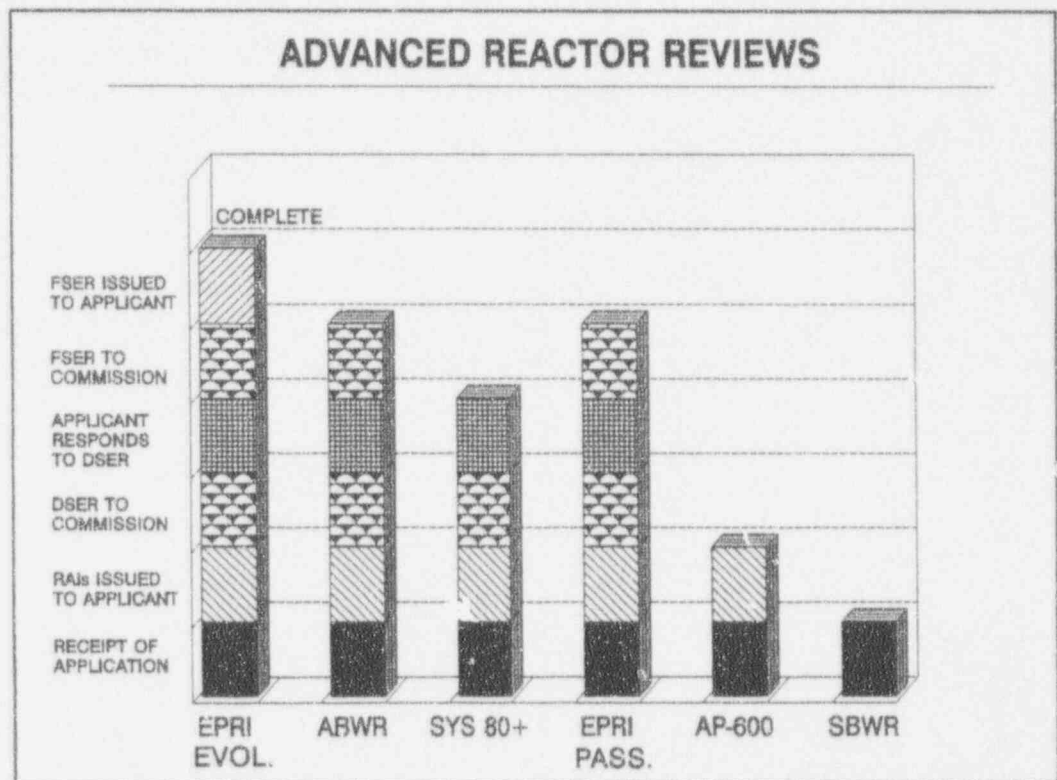
- ensure that nuclear power plants and other licensed facilities are operated safely and that licensees are adequately prepared to respond to accidents;
- ensure that nuclear power plants under construction are designed and constructed properly and are ready for safe operation; and
- prepare for future standard reactor design licensing and reactor license renewal activities, including revisions to regulatory guidance and standard review plans.

As of September 30, 1993, 109 commercial nuclear power reactors were licensed to operate at full power in 32 States. (Figure 2 in the Supplemental section shows the location of nuclear power reactor plants in the United States.) These reactors generate about 20 percent of the nation's electricity. At the end of the fiscal year, seven plants had a valid construction permit; however, construction has been halted or deferred on five of these plants. The NRC received no new applications for operating licenses or construction permits and issued no construction permits in FY 1993. During FY 1993, one operating license was issued and two plants were permanently shut down.

## ***Review of Advanced Reactor Designs***

The NRC has encouraged the nuclear industry to standardize nuclear power reactor designs. The following chart shows the NRC's progress as of December 31, 1993, in reviewing each accepted standard plant design application and major industry generic requirements document by measuring the major staff output documents [Requests for Additional Information (RAI), Draft Safety Evaluation Report (DSER), and Final Safety Evaluation Report (FSER)] against the schedule milestones.

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**EPRI EVOL.** — The NRC completed the FSER on the Electric Power Research Institute (EPRI) Utility Requirements Document for evolutionary light-water reactors (LWRs) in December 1993, as scheduled.

**ABWR** — The NRC issued the FSER for the General Electric Nuclear Energy (GE) Advanced Boiling Water Reactor (ABWR) to the Commission in December 1993, as scheduled.

**SYS 80+** — Asea Brown Boveri-Combustion Engineering (ABB/CE) completed responding to open issues identified in the NRC staff's DSER of the System 80+ design. The NRC plans to issue the FSER for the System 80+ design to the Commission in March 1994.

**EPRI PASS.** — The NRC staff issued the FSER on the EPRI Utility Requirements Document for passive LWRs to the Commission in August 1993. The final publication of the FSER has been delayed from the November 1993 schedule date to August 1994.

**AP-600** — Westinghouse completed its application for design certification of the AP600 design as required by 10 CFR Part 52 in December 1992. The NRC staff completed issuing RAJs on the initial application information and continues to issue RAJs as a result of vendor/staff interactions.

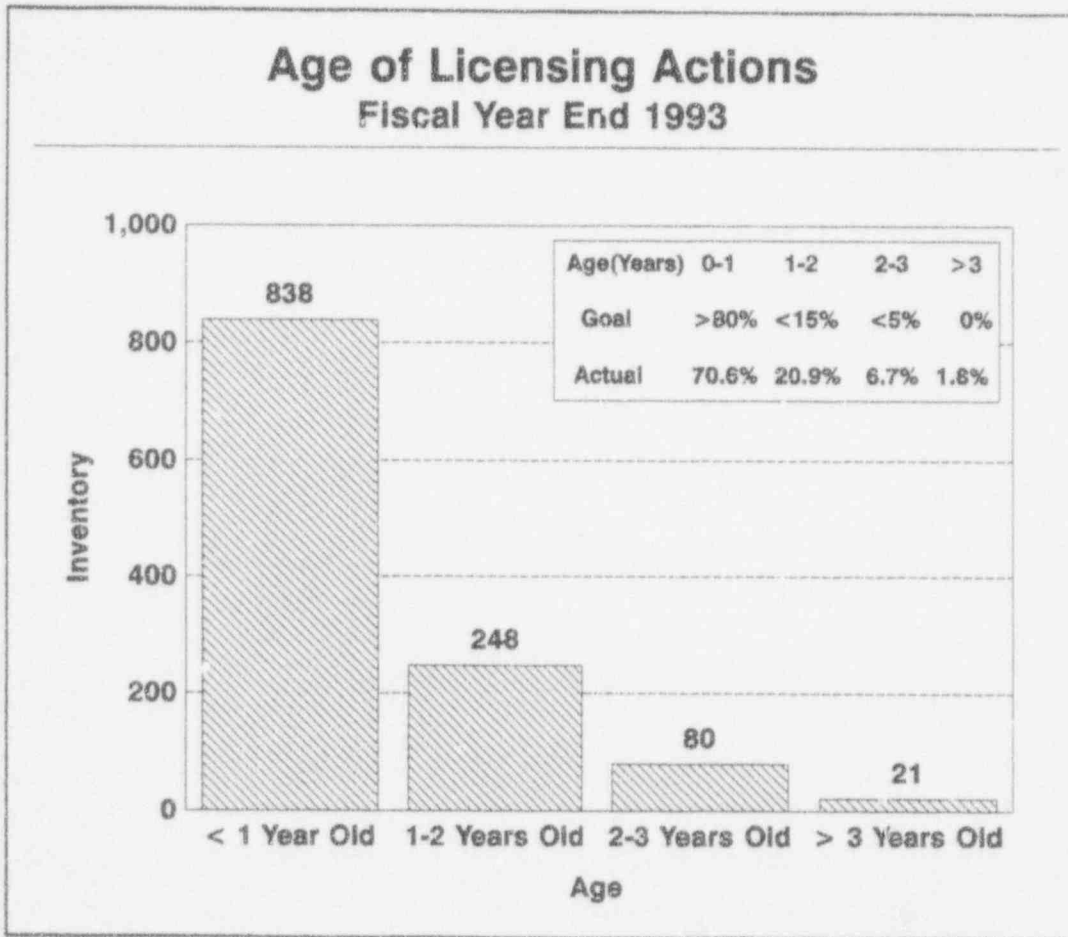
**SBWR** — GE completed its application for design certification of the Simplified Boiling Water Reactor (SBWR) design as required by 10 CFR Part 52 in May 1993.

### *Licensing Actions for Operating Power Reactors*

Either routine activity or unexpected events at a nuclear facility can result in a need for licensing actions by the NRC. During FY 1993, the NRC completed about 1,380 licensing actions for operating power reactors. Over 90 percent of the actions in inventory are plant-specific amendments requested by licensees; the balance are the result of NRC-imposed requirements. The total licensing



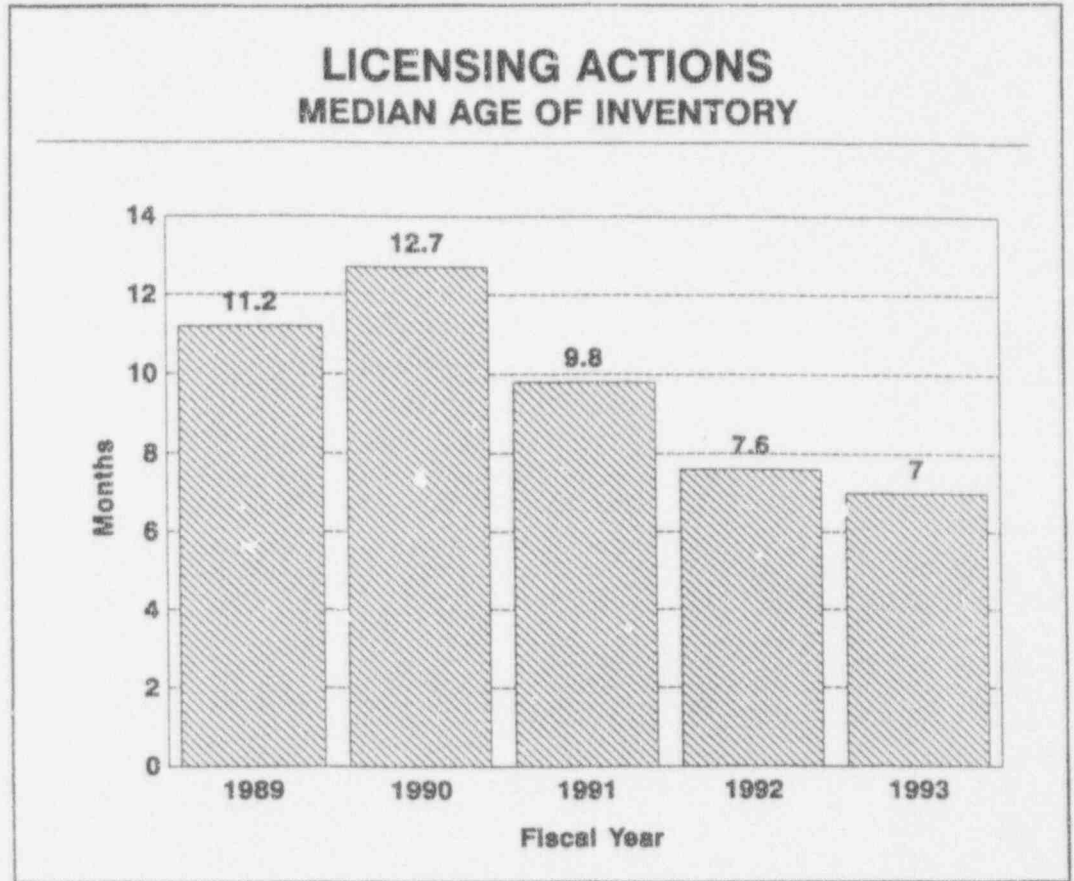
action inventory has increased slightly from 1,143 licensing actions at the end of FY 1992 to 1,187 under review at the end of FY 1993.



The NRC has established goals to control the size and age of the licensing action inventory. These goals call for 80 percent of these actions to be one year old or less, 95 percent to be two years old or less, and all actions to be no more than three years old. The chart above shows the age of licensing actions at the end of FY 1993.

Although the NRC has not reached its goals for aging, steady progress has been realized in reducing the number of older actions in the licensing action inventory. From the first year of measurement in 1989, the percentage of licensing actions more than three years old has dropped from 23 percent to 2 percent. Improvement has been made in all other categories as well. At the end of FY 1993, over 70 percent of the licensing actions were one year old or less (compared to less than 62 percent at the end of FY 1992), 91 percent were two years old or less (compared to less than 84 percent at the end of FY 1992), and 98 percent were three years old or less. As the following chart shows, the median age of

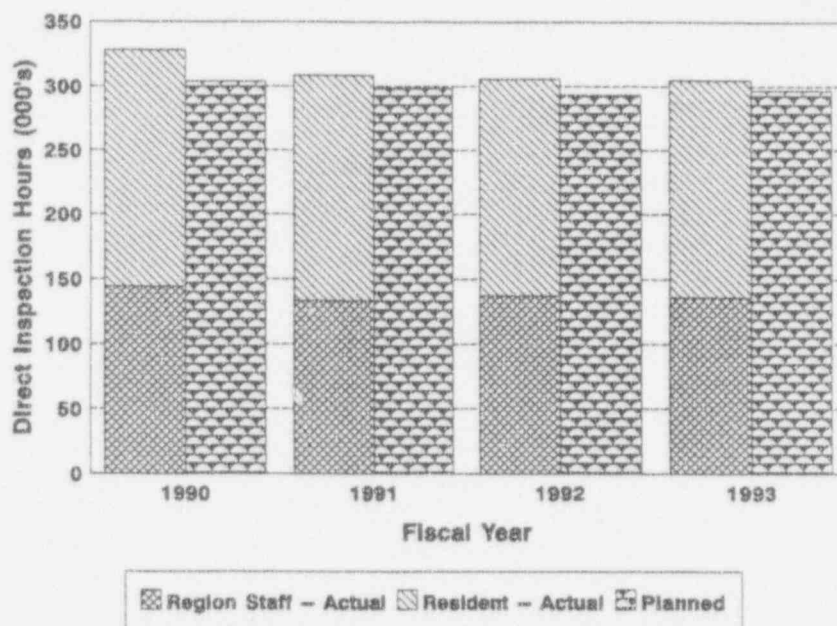
the licensing action inventory has also decreased over time. This results from the NRC's efforts to complete actions in a more timely manner.



### *Inspection Activities*

A basic element in the NRC reactor regulation program is the inspection of licensed reactor facilities to determine the state of reactor safety, confirm that operations are in compliance with the provisions of the license, and ascertain whether other conditions exist that have safety implications serious enough to warrant corrective action. The NRC's reactor inspection program encompasses all applicant and licensee activity completed in connection with the construction and operation of nuclear facilities. Most inspections are dedicated to operations at the 109 operating plants, while a few inspections are of the facilities with construction permits.

### DIRECT INSPECTION ACTIVITY Actual vs. Planned



The NRC assigns at least two resident inspectors to each operating reactor site. The resident inspectors concentrate on day-to-day licensee operations, follow-up of events, licensee management, and staff performance. Region-based and NRC headquarters inspectors supplement the activities carried out by resident inspectors through a variety of program and technical inspections that afford an in-depth look at licensee operations.

In FY 1993, the overall direct inspection effort exceeded the planned hours for inspection at reactors in operation. The chart above shows the use of allocated inspection resources in direct inspection activities by resident and region-based staff. Direct inspection effort in FY 1993 was approximately 305,000 hours, which was two to three percent greater than the hours that were planned.

#### *Licensee Safety Performance*

Safety of operation is the responsibility of NRC licensees. Regulatory oversight of licensee safety is the responsibility of the NRC. The safety performance of licensees is partially a reflection of the NRC's performance; however, it is not possible to isolate the causal relationship or a specific set of factors that directly link the NRC's performance to licensee performance. Safety performance

indicators and accident sequence precursors reflect the collective results of the efforts of the NRC and the nuclear industry. Certain trends in industry performance reinforce that the NRC is accomplishing its mission of protecting the public health and safety.

There are seven approved indicators of industry safety performance: automatic scrams; safety system actuations; significant events; safety system failures; forced outage rate; equipment-forced outage rate; and collective radiation exposure. (An eighth indicator, cause codes, is used to measure trends in plant-specific programmatic areas, but is not used for industry average trends.) These indicators, as a set, have demonstrated a correlation with licensee performance. More specific information about performance indicators is provided in the Supplemental section.

The general trend of the set of industry safety performance indicators has been toward improved industry performance, although smaller changes have been observed in recent years. The improvement is largely in response to forces set in motion by the NRC and industry after the accident at Three Mile Island Unit 2 (TMI).

Accident sequence precursors provide the NRC with insights into and improved understanding of operational experience by providing a risk perspective of reactor events or conditions. This is accomplished by determining a conditional core damage probability (CCDP) or probabilistic estimate of how close the plant was to core damage during an event; or the probability of core damage with an as-found condition, such as a safety system found to be inoperable.

The annual sum of CCDP decreased between 1985 and 1992; however, 1990 and 1991 show an increase over 1988 and 1989. Events with a CCDP in the 0.01 to 0.001 range have been infrequent in recent years, and the apparent increase in the sum of CCDPs in 1991 is the result of a single event. Additional information about accident sequence precursors is included in the Supplemental section.

## ***MATERIALS SAFETY***

The major goals of the materials safety program are to —

- ensure that current and future uses and transportation of nuclear and radioactive materials are safe and have adequate safeguards; and
- ensure that high-level and low-level nuclear waste and uranium mill tailings are safely managed and disposed of.

Approximately 22,000 licenses are issued for medical, academic, and industrial uses of nuclear material. About 30 percent of these material licenses are administered by the NRC. The remaining licenses are administered by the 29 states

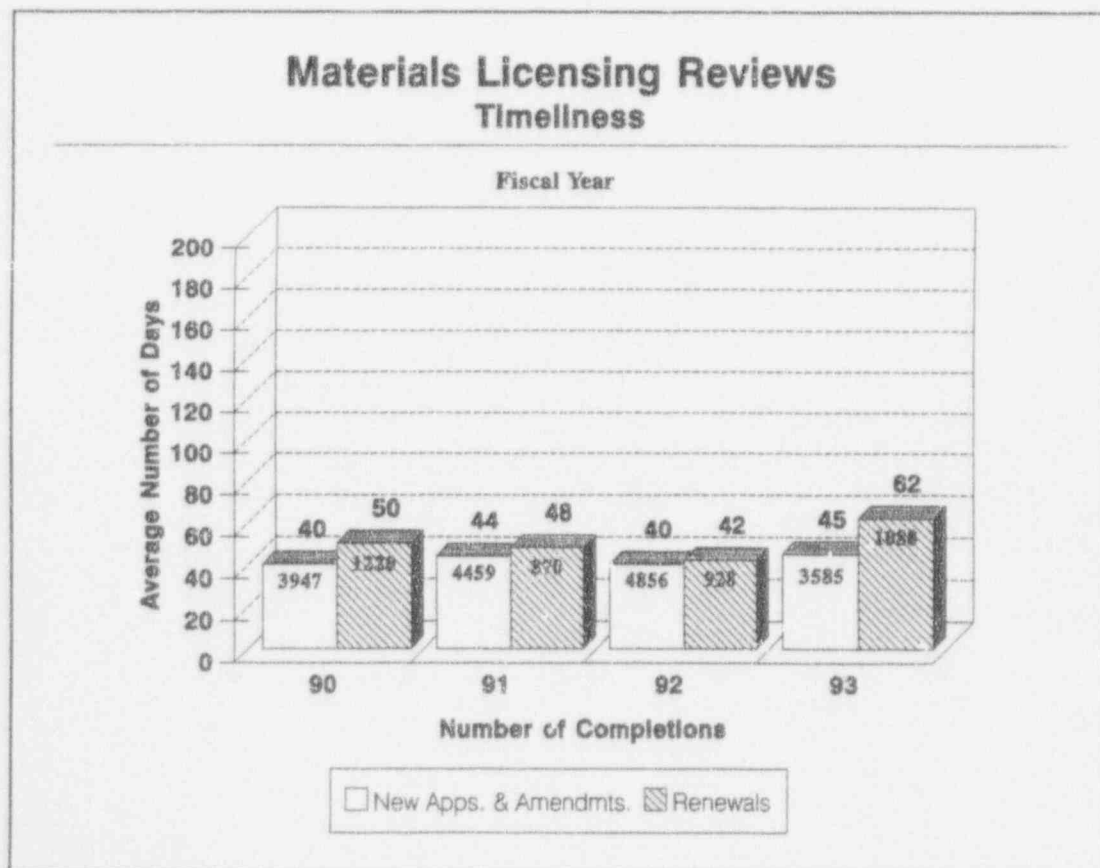


that, through a formal agreement with the NRC, have assumed regulatory responsibility over byproduct and source materials and small quantities of special nuclear material. The 29 Agreement States are shown in Figure 5 in the Supplemental section.

The NRC also licenses and inspects all commercial nuclear fuel facilities involved in the processing and fabrication of uranium ore into reactor fuel. Ten major facilities were licensed to operate in nine states at the end of FY 1993.

### *Materials Licensing*

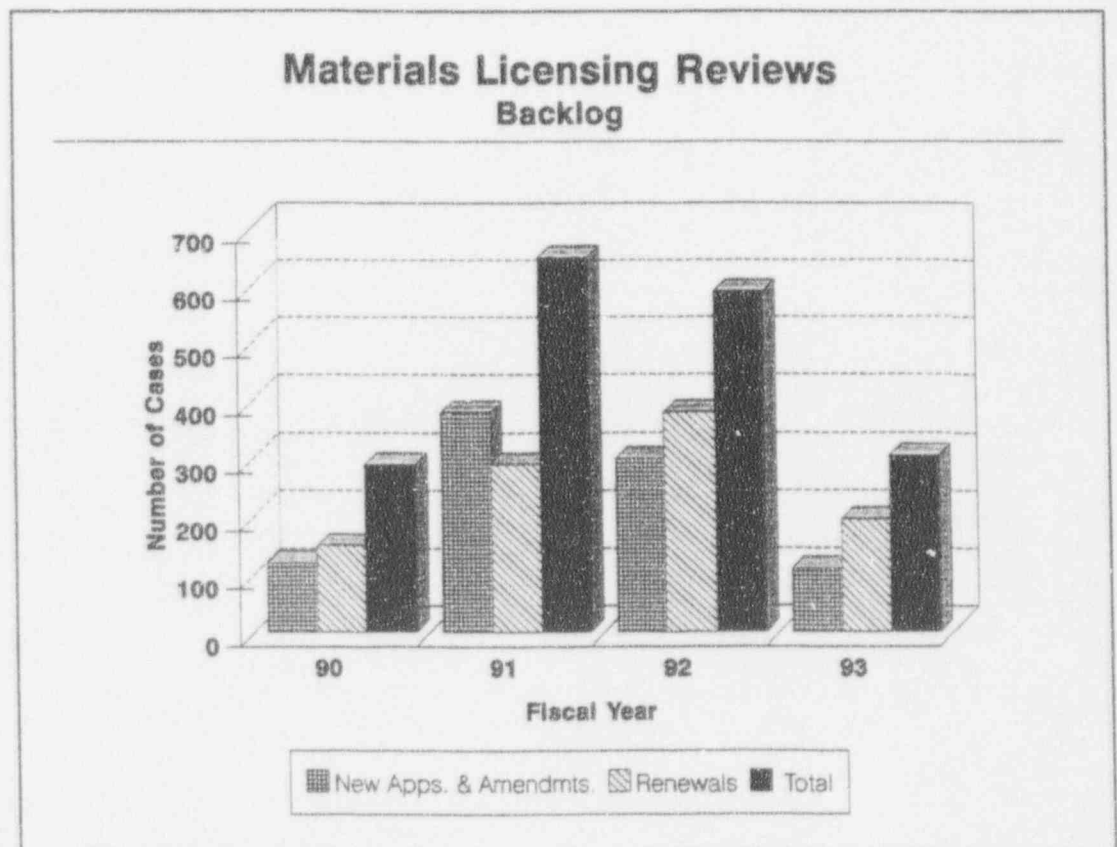
In FY 1993, the NRC completed over 4,600 licensing actions for materials users, which were comprised of approximately 370 new licenses, 3220 amendments to licenses, and 1090 were for license renewals.



The average time required to review the over 4,600 new, amendment, and renewal licenses for byproduct materials is shown in the above chart. The average number of days required to complete materials license reviews has been within the NRC's timeliness goals and renewals are slightly higher than the prior three years due to the complexity of some of these reviews.

In FY 1993 the NRC also completed 120 licensing actions involving fuel cycle plants, facilities, and spent fuel issues and about 370 sealed source and device reviews.

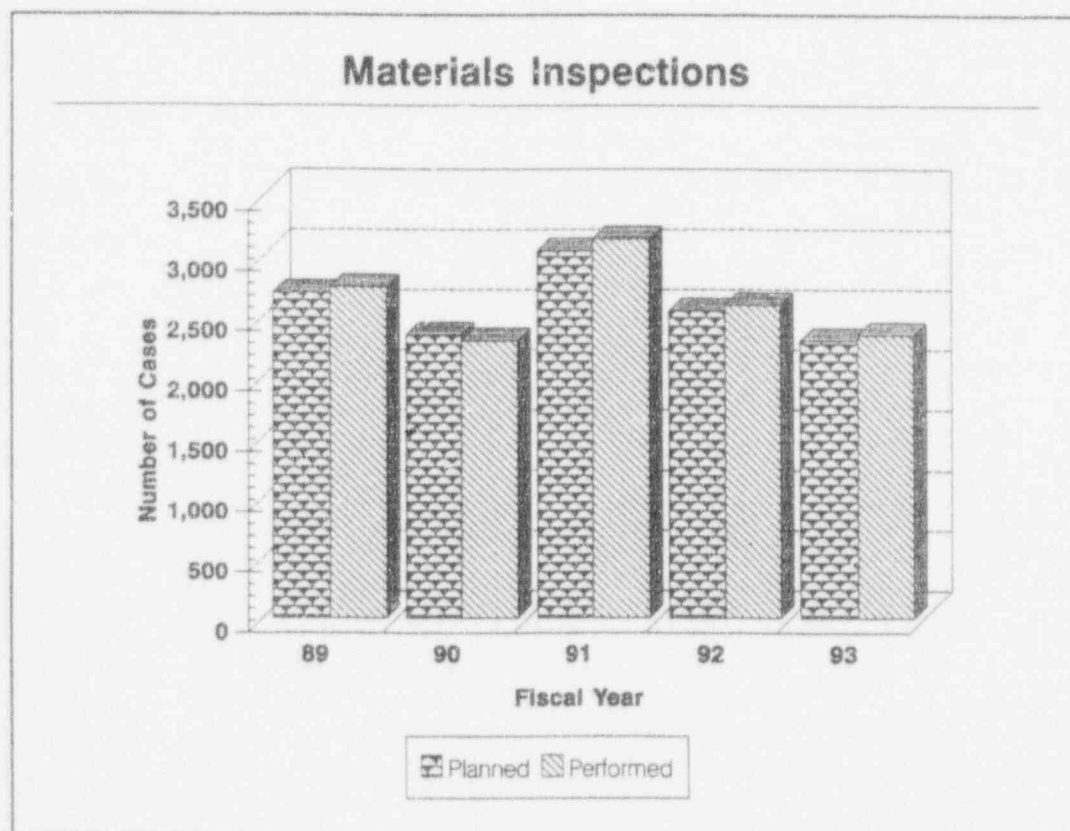
The NRC's goal is to complete 80 percent of new applications and license amendments for byproduct materials licenses within 90 calendar days after their receipt and the remainder within 180 calendar days. The goal for renewal applications is to complete 80 percent within 180 calendar days and the remainder within one year. Unique and complex technical reviews (defined by the NRC) are expected to take more time to complete. The following chart shows the number of backlogged cases at the end of each of the past four fiscal years. Backlogged cases denote new applications and license amendments that are pending completion for more than 90 days and renewal applications pending completion for more than 180 days.



As the above chart shows, the NRC decreased backlogged materials license reviews by about 45 percent in FY 1993. The decrease was the result of additional resources being applied to address the backlogged licensing reviews.

## Materials Inspections

The NRC staff completed about 2,400 inspections of materials facilities in FY 1993, which exceeded the planned number of inspections by four percent. Over the last three years, the number of material licensees has declined; therefore, fewer materials inspections are planned and performed.



## Medical Use Program

The NRC administers approximately 2,000 licenses for the possession and use of byproduct materials for medical applications, and the Agreement States administer approximately 4,500 licenses. In an effort to provide improved guidance and direction for the medical use regulatory program, the NRC developed and implemented a medical management plan. The plan identifies major program areas such as misadministration and patient follow-up, rulemaking, licensing and inspection programs and provides management direction for the program over the next five years. The NRC conducted an internal audit to determine how the Agency is implementing existing programs and the results of this review were included in the development of the medical management plan. The NRC anticipates that the medical management plan will be dynamic and will require periodic review and modification to adjust for new initiatives. In addition, at the

request of the NRC, the National Academy of Sciences is conducting an independent review of regulatory rules, policies, practices and procedures to assess whether the NRC's current framework for medical use of byproduct materials is appropriate to satisfy statutory responsibilities to protect the public health and safety.

### *Transportation Incidents*

Approximately three million packages containing radioactive materials are shipped each year, and estimates are that 200,000 of these are shipped in NRC-certified packaging. Because NRC-certified packaging is designed to withstand severe accidents, the likelihood of a release occurring is minimal. This is supported by the following chart. One incident has been identified in the past 21 years involving a release of a radioactive source from an NRC-certified packaging. This occurred in FY 1988 when a radiography camera fell from a truck and was struck and dragged by an automobile.

| Transportation Incidents                       |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|
|  | FY<br>1989 | FY<br>1990 | FY<br>1991 | FY<br>1992 | FY<br>1993 |
| Incidents Involving<br>NRC-Certified Packaging | 4          | 3          | 11         | 1          | 5          |
| Releases Involving<br>NRC-Certified Packaging  | 0          | 0          | 0          | 0          | 0          |

### *Remediation of Licensed Uranium Recovery Sites*

At the beginning of FY 1993, there were 28 licensed uranium recovery sites that remained to be remediated. For FY 1993, it was projected that no licensed uranium recovery site would be remediated to the point at which the licensee would request license termination. During FY 1993, one license was terminated and the site was released for unrestricted use. With this termination, 16 sites have been remediated since 1986. The remaining twenty-seven sites are either undergoing remediation or will begin remediation sometime in the future following completion of operations.<sup>1</sup>

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<sup>1</sup>During the period from FY 1986 through FY1992, there were a total of 43 sites to be remediated. However, in FY1992, it was reported that 34 licensed uranium recovery sites were to be remediated, which excluded nine in-situ and heap leach facilities which should have been included in the total number of licensed uranium recovery sites. In addressing the entire population of licensed uranium recovery sites, it was determined that all licensed facilities should be included. Therefore, at the end of FY 1993, a total of 16 of the 43 sites had been remediated.



The remediation of sites by fiscal year is shown below.

| Remediation of Licensed Uranium Recovery Sites<br>(Total sites to be remediated - 27) |            |            |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|------------|------------|
|   | FY<br>1986 | FY<br>1987 | FY<br>1988 | FY<br>1989 | FY<br>1990 | FY<br>1991 | FY<br>1992 | FY<br>1993 |
| Sites Remediated  | 2          | 5          | 3          | 2          | 1          | 1          | 1          | 1          |

### *Site Decommissioning Management Plan*

Several hundred NRC materials licenses are terminated each year. The majority of NRC-licensed operations result in little or no contamination of buildings or soil, and decommissioning actions leading to the termination of these licenses normally proceed in a routine fashion. Nonroutine cases may involve sites where buildings, former waste-disposal areas, large piles of tailings from metal extraction operations, groundwater, and soil are contaminated with low levels of uranium, thorium, or other radionuclides. These nonroutine cases present varying degrees of radiological hazard, remediation complexity, and associated cost.

The Site Decommissioning Management Plan (SDMP), which encompasses these more difficult sites, is used to ensure that generic and case-by-case issues affecting the timely decommissioning of these contaminated sites receive the appropriate level of management attention. There are currently 45 sites on the SDMP list; although four sites were planned for remediation, only one site was removed in FY 1993. The remediation and removal of sites from the SDMP have been delayed by policy issues and technical problems related to cleanup. Many potential impediments in the decommissioning process may be unforeseen when planning for release of sites from the SDMP list, which makes it difficult to establish a timetable for the release of these sites.

| SDMP Contaminated Sites<br>(Total sites to be remediated - 45) |            |            |            |
|--|------------|------------|------------|
|  | FY<br>1991 | FY<br>1992 | FY<br>1993 |
| Sites Planned for Remediation                                  | 2          | 2          | 4          |
| Sites Remediated   | 0          | 1          | 1          |

### *HIGH-LEVEL NUCLEAR WASTE REGULATION PROGRAM*

The High-Level Nuclear Waste Regulation Program includes all of the NRC's public health and safety licensing, inspection, and environmental reviews for the

safe management and disposal of high-level radioactive wastes; research to assess the safety of high-level waste management, storage, and disposal; independent safety advice on NRC regulatory actions; and the use of the Licensing Support System for the submission and management of documents in the repository licensing process.

### *Compliance Determination Strategies*

The NRC is developing a License Application Review Plan (LARP) to be used by NRC staff to review DOE's license application for a high-level waste repository and to use in prelicensing reviews of DOE's site characterization program. A component of the LARP is a Compliance Determination Strategy (CDS) which will establish the scope and depth of the NRC compliance determination review for each of the 96 regulatory requirement topics in 10 CFR Part 60, "Disposal of High-Level Radioactive Wastes in Geologic Repositories." In FY 1993, the NRC had planned to complete 84 CDSs and completed 81. The three CDSs not completed in FY 1993 relate to the siting criteria requirements and were delayed to clarify a regulatory uncertainty discovered during their preparation; they have since been completed in FY 1994.

### *DOE Study Plans for High-Level Waste Repository*

The DOE, in the Site Characterization Plan (SCP) for Yucca Mountain, laid out its plans for investigation of the proposed high-level waste site. Investigations are subdivided into studies, and details of those studies are laid out in 104 individual study plans. The NRC reviews each of these study plans as part of the SCP to assess whether or not work proposed will impact the ability of the proposed site to isolate waste or the tests proposed in the study plan will impact other tests necessary to characterize the site. When warranted, NRC's reviews also provide technical guidance to the DOE on whether the data collected under the study plan will be sufficient for use in the repository license application. A review is considered to be complete when the review results are provided by letter to the DOE.

In FY 1993, the NRC had planned to complete the review of 25 DOE Study Plans and completed 22. The three reviews not completed in FY 1993 were subsequently completed in FY 1994.

### *AGREEMENT STATE PROGRAM*

The NRC administers agreements with 29 Agreement States to ensure that the regulatory programs of these states are designed and implemented so as to provide adequate protection of the public health and safety and in accordance with

NRC requirements. In FY 1993, the NRC had planned to complete 14 routine Agreement State program reviews and completed 13. The remaining review was not completed until FY 1994 due to a number of complex issues which extended the length of the review.

## **REGULATORY RESEARCH**

The primary goal of the NRC's research program is to ensure that research provides the sound technical bases for timely rulemaking and related decisions in support of licensing and inspection activities. As part of its regulatory program, the NRC conducts research to provide independent information and expertise to support its safety decision-making and to assess the safety significance of potential technical issues. Research is generally planned and initiated in response to needs of the licensing and inspection programs or directed in response to Commission decisions. Priorities for research are determined by the overall value, importance, and impact that the research findings may have in responding to these program needs. Major research accomplishments in FY 1993 include the following:

- Completed integral experimental testing to resolve the issue of direct containment heating (DCH) for Westinghouse large dry containments. DCH is a potential mechanism for failing reactor containments during very severe reactor accidents.

- Developed interim fatigue design curves that account for environmental effects on fatigue life in the high-temperature environment of Light Water Reactor cooling systems.

- Developed a mechanistically-based model for predicting steam generator tube failures and leak rates for degraded tubes under normal and main-steam-line-break conditions.

- Developed and field tested advanced probes for eddy current inspection of steam generator tubes.

- Conducted studies to identify environmental issues which could affect the reliability of advanced (digital) instrumentation and control systems.

- Developed probabilistic-risk-assessment-based reliability methods for evaluating proposed changes to technical specifications governing the safe operation of nuclear power plants.

- Completed an examination and evaluation of the lower head of the TMI-2 reactor to identify and assess potential failure modes for reactor pressure vessels.

Completed the modification of the ROSA-V facility in Japan to provide for the independent confirmation of the performance of safety systems unique to the design of an advanced pressurized water reactor (AP-600).

Entered into six research agreements with Eastern Europe in the areas of severe accident research and thermo-hydraulic code exchange.

### ***GENERIC SAFETY ISSUES***

Generic Safety Issues (GSIs) involve safety concerns that may affect the design, construction, or operation of all, several, or a class of reactors or facilities and may have potential for safety improvements and issuance of new or revised requirements or guidance. During FY 1993, the NRC resolved seven high-priority GSIs compared to six high-priority GSIs planned for resolution. Of these seven high-priority GSIs, five were originally planned and two had their schedules accelerated. One high-priority GSI, originally scheduled for resolution in FY 1993, had its schedule delayed to an unspecified future date.

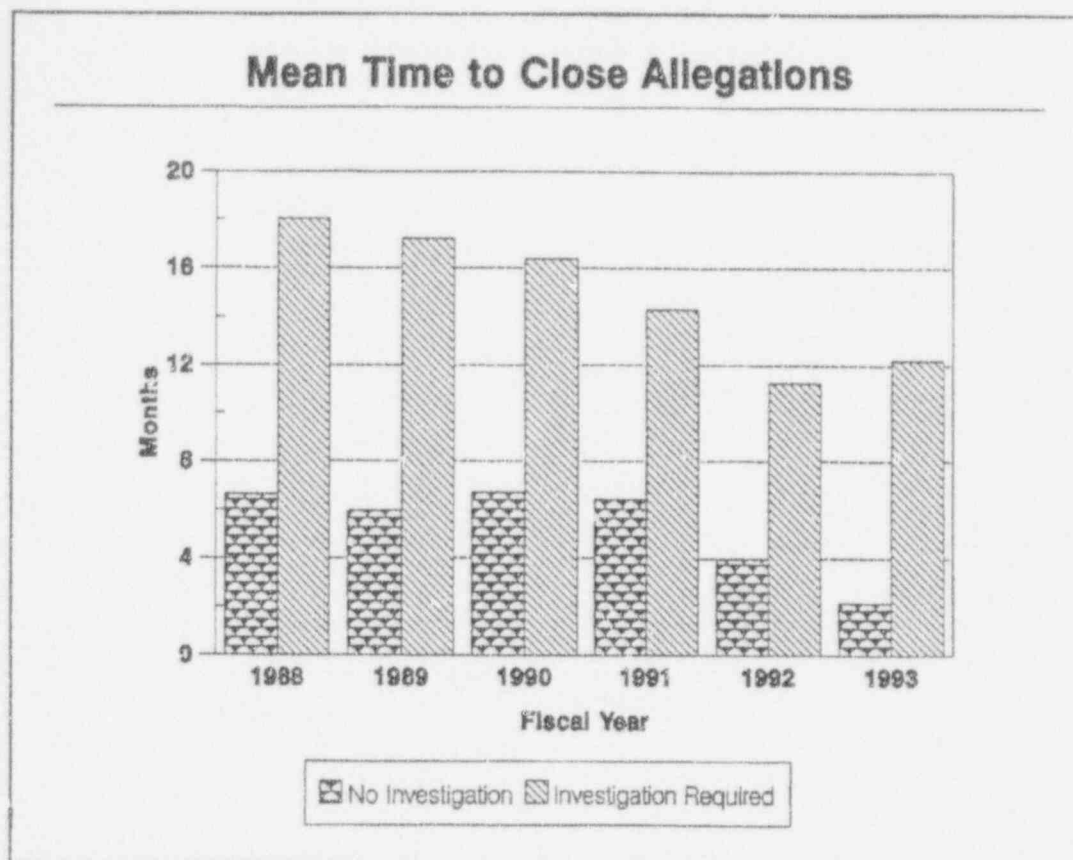
### ***NRC REGULATIONS***

The NRC establishes the rules that operators of nuclear facilities and users of radioactive materials must follow. These rules are intended to protect persons using radioactive materials and the general public from the potential hazards of radioactivity. Many NRC regulations have been established or changed, as necessary, based on the recommendations of the NRC staff. Members of the public and interested organizations can also request changes in regulations. The views of the public, the industry being regulated, and other interested parties are usually solicited before new rules or changes are adopted. In FY 1993, the NRC projected publication of 17 rules but actually completed 22.

### ***RESPONSIVENESS TO THE PUBLIC'S SAFETY CONCERNS***

All allegations are initially considered to have a potential effect on public health and safety. Each allegation is reviewed to determine its safety significance and the effect on health and safety. This performance measure was changed from an output to a timeliness measure for FY 1993, to increase its usefulness. The NRC has established standards for closure of allegations. If a safety analysis is required but wrongdoing is not suspected, the standard calls for the allegation to be closed within an average of six months from receipt. If both a safety analysis and a wrongdoing investigation are required, because wrongdoing is suspected, the standard calls for the allegation to be closed within an average of eighteen months of receipt. An allegation requiring review outside the NRC (e.g. Departments of Justice or Labor) is not subject to these standards. The following chart shows the mean time in months to close the two types of allegations for which standards have been established.





The NRC's mean time to close allegations has improved over the past four to five years due to increased attention to case inventory management throughout the NRC. In addition, the NRC investigative staff simplified the allegation referral procedures in mid-FY 1992; this has allowed the safety analysis and wrongdoing investigation to be conducted concurrently. The slight increase in FY 1993 in mean time to close allegations requiring a wrongdoing investigation is due to the transition to the new allegation referral procedures.

## ENFORCEMENT

The NRC's enforcement program seeks to protect the public health and safety by ensuring compliance with regulations and license conditions, obtaining prompt correction in areas of noncompliance, deterring further noncompliance, and encouraging improvement of licensee performance. Three primary enforcement sanctions are available: notices of violation; civil penalties; and orders to modify, suspend, or revoke licenses.

The NRC ranks violations according to their level of severity. Severity levels range from Severity Level I for the most significant violations to Severity Level V for the least serious. Civil penalties are normally issued for violations of Severity Level III or higher.

The average time to issue escalated enforcement actions (Severity Levels I–III) continues to be a performance measure. However, in FY 1993, the measurement period for the issuance of these enforcement actions was modified. For actions that do not involve an investigation, the measurement period begins on the date of the inspection exit meeting. For actions that involve an investigation but no referral to the Department of Justice (DOJ), the measurement period begins on the date of issuance of the report of investigation. For actions that involve an investigation and referral to the DOJ, the measurement period begins on the date that the DOJ informs the NRC that the NRC may proceed with the actions. For actions that involve discrimination and Department of Labor (DOL) proceedings, the measurement period begins when there is an appropriate decision in the DOL process or sufficient evidence from NRC's processes to support the actions.

Based on the defined measurement period, escalated enforcement actions are to be issued within an average of no more than 90 days and this standard was met for both FY 1992 and FY 1993. During FY 1992 the NRC issued 124 enforcement actions in an average time of 75.1 days. The number of actions issued in FY 1993 increased to 176 cases and the actions were issued in an average time of 78.8 days.

The following chart shows the amount of civil penalties assessed and the amount collected in FYs 1989 through 1993. The amount of each civil penalty assessed reflects the amount that the NRC ultimately decides is appropriate in each case through its enforcement process or hearing process.

| Amount of Civil Penalties Collected<br>Versus Penalty Dollars Assessed |                          |                          |                   |
|--|--------------------------|--------------------------|-------------------|
| Fiscal Year  | Assessed                 | Collected                | Percent Collected |
| 1989   | \$4,896,825              | \$4,896,825 <sup>2</sup> | 100.00            |
| 1990   | \$2,933,025              | \$2,925,268              | 99.74             |
| 1991   | \$2,724,873              | \$2,724,873 <sup>1</sup> | 100.00            |
| 1992   | \$4,630,815 <sup>3</sup> | \$4,610,815              | 99.57             |
| 1993   | \$4,180,875              | \$4,178,557              | 99.94             |

<sup>2</sup>After hearing the licensees' arguments, the NRC subsequently refunded penalties paid in FY 1989 and FY 1991 in the amounts of \$125 and \$417, respectively.

<sup>3</sup>This amount includes \$20,000 for two cases that were withdrawn after further consideration following the licensees' responses.

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**PRINCIPAL FINANCIAL STATEMENTS  
AND AUDIT REPORT**

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The NRC has prepared and audited a financial statement for FY 1993. The NRC is a single reporting entity which includes the two NRC no-year appropriation accounts and therefore covers 100 percent of NRC's budget authority. Information outside the Principal Financial Statements section of this Annual Financial Statement, has not been subjected to the auditing procedures applied in the audit of the principal financial statements, and accordingly, no audit opinion is expressed regarding such information.

Following is the IG's audit report entitled, *Results of the Audit of U.S. NRC's Fiscal Year 1993 Financial Statements*, dated June 29, 1994.

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OFFICE OF THE INSPECTOR GENERAL

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US NUCLEAR

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REGULATORY COMMISSION

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RESULTS OF THE AUDIT OF  
U.S. NRC'S FISCAL YEAR 1993  
FINANCIAL STATEMENTS

OIG/94A-09 June 29, 1994

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# AUDIT REPORT

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

June 29, 1994

OFFICE OF THE  
INSPECTOR GENERAL

MEMORANDUM FOR: The Chairman  
Commissioner Rogers  
Commissioner Remick  
Commissioner de Planque

FROM: *David C. Williams*  
David C. Williams  
Inspector General

SUBJECT: RESULTS OF THE AUDIT OF U.S. NUCLEAR  
REGULATORY COMMISSION'S FISCAL YEAR 1993  
FINANCIAL STATEMENTS

Attached is the overall audit report of NRC's Fiscal Year 1993 financial statements. The report consists of: a synopsis of the various individual audit reports which comprise the overall report; the independent auditor's report on principal statements; the principal statements; the independent auditor's report on internal control structure; and the independent auditor's report on compliance with laws and regulations. Written comments on the report section covering the internal control structure were obtained from the Chief Financial Officer (CFO) and are included as an appendix to the contractor's reports. The CFO had no comments on the other draft reports.

In the auditor's report on the NRC's Fiscal Year 1993 Principal Financial Statements, the contractor issued a qualified opinion on the Statement of Financial Position, and the Statements of Operations, Cash Flows, and Budget and Actual Expenses. The opinion was qualified because of the inability of the contractor to determine whether NRC funds spent by DOE at its national laboratories for NRC requested work were done so within applicable laws and regulations. In addition, the Property, Plant and Equipment account was incomplete because of the lack of historical records to fully support the pre-1992 Property, Plant and Equipment values.

In the Report on Internal Control Structure, the contractor identified conditions that existed during fiscal year 1993 which needed to be addressed. Consequently, the contractor made six recommendations for improving the internal control structure. In addition, an issue regarding the DOE laboratory expenditures was reported in the Report on Compliance with Laws and Regulations.

## *Principal Financial Statements and Audit Report*

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In commenting on the subject reports, the CFO has indicated general agreement with the reports. The CFO provided additional comments regarding the scope restriction and material weakness caused principally by the lack of audit assurance from the DOE Inspector General that funds spent on NRC's behalf by the DOE National Laboratories were done so in accordance with applicable laws and regulations. These comments have been incorporated into the reports as deemed necessary.

The CFO did not believe that the information contained in the Internal Control Structure Report in the section entitled "Lack of Cooperation Between LFDCB and IRM" should be reported. It is our opinion that since this issue is basically a repeat of last year's finding (problem with downloading of 10 CFR Part 170 Fee billing data), it should be reported. We noted in the report that the Office of the Controller and the Office of Information Resources Management recently agreed on actions to correct the problem.

We appreciate NRC staff's cooperation and interest in improving financial management within NRC. We look forward to working with them when we audit the Fiscal Year 1994 principal financial statements.

### Attachments:

As Stated

cc: J. Taylor, EDO/CFO  
H. Thompson, EDO  
J. Milhoan, EDO  
S. Chilk, SEC  
W. Parler, OC  
D. Rathbun, CA  
W. Russell, NRR  
E. Jordan, AEOD  
J. Blaha, EDO  
J. Funches, ICC  
P. Norry, ADM  
R. Scroggins, OC/DCFO  
P. Bird, OP  
E. Beckjord, RES  
R. Bernero, NMSS  
T. Martin, RI  
S. Ebnetter, RII  
J. Martin, RIII  
L. Callan, RIV

SYNOPSIS OF FY 1993 AUDIT  
OF  
NRC'S PRINCIPAL FINANCIAL STATEMENTS

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The Office of the Inspector General (OIG) is required by the Chief Financial Officers Act to audit the Principal Financial Statements of the U.S. Nuclear Regulatory Commission (NRC) produced at the end of each fiscal year. OIG contracted with R. Navarro and Associates, Inc. to perform an audit of the principal statements for the fiscal year ended September 30, 1993, including assessing the agency's internal control structure and compliance with applicable laws and regulations. This year's audit was performed for the purpose of forming an opinion on the Principal Financial Statements. The information in the Overview of NRC's Financial Statements and the Supplemental Information sections is not a required part of the Principal Financial Statements, but is supplementary information required by the Office of Management and Budget Bulletin 94-01. The information in the Overview of NRC's Financial Statements and in the Supplemental Information section has not been subjected to the auditing procedures applied in the audit of the Principal Financial Statements, and accordingly, we express no opinion regarding this information.

The results of the audit of each major area are summarized as follows:

Principal Financial Statements

- The Contractor has issued a qualified opinion on the Statement of Financial Position as of September 30, 1993. The qualified opinion resulted from a lack of assurance regarding the Department of Energy's (DOE) compliance with laws and regulations related to NRC funds paid to DOE for work performed at DOE's National Laboratories under an interagency agreement between NRC and DOE. In addition, there also was a scope restriction resulting from the lack of historical records to support pre-1992 acquisitions noted in the Property, Plant and Equipment-net account.

Internal Control Structure

- The contractor reported two material internal control weaknesses which had an effect on the financial statements: concern of funds spent at DOE's National Laboratories and failure to bill licensees for 10 CFR Part 170 services in a timely manner.
- The contractor also reported one reportable condition. This concerned the need to formalize the policies relating to capitalization of Property, Plant and Equipment. In addition, six recommendations were contained in the FY 1992 audit report. The agency has completed action on one recommendation and partially completed action on two others. The agency has reported that it is continuing work to address the remaining three.

In the FY 1993 audit report, the contractor made six additional recommendations to improve NRC's internal control structure. NRC has agreed with the findings in the report and will provide specific comments on the recommendations at a later date. See the Appendix at the end of the contractor's reports for the CFO's response.

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**U.S. NUCLEAR REGULATORY COMMISSION**

**INDEPENDENT AUDITORS' REPORTS AND  
PRINCIPAL STATEMENTS**

September 30, 1993 and 1992

***R. NAVARRO & ASSOCIATES, INC.***

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**INDEPENDENT AUDITORS' REPORT ON  
PRINCIPAL STATEMENTS**

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2831 Camino Del Rio South, Suite 306  
San Diego, California 92108  
(619) 298-8193

To the Commissioners  
U.S. NUCLEAR REGULATORY COMMISSION  
Rockville, Maryland

**INDEPENDENT AUDITORS' REPORT  
ON PRINCIPAL STATEMENTS**

We have audited the accompanying principal statements of financial position of the U.S. Nuclear Regulatory Commission (NRC), as of September 30, 1993 and 1992 and the related principal statements of operations and changes in net position, cash flows, and budget and actual expenses for the fiscal years then ended. These financial statements are the responsibility of NRC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

**SCOPE**

Except as discussed in the following paragraphs, we conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, Audit Requirements for Federal Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the principal statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in these statements, including the notes thereto. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Accounting principles are currently being studied by the Federal Accounting Standards Advisory Board. Generally accepted accounting principles for Federal entities will be promulgated by the Comptroller General and the Director of the Office of Management and Budget based on advice from the Board. In the interim, Federal agencies follow the applicable accounting standards con-

tained in agency accounting policy, procedures manuals, and/or related guidance. The summary of significant accounting principles included in the Notes to Principal Statements, Note 1, describes the accounting principles used by the U.S. Nuclear Regulatory Commission to prepare the principal statements. These are in conformity with standards contained in Title 2 of GAO's Policy and Procedures Manual for Guidance of Federal Agencies.

### **SCOPE RESTRICTIONS**

#### *Compliance with Laws and Regulations*

NRC's principal statements for the fiscal years ended September 30, 1993 and 1992 include \$97.3 million and \$109 million, respectively, of reimbursable expenses incurred by the Department of Energy (DOE), which represents approximately 20% of the agency's total expenses for each respective fiscal year. The funds were transferred under the provisions of the Energy Reorganization Act (P.L. 95-91) which are embodied in a Memorandum of Understanding (MOU) between NRC and DOE dated February 24, 1978. The MOU establishes guidelines for program planning, implementation, control, funding, and management of NRC funds. The responsibility to design, implement and evaluate the system of controls to assure compliance with laws and regulations rests with the Department of Energy.

Our assessment of compliance with laws and regulations, which could have a material and direct effect on the NRC financial statements, did not provide for a review of DOE's extent of compliance with laws and regulations for the NRC funds DOE expended. Our assessment of compliance with laws and regulations over the funds transferred to DOE was limited to testing the controls maintained at NRC over the disbursing and recording of these fund transfers.

#### *Property, Plant and Equipment*

Because of the lack of complete historical accounting records on the pre-1992 property, plant and equipment with a net book value of \$9,847,930 and \$10,194,581, we were unable to form an opinion regarding the amounts reflected for Property, Plant and Equipment-net (stated at \$32,264,759 and \$34,031,343) on the Statement of Financial Position at September 30, 1993 and 1992, respectively, and the related amount of depreciation, \$10,500,724 and \$8,763,847, included on the Statement of Operations and Changes in Net Position at September 30, 1993 and 1992, respectively.

**OPINION**

In our opinion, except for the effect on the principal statements of such adjustments, if any, as might have been determined to be necessary had we been able to examine sufficient evidence to satisfy ourselves as to the extent of compliance with laws and regulations for funds transferred to DOE, and the adjustments that may have been made to property, plant and equipment and depreciation expense at September 30, 1993 and 1992, the principal statements referred to in the first paragraph present fairly, in all material respects, the financial position of the U.S. Nuclear Regulatory Commission at September 30, 1993 and 1992 and the results of its operations and changes in net position, the cash flows and the status of budget to actual expenses for the fiscal years then ended in conformity with the accounting principles described in Note 1.

Our audits were conducted for the purpose of forming an opinion on the principal statements described above. We did not review the financial information presented in management's overview. The information presented in the overview was reviewed by the Inspector General. Accordingly, we do not express an opinion on this information.

*R. Navarro & Associates*

San Diego, California  
May 6, 1994



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### PRINCIPAL STATEMENTS

- o STATEMENT OF FINANCIAL POSITION
  - o STATEMENT OF OPERATIONS AND CHANGES  
IN NET POSITION
  - o STATEMENT OF CASH FLOWS
  - o STATEMENT OF BUDGET AND ACTUAL  
EXPENSES
  - o NOTES TO PRINCIPAL STATEMENTS
-

*Principal Financial Statements and Audit Report*

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U.S. NUCLEAR REGULATORY COMMISSION  
STATEMENT OF FINANCIAL POSITION  
September 30, 1993 and 1992

| ASSETS  | 1993                 | Restated<br>1992     |
|---|----------------------|----------------------|
| Financial Resources:                                  |                      |                      |
| Fund balances with U.S. Treasury and<br>Cash (Note 2) | \$263,571,022        | \$209,338,472        |
| Accounts receivable, net - non-Federal (Note 3)       | 68,145,706           | 63,115,761           |
| Intragovernmental items:                              |                      |                      |
| Accounts receivable, Federal (Note 3)                 | 1,165,535            | 692,567              |
| Advances, Federal (Note 4)                            | <u>1,338,200</u>     | <u>1,297,918</u>     |
| Total financial sources                               | <u>\$334,221,463</u> | <u>\$274,444,718</u> |
| Non-Financial Resources:                              |                      |                      |
| Resources transferable to U.S. Treasury               | \$ 106,157           | \$ 14,738            |
| Advances and prepayments, non-Federal (Note 4)        | 703,908              | 1,351,334            |
| Inventory not held for sale                           | 726,603              | 765,000              |
| Property and equipment, net (Note 5)                  | <u>32,264,759</u>    | <u>34,031,343</u>    |
| Total non-financial sources                           | <u>\$ 33,801,427</u> | <u>\$ 36,162,415</u> |
| Total assets  | <u>\$368,022,890</u> | <u>\$310,607,133</u> |
| LIABILITIES   |                      |                      |
| Funded Liabilities:                                   |                      |                      |
| Accounts payable, non-Federal (Note 6)                | \$ 22,919,866        | \$ 14,569,020        |
| Accrued payroll and benefits (Note 7)                 | 8,689,218            | 7,363,252            |
| Other funded liabilities, non-Federal (Note 8)        | 12,326,007           | 10,908,033           |
| Intragovernmental liabilities:                        |                      |                      |
| Accounts payable, Federal (Note 6)                    | 11,052,936           | 9,544,197            |
| Other funded liabilities, Federal (Note 8)            | <u>67,907,582</u>    | <u>61,645,846</u>    |
| Total funded liabilities                              | <u>\$122,895,609</u> | <u>\$104,030,348</u> |

The accompanying notes to the principal statements  
are an integral part of this statement.

U.S. NUCLEAR REGULATORY COMMISSION  
STATEMENT OF FINANCIAL POSITION - Continued  
September 30, 1993 and 1992

|   | <u>1993</u>          | <u>Restated<br/>1992</u> |
|---|----------------------|--------------------------|
| Unfunded Liabilities (Note 9):              |                      |                          |
| Accrued leave                               | \$ 24,490,259        | \$ 22,888,672            |
| Accrued workers' compensation               | <u>1,142,441</u>     | <u>976,720</u>           |
| Total unfunded liabilities                  | <u>\$ 25,632,700</u> | <u>\$ 23,865,392</u>     |
| Total liabilities                           | <u>\$148,528,309</u> | <u>\$127,895,740</u>     |
| NET POSITION                                |                      |                          |
| Fund balance (Note 11)                      | \$245,127,281        | \$206,576,785            |
| Less: Future funding requirements (Note 12) | <u>(25,632,700)</u>  | <u>(23,865,392)</u>      |
| Total net position                          | <u>\$219,494,581</u> | <u>\$182,711,393</u>     |
| Total liabilities and net position          | <u>\$368,022,890</u> | <u>\$310,607,133</u>     |

The accompanying notes to the principal statements  
are an integral part of this statement.

*Principal Financial Statements and Audit Report*

U.S. NUCLEAR REGULATORY COMMISSION  
STATEMENT OF OPERATIONS AND  
CHANGES IN NET POSITION  
For the years ended September 30, 1993 and 1992

|   | <u>1993</u>           | <u>Restated<br/>1992</u> |
|---|-----------------------|--------------------------|
| <b>REVENUES AND FINANCING SOURCES</b>   |                       |                          |
| Appropriations expensed (Note 13)   | \$ (2,824,200)        | \$ 6,813,465             |
| Other revenues and financing sources (Note 14)                                      | 518,189,204           | 490,086,770              |
| Excess current year receipts of fees over billings                                  | (5,076,233)           | 4,965,236                |
| Less: Receipts transferred to the Treasury or<br>other agencies                     | <u>(4,896,841)</u>    | <u>(4,349,146)</u>       |
| <b>Total revenues and financing sources</b>   | <u>\$505,391,930</u>  | <u>\$497,516,325</u>     |
| <b>EXPENSES</b>   |                       |                          |
| Salaries and expenses   | \$491,398,781         | \$487,205,233            |
| Office of Inspector General   | <u>4,657,438</u>      | <u>3,565,066</u>         |
| <b>Total (Note 15)</b>  | <u>\$496,056,219</u>  | <u>\$490,770,299</u>     |
| Depreciation  | \$ 10,500,724         | \$ 8,763,847             |
| Bad debts and write-offs  | 0                     | 74,148                   |
| Interest  | 20,868                | 35,144                   |
| Other expenses (Note 16)  | <u>581,427</u>        | <u>0</u>                 |
| <b>Total expenses</b>   | <u>\$507,159,238</u>  | <u>\$499,643,438</u>     |
| <b>Shortage of revenues and financing sources<br/>over total expenses</b>           | <u>\$ (1,767,308)</u> | <u>\$ (2,127,113)</u>    |
| Plus: Unfunded expenses (Note 18)   | <u>1,767,308</u>      | <u>2,127,113</u>         |
| <b>Excess of revenues and financing sources<br/>over funded expenses</b>            | <u>\$ 0</u>           | <u>\$ 0</u>              |
| <b>Net position, beginning balance, as previously<br/>reported (1992 unaudited)</b> | 182,711,393           | 164,151,360              |
| Prior period adjustment (Note 19)   | <u>0</u>              | <u>1,517,832</u>         |
| <b>Net position, beginning balance, as restated</b>                                 | 182,711,393           | 165,669,192              |
| <b>Excess of revenues and financing sources over<br/>expenses</b>                   | 0                     | 0                        |
| Plus non-operating changes (Note 20)  | <u>36,783,188</u>     | <u>17,042,201</u>        |
| <b>Net position, ending balance</b>   | <u>\$219,494,581</u>  | <u>\$182,711,393</u>     |

The accompanying notes to the principal statements  
are an integral part of this statement.

*Principal Financial Statements and Audit Report*

U.S. NUCLEAR REGULATORY COMMISSION  
STATEMENT OF CASH FLOWS  
For the years ended September 30, 1993 and 1992

|   | 1993                 | Restated<br>1992     |
|---|----------------------|----------------------|
| CASH PROVIDED (USED) BY OPERATING ACTIVITIES                      |                      |                      |
| Cash Provided:  |                      |                      |
| Fees for licensing and inspection and other<br>services (Note 13) | \$507,072,406        | \$489,265,320        |
| Sales of goods and services                                       | 0                    | 394,037              |
| Other operating cash provided (Note 13)                           | <u>11,079,224</u>    | <u>7,041,297</u>     |
| Total cash provided   | <u>\$518,151,630</u> | <u>\$496,700,654</u> |
| Cash Used:  |                      |                      |
| Personnel services and benefits                                   | \$(254,512,623)      | (248,326,260)        |
| Travel and transportation   | (17,196,680)         | (16,640,412)         |
| Rent, communications and utilities                                | (24,258,337)         | (29,632,170)         |
| Printing and reproduction   | (1,946,020)          | (2,079,223)          |
| Other contractual services  | (180,017,951)        | (196,109,394)        |
| Supplies and materials  | (7,655,730)          | (13,206,125)         |
| Insurance claims and indemnities                                  | (44,030)             | (142,624)            |
| Grants, subsidies and contributions                               | (1,570,106)          | (1,338,807)          |
| Other operating cash used   | <u>(4,429,149)</u>   | <u>(1,181,101)</u>   |
| Total cash used   | <u>(491,630,626)</u> | <u>(508,656,116)</u> |
| Net cash used by operating activities                             | <u>26,521,004</u>    | <u>(11,955,462)</u>  |
| CASH PROVIDED (USED) BY INVESTING ACTIVITIES                      |                      |                      |
| Purchase of property and equipment                                | <u>(8,014,748)</u>   | <u>(14,361,244)</u>  |
| Net cash used by investing activities                             | <u>(8,014,748)</u>   | <u>(14,361,244)</u>  |

The accompanying notes to the principal statements  
are an integral part of this statement.



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*Principal Financial Statements and Audit Report*

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U.S. NUCLEAR REGULATORY COMMISSION  
STATEMENT OF CASH FLOWS - Continued  
For the years ended September 30, 1993 and 1992

| Cash Provided (Used) By investing Activities -<br>Continued              | 1993          | Restated<br>1992 |
|--|---------------|------------------|
| Appropriations   | 32,927,594    | 23,234,680       |
| Add: Transfers of cash from others                                       | 2,798,700     | 2,748,100        |
| Net appropriations   | 35,726,294    | 25,982,780       |
| Amounts transferred to others (Note 21)                                  | 0             | (109,998,875)    |
| Net cash used by financing activities                                    | 35,726,294    | (84,016,095)     |
| Net cash used by operating, non-operating<br>and investing activities    | 54,232,550    | (110,332,801)    |
| Fund balances with U.S. Treasury and Cash, beginning<br>(1992 unaudited) | 209,338,472   | 319,671,273      |
| Fund balances with U.S. Treasury and Cash, ending                        | \$263,571,022 | \$209,338,472    |

The accompanying notes to the principal statements  
are an integral part of this statement.

U.S. NUCLEAR REGULATORY COMMISSION  
STATEMENT OF BUDGET AND ACTUAL EXPENSES  
For the years ended September 30, 1993 and 1992

|  | Budget<br>Resources | Obligations   |                | 1993               | Restate<br>1992    |
|--|---------------------|---------------|----------------|--------------------|--------------------|
|  |                     | Direct        | Reimbursements | Actual<br>Expenses | Actual<br>Expenses |
| Salaries and<br>expenses                         | \$585,414,232       | \$529,466,594 | \$2,626,402    | \$502,501,800      | \$496,078,1        |
| Office of<br>Inspector<br>General                | 4,901,919           | 4,547,460     | 0              | 4,657,438          | 3,565,1            |
| Totals   | \$590,316,151       | \$534,014,054 | \$2,626,402    | \$507,159,238      | \$499,643,1        |
| Budget Reconciliation:                           |                     |               |                |                    |                    |
| Total expenses                                   |                     |               |                | \$507,159,238      | \$499,643,1        |
| Add:   |                     |               |                |                    |                    |
| Capital acquisitions                             |                     |               |                | 9,277,170          | 14,361,1           |
| Less:  |                     |               |                |                    |                    |
| Depreciation                                     |                     |               |                | (10,500,724)       | (8,763,8           |
| Unfunded annual leave expense (Note 18)          |                     |               |                | (1,601,587)        | (2,120,7           |
| Unfunded workers' compensation expense (Note 18) |                     |               |                | (165,721)          | (6,3               |
| Accrued expenditures                             |                     |               |                | 504,168,376        | 503,113,7          |
| Less reimbursements                              |                     |               |                | (1,143,725)        | (1,437,5           |
| Accrued expenditures, direct                     |                     |               |                | \$503,024,651      | \$501,676,1        |

The accompanying notes to the principal statements  
are an integral part of this statement.

NOTES TO PRINCIPAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Presentation*

These principal statements were prepared to report the financial position and results of operations of the U.S. Nuclear Regulatory Commission (NRC) as required by the Chief Financial Officers Act of 1990. The principal statements were prepared from the books and records of the NRC in accordance with the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in OMB Bulletin 93-02 and the NRC's accounting policies which are summarized in this note. These statements are therefore different from the financial reports, also prepared by the NRC pursuant to OMB directives, which are used to monitor and control NRC's use of budgetary resources.

B. *Reporting Entity/Program Name*

The NRC is an independent agency of the Federal Government created by the Energy Reorganization Act of 1974. Its purposes are defined by the Energy Reorganization Act of 1974, as amended, and the Atomic Energy Act of 1954, as amended. The NRC was created by the U.S. Congress to ensure adequate protection for the public health and safety, common defense and security, and the environment in the civilian use of nuclear materials in the United States.

The NRC has two appropriations:

- 31X0200 - Salaries and Expenses
- 31X0300 - Office of Inspector General

The 31X0200 appropriation includes funds transferred from the Department of Energy, Nuclear Waste Fund, approximately \$21 and \$20 million to the NRC, in accordance with the provisions of PL 102-377 and 104, for September 30, 1993 and 1992, respectively.

In addition, portions of the appropriation received by the General Services Administration (GSA), approximately \$2.8 million, were transferred to the NRC for the operation and repair of certain buildings occupied by the NRC. The accompanying financial statements of the NRC include the accounts of all funds under NRC control.

C. *Budgets and Budgetary Accounting*

Congress, for the past 19 years, has adopted no-year appropriations which are available for obligation by the NRC until expended. The Omnibus Budget Reconciliation Act (OBRA) of 1990 requires the NRC to recover approximately 100 percent of its new budget authority, less the amount appropriated from the Nuclear Waste Fund, by assessing fees. At the end of the fiscal year NRC's appropriations are reduced by the amount of revenues collected during the fiscal year.

Notes to Principal Statements - Continued

*D. Basis of Accounting*

Transactions are recorded on an accrual accounting basis and a budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of federal funds.

*E. Revenues and Other Financing Sources*

Licensing fees and fees for inspections and other services assessed in accordance with OBRA are recognized as other financing sources when earned.

For reporting purposes, appropriations are recognized as revenues at the time expenses are accrued. At the end of the fiscal year, appropriations recognized are reduced by the amount of assessed fees collected during the fiscal year. Appropriations expended for property and equipment are recognized as expenses when the asset is consumed in operations (depreciation). Appropriations expended do not include appropriations used to purchase capital items or expenses incurred but not yet funded by Congress, such as workers' compensation benefits and annual leave expenses. The differences between the accrual basis recognition of appropriations expended and the budgetary basis recognition of outlays are presented in the Statement of Budget and Actual Expenses.

Miscellaneous receipts collected by the NRC are not available to NRC for obligation or expenditure. These receipts must be transferred to the U.S. Treasury when collected.

*F. Funds with the U.S. Treasury and Cash*

The NRC cash receipts and disbursements are processed by the U.S. Treasury. The Funds with U.S. Treasury and Cash are primarily appropriated funds that are available to pay current liabilities and finance authorized purchase commitments. Cash balances held outside the U.S. Treasury are not material.

*G. Accounts Receivable, Net of Allowance*

The amounts due for receivables are stated net of an allowance for uncollectible accounts. The estimate of the allowance is based on an analysis of the outstanding balances.

*H. Advances*

NRC makes cash payments to other Federal agencies, employees, grantees, and contractors to provide for future NRC program expenditures. These advance payments are recorded as assets which are reduced when reports of expenditures are received by NRC or accruals of cost estimates are made by NRC.

Notes to Principal Statements - Continued

*I. Property and Equipment*

The land and buildings in which NRC operates are provided by the GSA, which charges the NRC a Standard Level Users Charge (SLUC) that approximates the commercial rental rates for similar properties.

Equipment with a cost greater than \$5,000 per unit and a useful life of two years or more and software having a minimum value of \$25,000 and a useful life of two years or more are capitalized at cost and depreciated. Other equipment and software is expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

The straight-line method of depreciation is used. Depreciation on periods and salvage value for various classes of equipment are established by the GSA. Property and equipment is generally being depreciated over five to 25 years.

*J. Prepaid and Deferred Charges*

Payments in advance of the receipt of goods and services are recorded as prepaid charges at the time of prepayment and recognized as expenditures/expenses when the related goods and services are received.

*K. Liabilities*

Liabilities represent the amount of monies or other resources that are likely to be paid by NRC as the result of a transaction or event that has already occurred. However, no liability can be paid by NRC absent an appropriation. Liabilities for which an appropriation has not been enacted and there is no certainty that an appropriation will be enacted are classified as unfunded liabilities. Also, liabilities of NRC arising from sources other than contracts can be abrogated by the Government acting in its sovereign capacity.

*L. Contingencies*

NRC is a party in various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. Based on the advice of legal counsel concerning the contingencies, it is the opinion of NRC management that the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or results of operations of NRC.

*M. Annual, Sick, and Other Leave*

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future appropriations and assessments. Sick leave and other types of nonvested leave are expensed as taken.



**Notes to Principal Statements - Continued**

**N. Retirement Plans**

NRC employees hired after December 31, 1983, are automatically covered by the Federal Employees' Retirement System (FERS) which was implemented on January 1, 1987. Employees hired prior to that date could elect to join FERS or to remain in the Civil Service Retirement System (CSRS). Approximately 60 percent of the NRC employees belong to CSRS and 40 percent belong to FERS. For employees in FERS, NRC withholds .80 percent of base pay earnings in addition to Federal Insurance Contribution Act (FICA) and matches the withholdings with a 12.9 percent contribution. The sum is transferred to the Federal Employees Retirement Fund. For employees covered by CSRS, NRC withholds 7.00 percent of their base pay earnings. This withholding is matched by NRC and the sum of the withholding and the match is transferred to the CSRS.

On April 1, 1987, the Federal Government initiated the Thrift Savings Plan (TSP) which is a retirement savings and investment plan for employees covered by either FERS or CSRS. For employees covered by FERS, NRC automatically contributes 1 percent of base pay to their account and matching contributions up to an additional 4 percent. The maximum percentage that an employee participating in FERS may contribute is 10 percent of base pay. Employees covered by CSRS may contribute up to 5 percent of their base pay but there is no NRC matching of the contribution. The maximum amount that either FERS or CSRS employees may contribute to the plan in a calendar year is \$8,944. The sum of the employee and NRC contributions is transferred to the Federal Retirement Thrift Investment Board.

NRC does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the Office of Personnel Management.

**O. Net Position**

The NRC's net position consists of the following components:

1. Unexpended appropriations include the undelivered orders and unobligated balances of NRC's funds. All appropriations remain available for obligation until expended.
2. Invested capital represents U.S. Government resources invested in the NRC's property and equipment and inventory not held for sale. Increases to invested capital are recorded when assets are acquired with direct appropriations and decreases are recorded as a result of the depreciation, disposition of capital assets, or consumption of inventory.
3. Future funding requirements represent (a) accumulated annual leave earned but not taken as of the financial statement date (b) accrued workers' compensation, and (c) accrual for litigation settlement. The expense for these accruals is not funded from current appropriations but rather will be funded from future appropriations and assessments.

Notes to Principal Statements - Continued

P. Department of Energy (DOE) Charges

Financial transactions between the DOE and the NRC are fully automated through the U.S. Treasury's On-Line Payment and Collection (OPAC) system. The OPAC system allows the DOE to collect amounts due from the NRC directly from the NRC's account at Treasury for goods and/or services rendered. The payments made in this manner are accomplished through OPAC prior to review by the NRC project managers. Once the electronic notification of the accomplished payment is received by the NRC, internal vouchers are prepared by NRC accounting staff for project manager verification that the goods and/or services were received. The internal vouchers are then returned to the Division of Accounting and Finance as documentation that the charges are accepted. Annually, the NRC makes approximately \$100 million in payments to the DOE in this manner for research conducted by the DOE National Laboratories.

As of the date of principal statements, the Division of Accounting and Finance had not received verification from NRC project managers related to \$4.8 million in charges made by the DOE in the manner and for the purpose as described above. This amount represents approximately 5 percent of total Fiscal Year 1993 billings by the DOE and less than one month's activity.

Q. Reclassifications

Certain amounts for 1992 have been reclassified to conform with the 1993 presentation.

**NOTE 2. FUND BALANCES WITH U.S. TREASURY AND CASH**

Fund balances with U.S. Treasury and Cash consist of the following amounts as of September 30, 1993 and 1992:

|                               | <u>1993</u>          | <u>1992</u>          |
|-------------------------------|----------------------|----------------------|
| Funds balances with Treasury: |                      |                      |
| Appropriated funds            | \$251,864,933        | \$199,283,543        |
| Other fund types              | <u>11,526,089</u>    | <u>9,874,929</u>     |
| Total                         | \$263,391,022        | \$209,158,472        |
| Cash                          | <u>180,000</u>       | <u>180,000</u>       |
| Fund balances and cash        | <u>\$263,571,022</u> | <u>\$209,338,472</u> |

U.S. Government cash is handled on an overall consolidated basis by Treasury. "Funds with U.S. Treasury and Cash" represent the NRC's right to draw on Treasury for allowable expenditures.

**NOTE 3. ACCOUNTS RECEIVABLE, NET**

Accounts receivable, net non-Federal is composed of the following amounts as of September 30, 1993 and 1992:

|  | <u>1993</u>         | <u>1992</u>         |
|--|---------------------|---------------------|
| Materials and facilities fees - billed     | \$19,907,913        | \$17,308,179        |
| Materials and facilities fees - unbilled   | 54,073,882          | 51,652,650          |
| Other                                      | <u>143,805</u>      | <u>424,189</u>      |
| Total accounts receivable - non-Federal    | \$74,125,600        | \$69,385,018        |
| Less: Allowance for uncollectible accounts | <u>(5,979,894)</u>  | <u>(6,269,257)</u>  |
| Accounts receivable, net - non-Federal     | <u>\$68,145,706</u> | <u>\$63,115,761</u> |

Accounts receivable, non-Federal primarily represent amounts due for fees assessed related to licensing and inspections of nuclear facilities and radioactive materials and other services. In the year collected, the amounts will be used to offset NRC's appropriations.

Accounts receivable - Federal consist primarily of receivables and reimbursements due from other Federal agencies (\$1,166,535 and \$692,567 at September 30, 1993 and 1992, respectively).

**NOTE 4. ADVANCES AND PREPAYMENTS**

Advances and prepayments as of September 30, 1993 and 1992, consist primarily of the following:

|                                   | <u>1993</u>        | <u>1992</u>        |
|-----------------------------------|--------------------|--------------------|
| Non-Federal                       |                    |                    |
| Travel advances                   | \$ 698,908         | \$ 616,136         |
| Advances - other                  | 5,000              | 733,908            |
| Prepayments - other               | <u>0</u>           | <u>1,290</u>       |
|                                   | <u>\$ 703,908</u>  | <u>\$1,351,334</u> |
| Federal:                          |                    |                    |
| Advances - Other Federal Agencies | <u>\$1,338,200</u> | <u>\$1,297,918</u> |

Advances and prepayments are recorded as assets until receipt of the goods or services involved or until contract terms are met. When goods or services are received or contract terms are met, the advance or prepayment is reduced and the expense or acquired asset is recognized.

# Principal Financial Statements and Audit Report

## NOTE 5. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of September 30, 1993 and 1992:

|                                   |                          | 1993                         |                                     | 1992                      |                           |
|-----------------------------------|--------------------------|------------------------------|-------------------------------------|---------------------------|---------------------------|
|                                   | <u>Service<br/>Years</u> | <u>Acquisition<br/>Value</u> | <u>Accumulated<br/>Depreciation</u> | <u>Net Book<br/>Value</u> | <u>Net Book<br/>Value</u> |
| <u>Fixed Assets Class</u>         |                          |                              |                                     |                           |                           |
| Equipment                         | 2-25                     | \$28,362,086                 | \$12,061,822                        | \$16,300,264              | \$12,952,933              |
| ADP Software                      | 5                        | 39,173,187                   | 23,898,648                          | 15,274,519                | 18,030,679                |
| Leasehold Improvements            | 5                        | 1,374,299                    | 779,323                             | 594,976                   | 701,800                   |
| Equipment under develop-<br>ment  |                          | 0                            | 0                                   | 0                         | 1,892,270                 |
| ADP Software Under<br>Development |                          | <u>95,000</u>                | <u>0</u>                            | <u>95,000</u>             | <u>653,661</u>            |
| Total                             |                          | <u>\$69,004,552</u>          | <u>\$36,739,793</u>                 | <u>\$32,264,759</u>       | <u>\$34,031,343</u>       |

The straight line depreciation method is used for all classes of fixed assets. Depreciation expense for Fiscal Years 1993 and 1992, was \$10,500,724 and \$8,763,847, respectively.

The land and buildings occupied by the NRC are provided by GSA. For fiscal years 1993 and 1992, GSA charged the NRC \$17,579,350 and \$16,198,781, respectively, for the use of these facilities based on SLUC which is to approximate the commercial rates for similar properties.

## NOTE 6. ACCOUNTS PAYABLE

Accounts payable consist of the following as of September 30, 1993 and 1992:

| Non-Federal            | 1993                | 1992                |
|------------------------|---------------------|---------------------|
|                        |                     |                     |
| Vendor payables        | \$21,706,758        | \$11,641,331        |
| Contract holdbacks     | 1,213,108           | 1,242,157           |
| Litigation             | 0                   | 1,685,532           |
|                        | <u>\$22,919,866</u> | <u>\$14,569,020</u> |
| Federal                |                     |                     |
| Department of Energy   | \$10,437,436        | \$ 9,544,197        |
| Other Federal Agencies | 615,500             | 0                   |
|                        | <u>\$11,052,936</u> | <u>\$ 9,544,197</u> |

**NOTE 7. ACCRUED PAYROLL AND BENEFITS**

Accrued payroll and benefits as of September 30, 1993 and 1992, consist of:

|                  | <u>1993</u>         | <u>1992</u>         |
|------------------|---------------------|---------------------|
| Accrued payroll  | \$ 7,386,062        | \$ 6,267,509        |
| Accrued benefits | <u>1,303,156</u>    | <u>1,095,743</u>    |
|                  | <u>\$ 8,689,218</u> | <u>\$ 7,363,252</u> |

Accrued payroll and benefits represent wages and benefits which have been earned but not paid as of the financial statements' date.

**NOTE 8. OTHER FUNDED LIABILITIES**

Other funded liabilities as of September 30, 1993 and 1992, include:

|   |                     |                     |
|---|---------------------|---------------------|
| Non-Federal   | <u>1993</u>         | <u>1992</u>         |
| Liability for deposit funds                                       | \$12,137,425        | \$10,487,250        |
| Advances from other   | <u>188,582</u>      | <u>420,783</u>      |
|   | <u>\$12,326,007</u> | <u>\$10,908,033</u> |
| Federal   |                     |                     |
| Liability to offset net accounts<br>receivable fees assessed      | \$67,828,863        | \$61,384,122        |
| Liability to offset net mis-<br>cellaneous accounts<br>receivable | 53,030              | 14,738              |
| Advances from other Federal<br>agencies                           | <u>25,689</u>       | <u>246,986</u>      |
|   | <u>\$67,907,582</u> | <u>\$61,645,846</u> |

The Liability for Deposit Funds consists of special fund advances from other governments under cooperative research agreements and liabilities arising from payroll deductions and tax withholdings.



## *Principal Financial Statements and Audit Report*

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### Notes to Principal Statements - Continued

The net accounts receivable for fees assessed represent amounts which, when collected, will be used to offset NRC's appropriations in the year collected.

The net miscellaneous accounts receivable represent amounts which will be reverted to the U.S. Treasury when collected.

### NOTE 9. UNFUNDED LIABILITIES

Unfunded liabilities consist of the following as of September 30, 1993 and 1992:

|                      | <u>1993</u>         | <u>1992</u>         |
|----------------------|---------------------|---------------------|
| Accrued annual leave | \$24,490,259        | \$22,888,672        |
| Accrued benefits     | <u>1,142,441</u>    | <u>976,720</u>      |
|                      | <u>\$25,632,700</u> | <u>\$23,865,392</u> |

Accrued annual leave represents the amount of annual leave earned by NRC employees but not yet taken. Accrued workers' compensation represents Federal Employees Compensation Act (FECA) benefits paid by the Department of Labor on NRC's behalf which had not been billed to or paid by NRC as of September 30, 1993 and 1992. The actuarial amounts for future disability benefits are not included in the principal statements.

Accrued annual leave and accrued workers' compensation are not funded by current or prior years' appropriations and assessments. Funding will be provided from future years' appropriations and assessments (see Note 12).

### NOTE 10. INTRAGOVERNMENTAL ACTIVITIES

The NRC reporting entity's financial activities interact with and are dependent upon those of the Federal Government as a whole. Other Federal agencies make financial decisions and report certain financial matters on behalf of all Federal agencies. The practice of having Federal agencies record or report only those government-wide financial matters for which they are directly responsible is consistent with generally accepted accounting principles for Federal agencies which seek to identify financial matters to the department or agency that has been granted budget authority and resources to manage them. Activities which are performed or reported by other Federal agencies in which NRC is indirectly involved are as follows:

Notes to Principal Statements - Continued

- NRC funds a portion of its employee pension benefits under the CSRS and the FERS but does not disclose actuarial data with respect to accumulated plan benefits, plan assets, or the unfunded pension liability relative to its employees. Reporting of these amounts is the responsibility of the Office of Personnel Management.

In addition, NRC makes contributions to the TSP on behalf of its employees. NRC does not have control over the plan's assets. The TSP is administered by the National Finance Center of the Department of Agriculture.

- Certain legal matters to which NRC may be a named party are administered and in some cases litigated by other Federal agencies. Amounts paid under any decision, settlement, or award pertaining thereto are generally funded through the Treasury.

In most cases, claims (including personal injury claims) are administered and resolved by the Department of Justice and any amounts necessary for resolution are obtained from a special fund maintained by the Treasury. Any legal actions for workers' compensation claims brought by NRC employees fall under the FECA which is administered by the Employment Standards Administration of the U.S. Department of Labor. The cost of administering, litigating, and settling these legal matters has not been allocated to individual Federal agencies.

- Interest on borrowings of the U.S. Treasury is not included as a cost to NRC's programs and is not included in the accompanying financial statements.

NOTE 11. FUND BALANCE

Fund balance consists of the following as of September 30, 1993 and 1992:

|                            | <u>1993</u>           | <u>1992</u>          |
|----------------------------|-----------------------|----------------------|
| Unexpended appropriations: |                       |                      |
| Unobligated                | \$ 45,094,881         | \$ 23,711,400        |
| Undelivered orders         | 167,041,038           | 148,069,042          |
| Invested capital           | <u>32,991,362</u>     | <u>34,796,343</u>    |
|                            | <u>\$ 245,127,281</u> | <u>\$206,576,785</u> |

Notes to Principal Statements - Continued

Unexpended appropriations include (1) unobligated appropriation balances and (2) undelivered orders which are amounts which have been obligated but not yet expended. The unobligated appropriations balance does not include \$8,581,902 and \$4,428,949 in unfilled customer orders - unobligated as of September 30, 1993 and 1992, respectively.

Invested capital represents the net investment of the U.S. Government appropriations expended for NRC's capitalized property, equipment and supplies inventory.

**NOTE 12. FUTURE FUNDING REQUIREMENTS**

Future funding requirements represent the amount of future funding needed to pay the following accrued unfunded expenses as of September 30, 1993 and 1992:

|                      | <u>1993</u>         | <u>1992</u>         |
|----------------------|---------------------|---------------------|
| Accrued annual leave | \$24,490,259        | \$22,888,672        |
| Accrued benefits     | <u>1,142,441</u>    | <u>976,720</u>      |
|                      | <u>\$25,632,700</u> | <u>\$23,865,392</u> |

The above accruals are not funded from current or prior appropriations and assessments, but rather should be funded from future appropriations and assessments. Accordingly, future funding requirements have been recognized for those expenses that will be paid from future appropriations. See also Note 9.

**NOTE 13. APPROPRIATIONS EXPENSED**

Appropriations expensed, a financing source, is recognized to the extent appropriated funds have been consumed less the amount collected from fees assessed for licensing, inspections and other services. During Fiscal Years 1993 and 1992 \$507,072,406 and \$489,265,320 respectively, were collected from fees assessed for licensing, inspections and other services. OBRA requires the NRC to recover approximately 100 percent of its new budget authority, less the amount appropriated from the Nuclear Waste Fund, by assessing fees. The NRC's appropriations are reduced at year end by the amount of revenues collected during the fiscal year.

Other operating cash provided of \$11,079,224 and \$7,041,297 for September 30, 1993 and 1992, respectively represents miscellaneous receipts collected by NRC and are not available to NRC for obligation or expenditure. These receipts must be transferred to the U.S. Treasury when collected.

*Principal Financial Statements and Audit Report*

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Notes to Principal Statements - Continued

|  | <u>1993</u>           | <u>1992</u>          |
|--|-----------------------|----------------------|
| Appropriated funds consumed            | \$504,248,206         | \$496,078,785        |
| Less: Collection from fees<br>assessed | <u>(507,072,406)</u>  | <u>(489,265,320)</u> |
|  | <u>\$ (2,824,200)</u> | <u>\$ 6,813,465</u>  |

NOTE 14. OTHER REVENUES AND FINANCING SOURCES

Other revenues and financing sources for September 30, 1993 and 1992 follow:

|  | <u>1993</u>          | <u>1992</u>          |
|--|----------------------|----------------------|
| Fees for licensing, inspection<br>and other services | \$512,111,524        | \$484,300,084        |
| Other miscellaneous receipts                         | 4,933,955            | 4,349,146            |
| Appropriation reimbursements                         | <u>1,143,725</u>     | <u>1,437,540</u>     |
|  | <u>\$518,189,204</u> | <u>\$490,086,770</u> |

NOTE 15. OPERATING EXPENSES

Operating expenses by object class are as follows:

|  | <u>1993</u>          | <u>1992</u>          |
|--|----------------------|----------------------|
| Personnel services and benefits        | \$256,549,438        | \$244,228,597        |
| Travel and transportation              | 18,967,539           | 16,063,251           |
| Rent, communication and<br>utilities   | 24,875,537           | 28,388,992           |
| Printing and reproduction              | 1,954,204            | 2,061,288            |
| Contractual services                   | 182,479,678          | 185,721,006          |
| Supplies and materials                 | 9,279,285            | 13,019,847           |
| Grants, subsidies and<br>contributions | 1,902,584            | 1,144,256            |
| Insurance claims and<br>indemnities    | 44,030               | 135,191              |
| Other                                  | <u>3,924</u>         | <u>6,881</u>         |
|  | <u>\$496,056,219</u> | <u>\$490,770,299</u> |

Notes to Principal Statements - Continued

NOTE 16. OTHER EXPENSES

Other expenses as of September 30, 1993 and 1992, consist of:

|                              | <u>1993</u>       | <u>1992</u> |
|------------------------------|-------------------|-------------|
| Change in inventory          | \$ 38,397         | \$ 0        |
| Loss on disposal of property | <u>543,030</u>    | <u>0</u>    |
| Total                        | <u>\$ 581,427</u> | <u>\$ 0</u> |

NOTE 17. EMPLOYEE RETIREMENT PLANS

Total NRC contributions for employee retirement plans for September 30, 1993 and 1992 were as follows:

|   | <u>1993</u>          | <u>1992</u>         |
|---|----------------------|---------------------|
| Civil Service Retirement System (CSRS)      | \$9,436,303          | \$9,561,487         |
| Federal Employees' Retirement System (FERS) | 9,302,092            | 8,723,304           |
| Federal Insurance Contribution Act (FICA)   | 5,607,584            | 6,970,662           |
| Thrift Savings Plan (TSP)                   | <u>3,062,849</u>     | <u>2,616,062</u>    |
|   | <u>\$ 27,408,828</u> | <u>\$27,871,515</u> |

Data on the actuarial present value of accumulated benefits, assets available for benefits, and the unfunded pension liability are maintained by other Federal agencies and are not allocated to individual departments and agencies.



Notes to Principal Statements - Continued

NOTE 18. UNFUNDED EXPENSES

Unfunded expenses as of September 30, 1993 and 1992, consist of:

|                            | <u>1993</u>        | <u>1992</u>        |
|----------------------------|--------------------|--------------------|
| Accrued personnel services | \$1,601,587        | \$2,120,798        |
| Accrued benefits           | <u>165,721</u>     | <u>6,315</u>       |
|                            | <u>\$1,767,308</u> | <u>\$2,127,113</u> |

Unfunded expenses are not funded from current appropriations but are to be funded from future appropriations and assessments.

NOTE 19. PRIOR PERIOD ADJUSTMENT

Based on corrections to the property system made during fiscal year 1993, \$3.4 million of additional property and equipment was identified and recorded. The impact of this adjustment on the Statement of Operations and Changes in Net Position was to: (1) increase fiscal year 1992 financing sources by \$1.2 million, decrease program expenses by \$1.5 million and increase depreciation expense by \$.3 million, resulting in no effect on the reported excess of revenues and financing sources over funded expenses; and (2) increase net position (invested capital) at beginning of fiscal year 1992 by \$1.5 million, representing the net book value of the previously unrecorded property and equipment as of October 1, 1991.

NOTE 20. NON-OPERATING CHANGES

Non-operating changes for September 30, 1993 and 1992, consist of the following:

|                                     | <u>1993</u>         | <u>1992</u>         |
|-------------------------------------|---------------------|---------------------|
| Change in unexpended appropriations | \$40,355,478        | \$13,571,917        |
| Change in invested capital          | (1,804,982)         | 5,597,397           |
| Change in unfunded expenses         | <u>(1,767,308)</u>  | <u>(2,127,113)</u>  |
|                                     | <u>\$36,783,188</u> | <u>\$17,042,201</u> |

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*Principal Financial Statements and Audit Report*

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Notes to Principal Statements - Continued

NOTE 21. AMOUNTS TRANSFERRED TO OTHERS

The amounts transferred to others consist of:

|  | <u>1993</u> | <u>1992</u>          |
|--|-------------|----------------------|
| Fees for licensing, inspection<br>and other services -<br>Pre-Fiscal Year 1992 | \$ 0        | \$86,392,670         |
| High Level Waste Fund  | <u>0</u>    | <u>23,606,205</u>    |
|  | <u>\$ 0</u> | <u>\$109,998,875</u> |

The \$86,392,670 represents fees for licensing, inspection and other services which were collected prior to fiscal year 1991. These monies were remitted to U.S. Treasury in fiscal year 1992.

The \$23,606,205 represents receipts received from the Department of Energy for fiscal years 1988 and 1989 for expenses related to the licensing of geologic repositories for disposal of high-level radioactive waste and spent nuclear fuel. Because these funds were not available for NRC to obligate or expend, the funds were remitted to Treasury in fiscal year 1992.

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**INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL STRUCTURE**

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## *Principal Financial Statements and Audit Report*

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To the Commissioners  
U.S. NUCLEAR REGULATORY COMMISSION  
Rockville, Maryland

### INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE

We have audited the principal statements of the U.S. Nuclear Regulatory Commission (NRC), as of and for the year ended September 30, 1993, and have issued our report thereon dated May 6, 1994.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, Audit Requirements for Federal Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the principal financial statements are free of material misstatements.

In planning and performing our audit of the principal financial statements of NRC for the year ended September 30, 1993, we assessed its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the principal statements and to determine whether the internal control structure meets the objectives of the preceding paragraph. This included obtaining an understanding of the internal control policies and procedures and assessing the level of control risk relevant to all significant cycles, classes of transactions, or account balances; and for those significant control policies and procedures that have been properly designed and placed in operation, performing sufficient tests to provide reasonable assurance that the controls are effective and working as designed.

NRC management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not

absolute, assurance that obligations and costs are in compliance with applicable laws; funds, property and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and revenues and expenses applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports to maintain accountability over assets.

For the purpose of this report, we have classified NRC's significant internal control structure cycles in the following categories:

- Funds with U.S. Treasury,
- Accounts receivable,
- Fixed asset management,
- Accounts payable and accrued liabilities,
- Fees Revenue,
- Expenses - Personnel,
- Expenses - Non-personnel,
- Fund control,
- Financial reporting, and
- Performance Measures.

For all the internal control cycles listed above, except performance measures, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk. The review of the performance measures and the related assessment thereto, was not included in the scope of our work as prescribed by the Office of Inspector General. The Inspector General's assessment, if any, and the related management letter, if any, was issued under separate cover and is not part of this report. We considered NRC's Federal Managers' Financial Integrity Act (FMFIA) reports, as well as the Office of Inspector General's (OIG) reports on financial matters and internal accounting control policies and procedures, in making our risk assessment.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants and Office of Management and Budget (OMB) Bulletin 93-06. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to ensure that obligations and costs are in compliance with applicable laws; funds, property, and other assets are safeguarded against waste, loss, unauthorized use,

or misappropriation; and revenues and expenses applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports in accordance with applicable accounting standards and to maintain accountability over assets.

#### **Reportable Conditions**

The following matters involving the design or operation of the internal control structure warrant disclosure as material weaknesses in this report:

- Lack of DOE Audit Assurance
- Billing Practices Need Improvement

In addition, we noted one other matter involving NRC's internal control structure and its operation that is presented in this report as a reportable condition. This matter involves weaknesses in NRC's internal control procedures related to:

- Property System Should be Formalized

The Independent Auditors' Report on the Internal Control Structure for fiscal year (FY) 1992 contained six reportable conditions relating to:

- General Accounting Controls at the General Ledger Level Not Maintained;
- Interagency Responsibilities Over Reimbursement to Department of Energy (DOE) Work Not Adequate;
- Lack of Timely Billing of Fees;
- Capitalization Policies for Supplies Inventory, Leasehold Improvements and Automated Data Processing (ADP) Software Were Nonexistent;
- Accounting System Does Not Provide Object Class and Program Information; and
- Accounting Record for Reversionary Interest in Property, Plant, Equipment Not Maintained



NRC implemented a number of corrective actions which have resolved elements of FY '92 reportable conditions but has not fully implemented all actions necessary to completely eliminate all prior reportable conditions. The reportable conditions relating to lack of DOE audit assurance, timeliness of 10 CFR Part 170 fee billings, and the capitalization policies are included as current year reportable conditions, as well. Actions needed to be taken to resolve these reportable conditions are incorporated in the current year audit findings. A summary of the prior year reportable conditions and the resolution status is discussed immediately following the current year reportable conditions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses.

A material weakness is a reportable condition in which the design or operation of the specific control element does not reduce to a relatively low level the risk that errors or irregularities, in amounts that would be material in relation to the principal financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned duties.

We believe conditions one and two listed as current year reportable conditions are also properly classifiable as material weaknesses. These material weaknesses and the other unresolved reportable conditions are discussed in detail in the Reportable Conditions and Recommendations section immediately following this report.

#### **COMMENTS OF THE CHIEF FINANCIAL OFFICER**

The Chief Financial Officer (CFO) responded to our report findings in memoranda to the Inspector General on June 24, 1994. The responses included general comments on the report's findings, the status of prior findings as well as specific comments to the report's recommendations. The CFO's specific comments are included at the conclusion of our discussion of each reportable condition in this report and summary comments of the CFO are appended to this report in their entirety.

*Principal Financial Statements and Audit Report*

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This report is intended solely for the use of NRC management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the NRC, is a matter of public record.

*R. Narkans & Associates*

San Diego, California  
May 6, 1994

## REPORTABLE CONDITIONS AND RECOMMENDATIONS

### CURRENT YEAR

#### 1. LACK OF DOE AUDIT ASSURANCE

The FY '92 audit of NRC's principal statements contained two scope restrictions. One of these restrictions was due to the lack of audit assurance for interagency reimbursable work performed by the DOE National Laboratories. As a result of lack of audit assurance over the funds expended by DOE, a scope restriction regarding NRC's compliance with laws and regulations was included in the FY '92 report. In addition, the Independent Auditors' Report on Internal Control Structure reported the lack of adequate administrative controls over the interagency work as a material weakness.

NRC has taken action to strengthen its administrative controls over the reimbursable work provided by DOE National Laboratories. NRC has:

- Revised its procedures and practices for awarding, monitoring, reimbursing, and closing out tasks and projects given to DOE laboratories.
- Issued a Directive containing the revised procedures and practices being used by NRC in its FY '93 interagency dealings with DOE.

NRC's Inspector General has assessed the adequacy of these actions and has concluded:

- NRC had taken significant steps to improve its management practices over interagency work assigned to DOE laboratories (see Report No. OIG/93A-26 dated 12/14/93).
- NRC's interagency responsibility over reimbursements to DOE should be classified as a material weakness due to a lack of audit coverage at the DOE National Laboratories by the DOE Inspector General (see Report No. OIG/94A-06 dated 12/20/93).

We recognize that this issue related to the lack of audit assurance was identified due to the conflicting guidance between the Congressional mandate to use DOE resources and the requirements of the CFO Act to prepare and audit entity financial statements. We also recognize that NRC is dependent upon the DOE Inspector General's Office to resolve this issue.

NRC OIG has had a continuing dialogue with the DOE Inspector General's office regarding NRC's need for an assurance statement. In that regard, the DOE Inspector General has included an audit strategy in his audit plans that provides for coverage of the National Laboratories. Although the General Accounting Office does not fully support the DOE Inspector General's audit strategy, the DOE Inspector General's Office has indicated the audit coverage should be sufficient to correct their own material weakness in this area. Once this weakness is corrected, the DOE Inspector General can provide the needed audit assurance to NRC that funds were expended on NRC's behalf in accordance with applicable laws and regulations.

#### **Comments of the Chief Financial Officer**

As the auditor's assessment indicates, the NRC is dependent upon the DOE IG to resolve the issue with regard to the lack of audit assurance for work placed with DOE. For this reason and others stated in my memorandum to you [the Inspector General] dated April 29, 1994, I continue to be very concerned that the DOE audit assurance is characterized as a qualification and a material weakness in the NRC financial statements. A qualification and a material weakness in the NRC financial statements imply there is a deficiency that NRC can resolve. This is not the case with the DOE qualification since the NRC is powerless to resolve it. The internal control material weakness with regard to lack of DOE audit assurance is beyond NRC's control.

#### **Auditors' Conclusion**

The CFO should continue to monitor the progress of the DOE Inspector General. When necessary, the CFO should consult with the NRC Inspector General to assess the effect on the NRC principal statements of any progress made by DOE.

2. **BILLING PRACTICES NEED IMPROVEMENT**

The audit of the NRC's accounts receivable for FY '93 disclosed the billings and collections of CFR Part 170 fees were not being made timely. 10 CFR Part 170 fees consist of license and inspection fees, established under the authority of the Independent Offices Appropriation Act (IOAA) (31 U.S.C. 9701), to recover the NRC's costs of providing individually identifiable services to specific applicants and licensees. The services provided by the NRC for which these fees are assessed are generally for the review of applications for the issuance of new licenses, amendments to or renewal of licenses and inspections of licensed activities. Billings for these services were delayed for extended periods of time, billings were restricted to quarterly processing, and the billings for inspection services were not billed on a progress basis but on a completed services basis.

The current year's audit finding is similar to the finding reported in FY '92. The FY '92 principal statement audit disclosed that the primary source of fees from licensees came from annual fees assessed under 10 CFR Part 171 against entities holding nuclear power reactor licenses. Billings for these fees accounted for approximately 70 percent of the fees collected in FY '92. The audit disclosed billing and collection activities were adequately managed and controlled. The billing and collection of 10 CFR Part 170 fees, however, were classified in both the FY '92 and '93 as material weaknesses due to untimely billing and collection processes.

In FY '93 NRC revised its regulations to permit quarterly billings, reduced the Office of Nuclear Reactor Regulation's (NRR's) and the regions' edit and certification time from approximately 90 days to 38 days, and replaced much of the manual input with an automated download program to facilitate and expedite the billing process.

Despite these actions taken by NRC to improve its 10 CFR Part 170 billing process, our FY '93 financial audit of NRC disclosed the billing of these services was still untimely (see Exhibit I). The 10 CFR Part 170 fees accounted for approximately 20 percent (\$110 million) of the fees reflected in FY '93 Statement of Operations.

Untimely billing of FY '93 10 CFR Part 170 services was due primarily to four reasons.

■ **NRC Quarterly Billing Regulation**

Section 170.12, "Payment of fees", of 10 CFR generally provides for quarterly billings for services rendered and in the case of inspection services, only those inspections fully completed during the billing quarter. An alternative commercial practice would be to bill the client as services are rendered (progress billings). Thus, NRC's regulations precluded a more timely billing process for the services provided to licensees.

In contrast to commercial practices, NRC has established an overly complex and time consuming billing process for its 10 CFR Part 170 services. The normal commercial practice is to bill the client on the completion of the service or on a monthly progress payment basis. Billings for commercial services are not unduly delayed but are made as soon as information is available to bill for the services provided. NRC limits its billings to quarterly billings which are further delayed through self-imposed verification and certification procedures as outlined in License Fee Debt Collection Branch (LFDCB) procedures used when processing Facility Inspection Program (FACFEES) and Facilities Actions Program (FACACT) invoices.

■ **Extensive Edit and Certification Procedures**

NRR and the regions are allowed up to 38 working days to review, approve, and certify reports showing the services and activities performed before submitting the reports to the LFDCB.

■ **Problems with Downloading Data From Existing Programs Developed by IRM**

NRC uses two automated systems to bill for the 10 CFR Part 170 type fees, FACFEES and FACACT. FACFEES is the system used to bill for Facility Inspections. FACACT is the system used to bill for facility licensing actions, 10 CFR Part 55 operator examinations, 10 CFR Part 50 operating licenses under review, standard plant designs, and topical reports.



FACFEES and FACACT are supported by several subsystems in the invoice preparation process. These subsystems include the Regulatory Information Tracking System (RITS), the Technical Assistance Program Support System (TAPSS) and the accounts receivable program (COLLECT).

LFDCB experienced extensive delays in receiving error free information from the download of data to FACFEES and FACACT. The delays prompted the LFDCB to use an alternative system (FACAMEX) to produce FACACT invoices. Delays were also encountered with the download for the FACFEES invoices; however, FACFEES was eventually used to prepare the invoices (See EXHIBIT 1).

■ **Lack of Cooperation Between LFDCB and IRM**

There appears to be a lack of cooperation between the Office of Information Resources Management (IRM) and LFDCB. For example, IRM developed a program to produce invoices for facility annual fees. However, the program would not provide the necessary information without an IRM contractor spending about three days manipulating the data. LFDCB discussed the program's problems with a non-IRM employee who produced a new program in less than a week. The new program, FACANN, is presently being used to bill for facility annual fees.

In another example, LFDCB had been experiencing problems billing facility license actions. The LFDCB produced a report detailing the problems and submitted it to the IRM Deputy director. LFDCB's previous efforts with their contacts in IRM were ineffective and, until the report was released to the IRM Deputy Director, limited action was taken to alleviate the problems. However, several days after the report was released, a group of five to six persons from IRM were in LFDCB trying to solve the problems with the download.

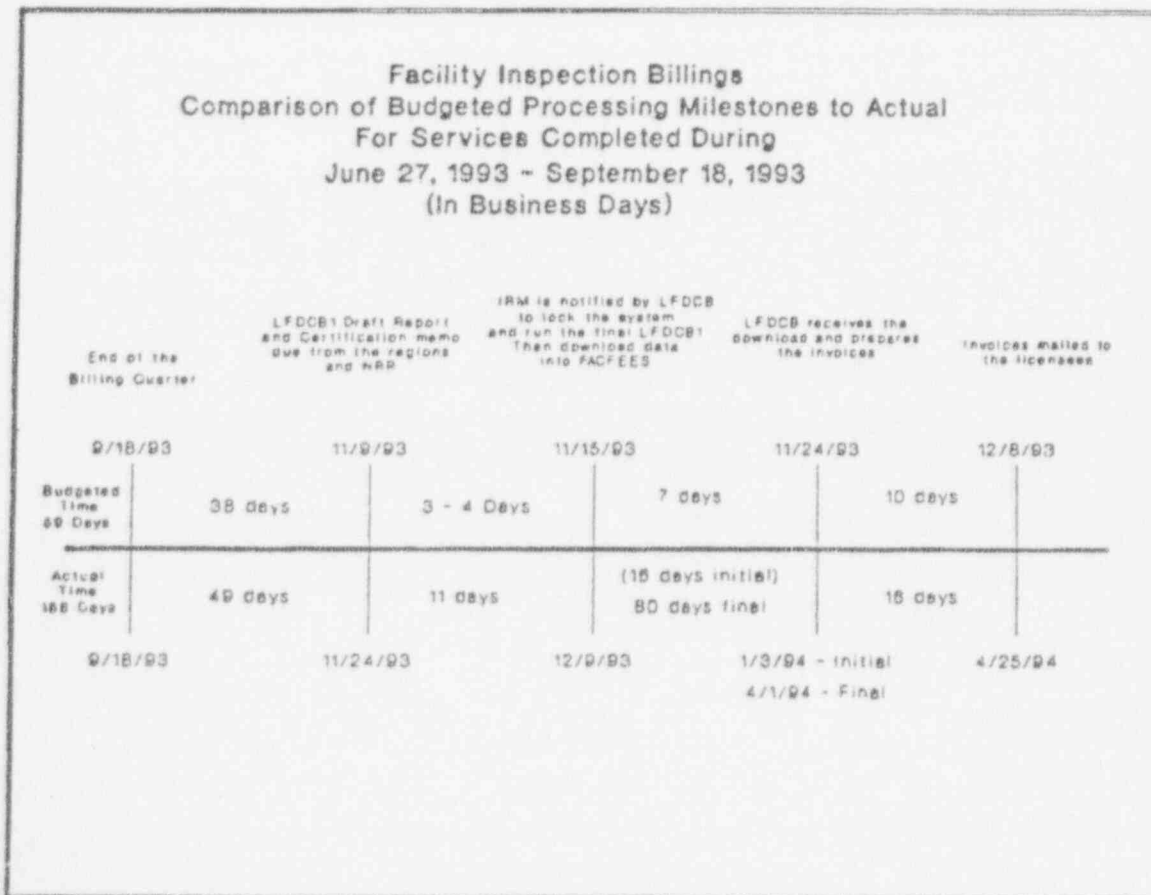
Problems associated with this process are typified by the processing of the billing for services completed during June 27, 1993 through September 18, 1993, FY '93 fourth quarter. Under NRC's timeline for completing the billing cycle, NRC provides for approximately three months to bill the services. Therefore, under NRC guidelines the invoices should have been mailed to the licensees by December 16, 1993. However, these invoices, for approximately \$13.0 million of

## Principal Financial Statements and Audit Report

completed services, were processed, printed and mailed on April 25, 1994, approximately seven months after the end of the quarter. Subsequent to September 30, 1993, senior management in the Office of the Controller (OC) and IRM met and developed an approach to address the conditions noted in this report.

The following tables compares NRC's timelines for each process with the actual time taken to complete the process.

### EXHIBIT I



#### **Recommendation**

The Chief Financial Officer should adopt more aggressive billing practices. Billings should be prepared on a monthly progress billing basis using available reliable information from NRC's automated information systems.

The Chief Financial Officer should:

1. Revise NRC regulations to provide for monthly progress billings.
2. Review and establish a timeline to correct the problems associated with downloading of data from the primary systems FACFEES, FACACT, RITS, TAPSS into the accounts receivable system, COLLECT.
3. Establish a timeline for completing the necessary actions needed to bill fees on a progress basis.
4. In his capacity as the Executive Director for Operations, ensure that OC and IRM implement and execute the agreed-upon approach to ensure timely billing of Part 170 license fees.

#### **Comments of the Chief Financial Officer**

We agree that the timeliness of billing needs to be improved. As a result of this being identified as a material weakness in the FY 1992 audit report, we requested a waiver from the Department of Treasury requirement to "Ensure that an invoice...is prepared and mailed within 5 business days after the...services have been rendered..." based upon the cost of implementing such a process compared to the benefits received. We suggested that the quarterly billing cycle, which the NRC had already implemented with its 1992 rule, become our billing standard. Treasury granted an interim waiver stating that the NRC could, "...bill within 30 calendar days following the close of each quarterly billing cycle." We plan to adopt this approach for improving the timeliness of billing. The additional resources required for monthly billing would not be cost effective from a cash management basis and is inconsistent with Agency streamlining plans to

comply with Executive Orders to reduce staffing levels. We will continue progress billing on a quarterly basis of advanced billings for all except for material licensee's flat fee inspections. These limited inspection fees are billed after the inspection is completed.

**Auditors' Conclusion**

We commend the CFO for pursuing a waiver to provide for billing within 30 calendar days following the close of the quarter and for the commitment to adopt an approach to enhance the timeliness of billings.

We do, however, emphasize the importance of implementing corrective action in the current year and using timelines or benchmarks to assure that implementation actions are executed efficiently.

3. PROPERTY SYSTEM SHOULD BE FORMALIZED

The FY '92 audit of NRC's principal statements contained two scope restrictions. One of the restrictions dealt with the lack of historical accounting records to enable an opinion regarding the amounts reflected as Property, Plant and Equipment-net on the Statement of Financial Position and the related depreciation included in the Statement of Operations and Changes in Net Position. In addition to the problem associated with the Property, Plant, Equipment and depreciation, the FY '92 audit disclosed capitalization policies for supply inventory, leasehold improvements and ADP software were nonexistent.

The lack of historical accounting records for property, plant and equipment was attributed to the use of a stand alone property and inventory subsystem which was not designed for financial reporting purposes nor integrated or reconciled with the NRC general ledger. NRC's Property and Supply System (PASS) was cited as one of the incompatible and non-integrated subsystems.

The PASS is a property system designed to facilitate the NRC's custodial requirements for the location of the property and not for recording financial activity. The system does not provide reliable acquisition cost from vendor invoices, depreciation basis, depreciation schedules, enhancements made to assets, and an integrated feed to the FFS. Instead the informal property management system relies on input of information in one form (i.e. a contract payment) and the subsequent identification and reversal of the transaction manually.

Also, the lack of capitalization policies for supply inventory, leasehold improvements, and ADP software was also cited as a material weakness in the FY '92.

While the PASS subsystem is still being used as the basic source for recording information into NRC'S general ledger, NRC has implemented informal procedures to input accounting information into the FFS general ledger on a monthly basis. NRC also adopted other informal procedures to capitalize supplies inventory, leasehold improvements and ADP software.

Examination and tests of the informal capitalization procedures and practices disclosed:

- The informal procedures for capitalizing and depreciating property, plant and equipment were generally working as intended with the exception of errors made in recording prior period transactions as FY '93 acquisitions. This required adjustments to the FY '93 accounts and to prior years. Note 19 to the principal statements details the nature of the prior period adjustment.
- The informal procedures for capitalizing supplies inventories, leasehold improvements and ADP software were generally working as intended except for the failure to record the value of software developed by DOE for the exclusive use of NRC. NRC subsequently recorded the software at a net book value of \$1,474,269 and the adjustment is included in the Statement of Financial Position. The issue of software developed by DOE for the exclusive use of NRC had not been included in the informal procedures.

#### **Recommendation**

The Chief Financial Officer should design and implement a complete property management system. The framework for the system should provide for posting of financial activities related to property transactions only once without the manual intervention of accounting personnel. The design of a system should consider the cost versus the benefits gained by enhancing the activities of the PASS system to incorporate financial activities, as well, as tracking or the need to design a system in its entirety. The CFO should also place additional emphasis in implementing a sound property management module to the general ledger system.

Capitalization policies related to property, plant and equipment need to be formally incorporated in NRC's policies and procedures manual.



**Comments of the Chief Financial Officer**

We agree with the reportable condition that informal policies and procedures covering the capitalization of property, plant and equipment should be formalized in an official Agency directive. We also agree that the property management/financial inventory systems need to be improved. The specifics of how to achieve this integration will be determined after further evaluation.

Additionally, the Chief Financial Officer provided the following comments regarding the Independent Auditors' Report on the Principal Statements:

We agree there is a lack of complete historical accounting records for approximately \$6 million worth of capitalized property purchased from 1975 through 1990. From a management perspective, we do not believe this amount represents a significant impact on the financial standing of the Agency when taken in the overall context of the financial statements. Thus, I believe the opinion should clearly communicate the scope and magnitude of the value in question.

**Auditors' Conclusion**

We commend the CFO for recognizing the importance of sound policy and the need for related systems to support NRC's stewardship over property, plant and equipment.

The Officer of Inspector General is available to discuss financial related issues which may arise during the evaluation of system integration options.

Additionally we have provided clarity, as requested by the CFO, of the restriction in the Independent Auditors' Report on the Principal Statements.

## STATUS OF PRIOR YEAR REPORTABLE CONDITIONS

### 1. General Accounting Controls at the General Ledger Level Not Maintained

The NRC general ledger as maintained during FY '92 did not include all of the necessary general accounting controls to produce timely and accurate financial information needed to prepare complete financial reports as required by OMB Bulletin 93-02. The principal weaknesses and issues needing correction involved:

- the compatibility and integration of the NRC general ledger and subsystems used by NRC for payroll, travel and property.
- heavy reliance on manual inputs due to the use of incompatible subsystems.
- inadequate general ledger/subsystem reconciliations.
- inappropriate accounting procedures for inventories and software.

NRC has partially resolved the compatibility and integration weaknesses with the installation of a new FFS general ledger system and a fully compatible FFS travel module. NRC was also looking at a number of different payroll systems as replacement for its present non-compatible payroll subsystem and was reconciling the payroll subsystem with the FFS general ledger on a monthly and year end basis.

NRC also informally changed its accounting practices for inventories and software but did not formally incorporate these changes in NRC's Accounting Policies and Practices manual nor issued a new Management Directive incorporating these changes.

To fully resolve the FY '92 reportable condition, NRC needs to:

- A. Replace its presently used non-compatible payroll subsystem with a payroll subsystem which is fully integrated and compatible with the FFS general ledger system.

- B. Replace its present property and supply system (PASS) with a property subsystem which is fully integrated and compatible with the FFS general ledger system.
- C. Formally adopt its accounting practices for inventories and software through the issuance of a new Management Directive or Accounting Manual change.

**2. Interagency Responsibility Over Reimbursement to Department of Energy (DOE) Work Not Adequate**

The status and actions needed to resolve this reportable condition have been incorporated in current reportable condition "Lack of DOE Audit Assurance."

**3. Lack of Timely Billings of Fees**

The status and actions needed to resolve this reportable condition have been incorporated in current reportable condition "Billing Practices Need Improvement."

**4. Capitalization Policies for Supplies Inventory, Leasehold Improvements and ADP Software Were Nonexistent**

The status and actions needed to resolve this reportable condition have been incorporated in current reportable condition "Property System Needs to be Formalized."

**5. Accounting System Does Not Provide Object Class and Program Information**

The accounting system in use during FY 92 could not readily provide object class information and was incapable of providing program information for the financial statements. These accounting system design deficiencies precluded NRC from reporting its expenses in the OMB Bulletin 93-02 recommended financial reporting formats on NRC principal statements.

This reportable condition has been partially resolved with the installation of the FFS general ledger system. The FFS general ledger readily produces reports at the object class level and is capable of producing information on a program basis provided the payroll subsystem has labor distribution capabilities. However, NRC's present payroll system does not contain labor distribution capabilities. NRC management is pursuing the acquisition of a payroll system that will provide labor distribution capabilities.

Actions needed to fully resolve this reportable condition are:

- The selection of a FFS compatible payroll system possessing the necessary labor distribution capabilities.
- Recording of each transaction at the program level for all other NRC financial activities.
- Installation and use of the system in producing reports in the formats recommended by OMB Bulletin 93-02.

**6. Accounting Records for Reversionary Interest in Property, Plant and Equipment Not Maintained**

Our FY '92 audit reported that NRC had not established management information systems to control NRC's reversionary interest in DOE property, plant, and equipment acquired with NRC funds nor did it appear that NRC had a policy to assure NRC funds were not used to fund purchases more properly funded by DOE. In responding to this reportable condition, the Chief Financial Officer discussed the steps taken by NRC to improve the equipment reporting and accountability of equipment purchased through NRC laboratory agreements. These included:

- The issuance of a Draft Management Directive 11.7, "NRC Procedures and Management Controls for Placement and Monitoring of Work with the Department of Energy".

- Six month pilot project in the use of the new procedures to be followed by the issuance of the Final Management Directive.

As discussed under current reportable condition finding number 1. "Lack of DOE Audit Assurance", the NRC OIG has reviewed the actions taken by NRC to improve its management and administrative control over work assigned to DOE and the DOE laboratories. The NRC OIG acknowledged that NRC has substantially improved its management practices over the awarding, monitoring, paying, and close out of projects assigned to DOE and DOE laboratories.

We commend NRC's action to correct the problem noted by the issuance of Management Directive 11.7 on May 3, 1994.

#### **Comments of the Chief Financial Officer**

Of the six reportable conditions identified last year, one reportable condition has been completed and the other two have been partially completed. We are continuing to address other reportable conditions identified in the reports along the lines recommended in the report.

#### **Auditors' Conclusion**

None.

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH LAWS AND REGULATIONS**

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## *Principal Financial Statements and Audit Report*

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2831 Camino Del Rio South, Suite 306  
San Diego, California 92108  
(619) 298-8193

To the Commissioners  
U.S. NUCLEAR REGULATORY COMMISSION  
Rockville, Maryland

### **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS**

We have audited the principal financial statements of the U.S. Nuclear Regulatory Commission (NRC), as of and for the years ended September 30, 1993 and 1992, and have issued our report thereon dated May 6, 1994. As part of our audit, we tested the NRC's compliance with certain laws and regulations that, if not followed, could have a direct and material effect on the financial statements. This report pertains only to our consideration of compliance with laws and regulations for the year ended September 30, 1993.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06 Audit Requirements for Federal Financial Statements. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the principal financial statements are free of material misstatements.

NRC's principal financial statements for the fiscal year ended September 30, 1993 and 1992 include \$97.3 million and \$109 million, respectively, of reimbursable expenses incurred by the Department of Energy (DOE), which represents approximately 20% of the agency's total expenses. The funds were transferred under the provisions of the Energy Reorganization Act (P.L. 95-91) which are embodied in a Memorandum of Understanding (MOU) between NRC and DOE dated February 24, 1978. The MOU establishes guidelines for the program planning, implementation, control, funding, and management of NRC funds. The responsibility to design, implement and evaluate the system of controls to assure compliance with laws and regulations rests with the Department of Energy.

Our assessment of compliance with laws and regulations, which could have a material and direct effect on the NRC financial statements, did not provide for a review of DOE's extent of compliance with laws and regulations for the NRC funds they expended. Our assessment of compliance with laws and regulations over the funds transferred to DOE was limited to testing the controls maintained at NRC over the disbursing and recording of these funds.

Compliance with laws and regulations applicable to NRC is the responsibility of agency management. As part of obtaining reasonable assurance as to whether the principal financial statements are free of material misstatement, we tested NRC's compliance with laws and regulations that may directly affect the financial statements and certain other laws and regulations designated by OMB as listed below. However, our primary objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion:

- Anti-Deficiency Act (Title 31 U.S.C.),
- National Defense Appropriations Act (PL 101-510),
- Omnibus Budget Reconciliation Act of 1990,
- Debt Collection Act of 1982 (PL 97-365),
- Prompt Pay Act (PL 97-177),
- Civil Service Retirement Act,
- Civil Service Reform Act (PL 95-454),
- Federal Managers Financial Integrity Act (PL 97-255),
- Chief Financial Officers' Act (PL 101-576), and
- Budget and Accounting Act.

As part of our audit, we relied on the Office of Inspector General's review of management's reporting of internal control and accounting systems as required by the Federal Managers' Financial Integrity Act (FMFIA) and compared the agency's most recent FMFIA reports with the evaluations we conducted of the entity's internal control system.

*Principal Financial Statements and Audit Report*

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The results of our test indicate that with respect to the items tested, NRC complied in all material respects with the provisions referred to above. With respect to the items not tested, nothing came to our attention that caused us to believe that NRC had not complied, in all material respects, with those provisions.

This report is intended solely for the use of management of the U.S. Nuclear Regulatory Commission. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the NRC, is a matter of public record.

*R. Navarro & associates*

San Diego, California  
May 6, 1994

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**COMMENTS OF THE CHIEF FINANCIAL OFFICER**

Comments of the Chief Financial Officer

Appendix



UNITED STATES  
NUCLEAR REGULATORY COMMISSION

WASHINGTON, D.C. 20555-0001

JUN 24 1994

MEMORANDUM FOR: David C. Williams  
Inspector General

FROM: James M. Taylor  
Chief Financial Officer

SUBJECT: DRAFT REPORTS ON NRC'S PRINCIPAL STATEMENTS-  
FISCAL YEAR 1993 FINANCIAL STATEMENTS AUDIT

This memorandum responds to your request for comments on the subject reports. The comments are keyed to the topic areas of scope restrictions, material weaknesses and recommendations.

1. LACK OF DOE AUDIT ASSURANCE (Scope Restriction and material weakness): As the auditor's assessment indicates, the NRC is dependent upon the DOE IG to resolve the issue with regard to the lack of audit assurance for work placed with DOE. For this reason and others stated in my memorandum to you dated April 29, 1994, I continue to be very concerned that the DOE audit assurance is characterized as a qualification and a material weakness in the NRC financial statements. A qualification and a material weakness in the NRC financial statements imply there is a deficiency that NRC can resolve. This is not the case with the DOE qualification since the NRC is powerless to resolve it. The internal control material weakness with regard to lack of DOE audit assurance is beyond NRC's control.

2. LACK OF COMPLETE HISTORICAL ACCOUNTING RECORDS FOR PROPERTY, PLANT AND EQUIPMENT (Scope Restriction): We agree there is a lack of complete historical accounting records for approximately \$6 million worth of capitalized property purchased from 1975 through 1990. From a management perspective, we do not believe this amount represents a significant impact on the financial standing of the Agency when taken in the overall context of the financial statements. Thus, I believe the opinion should clearly communicate the scope and magnitude of the value in question. As briefly discussed with the auditors, we will explore modification of our depreciation method and re-evaluate the useful life assigned to property purchased during this time period. These actions are projected to result in a reduction to the net book value of inadequately documented property.

3. BILLING PRACTICES NEED IMPROVEMENT (Material Weakness and four recommendations): We agree that the timeliness of billing needs to be improved. As a result of this being identified as a material weakness in the FY 1992 audit report, we requested a waiver from the Department of Treasury requirement to "Ensure that an invoice...is prepared and mailed within 5 business days after the...services have been rendered..." based upon the cost of implementing such a process compared to the benefits received. We suggested that the quarterly billing cycle, which the NRC had already implemented with its 1992 rule, become our billing standard. Treasury granted an interim waiver stating that the NRC could, "...bill within 30 calendar days following the close of each quarterly billing cycle." We plan to adopt this approach for improving the timeliness of billing. The additional resources required for monthly billing would not be cost effective from a cash management basis and is inconsistent with Agency streamlining plans to comply with Executive Orders to reduce staffing levels. We will continue progress billing on a quarterly basis of advanced billings for all except for material licensee's flat fee inspections. These limited inspection fees are billed after the inspection is completed.

We do not believe that the section titled "Lack of Cooperation Between LFDCE and IRM" and the associated recommendation are appropriate for the audit report. We recommend their deletion. Management has already recognized the concern noted in your report and implemented corrective action during the past year.

4. PROPERTY SYSTEM SHOULD BE FORMALIZED (Three recommendations): We agree with the reportable condition that informal policies and procedures covering the capitalization of property, plant and equipment should be formalized in an official Agency directive. We also agree that the property management/financial inventory systems need to be improved. The specifics of how to achieve this integration will be determined after further evaluation.

5. STATUS OF PRIOR YEAR REPORTABLE CONDITIONS Of the six reportable conditions identified last year, one reportable condition has been completed and the other two have been partially completed. We are continuing to address other reportable conditions identified in the reports along the lines recommended in the report. Work is continuing on the Agency plans to replace the existing payroll and personnel systems with a system that will be integrated with the general ledger and enable the capture of labor cost distributions. Until implementation, detailed monthly reconciliations will continue to assure payroll data entered into the general ledger is accurate and complete. Program costs will be determined indirectly and reported as supplemental information in the financial statements until a labor cost distribution system can be put in place.



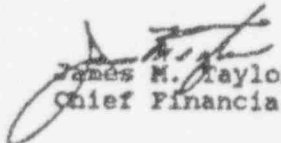
*Principal Financial Statements and Audit Report*

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Comments of the Chief Financial Officer - Continued

Appendix

We are in the process of providing detail comments which separately address each recommendation and will provide that information through separate correspondence. I appreciate the opportunity to provide comments on the draft report. My staff and I are available to discuss these comments if you desire.

  
James M. Taylor  
Chief Financial Officer

cc: Thomas J. Barchi, OIG

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**SUPPLEMENTAL FINANCIAL  
AND MANAGEMENT  
INFORMATION**

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Note: Alaska and Hawaii are included in Region IV. Subsequent to September 30, 1993, the former Region V was merged with Region IV. Walnut Creek, California, previously the location of the regional office for Region V, has since become a field office.

**Figure 1. NRC Regions**

### **FEES COLLECTED IN FY 1993**

License fees are assessed as stipulated in Part 170 of Title 10 of the Code of Federal Regulations (10 CFR Part 170) to recover the costs to the NRC of providing individually identifiable services to specific applicants for and holders of NRC licenses and approvals. Annual fees are assessed under 10 CFR Part 171 to recover generic and other regulatory costs not recovered under 10 CFR Part 170 through license fees. The following chart shows the amounts collected by the two types of fees from NRC major licensees.

| <b>Fees Collected in FY 1993<br/>(in millions)</b> |                 |                    |              |
|--|-----------------|--------------------|--------------|
| <b>Type of Fee</b>                                 | <b>Reactors</b> | <b>Nonreactors</b> | <b>Total</b> |
| License Fees                                       | \$ 93.7         | \$11.9             | \$105.6      |
| Annual Fees  | 351.4           | 50.1               | 401.5        |
| Total Fees   | \$445.1         | \$62.0             | \$507.1      |

Of the fees collected in FY 1993, 88 percent were from the nuclear reactor industry and 79 percent of the total collected were recovered through annual fees.

### **FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT**

In its FY 1993 report to the President, prepared in accordance with the Federal Managers' Financial Integrity Act (FMFIA), the NRC identified four material weaknesses:

- the management of Department of Energy (DOE) national laboratory agreements;
- audit coverage of DOE national laboratory agreements;
- timely billing of licensees; and
- computer security.

The four material weaknesses, when considered together, are not sufficiently serious to prevent overall assurance that the NRC is in compliance with the FMFIA.

In FY 1992, the NRC reported four material weaknesses. The NRC took corrective action in FY 1993 to resolve the two material weaknesses that involved the NRC's general ledger and the approval process for reimbursement for work performed by DOE national laboratories. Corrective action has been completed in FY 1994 to resolve the material weakness that involved the management of DOE national laboratory agreements. Corrective action is expected to be completed on the remaining material weakness on computer security in calendar year 1994.

In FY 1993, the NRC Inspector General designated two additional areas as material weaknesses. The first weakness involves compliance with the Department of the Treasury requirement to bill licensees within five business days after services are rendered. The NRC has been working with the Department of the Treasury to ensure that bills are issued consistent with cost effective cash management. The NRC plans to correct this material weakness by the end of FY 1994.

The second material weakness relates to audit coverage of DOE national laboratories. This does not represent a significant deficiency in the NRC's accounting controls and does not serve as an indicator as to how well the NRC is doing with respect to financial management. The NRC Inspector General found that, because of a lack of audit coverage at the national laboratories by the DOE's Office of Inspector General, the DOE Inspector General was unable to provide assurance to the NRC that monies spent by the DOE and DOE Management and Operating Contractors on the NRC's behalf were expended in conformance with applicable laws and regulations. The DOE has reported this as a material

weakness and plans to downgrade this material weakness by FY 1996. Remedy of this weakness is beyond the control of the NRC.

| Number of Material Weaknesses |                                       |                     |                         |
|-------------------------------|---------------------------------------|---------------------|-------------------------|
|                               | Number reported<br>for the first time | Number<br>corrected | Number still<br>pending |
| Prior Years*                  | 1                                     | 1                   | 0                       |
| 1991 Report                   | 0                                     | 0                   | 0                       |
| 1992 Report                   | 4                                     | 2                   | 2                       |
| 1993 Report                   | 2                                     | 0                   | 2                       |

\* 1987 Report

The Department of the Treasury is reporting a material non-conformance in the Federal Financial System, a system that the NRC uses through an interagency agreement with the Department of the Treasury. The material non-conformance results from the lack of adequate disaster recovery capabilities for the Data Center located in Hyattsville, Maryland. This non-conformance is beyond the control of the NRC, and we understand that the Department of the Treasury will correct this inadequacy in FY 1994.

During FY 1993, the NRC continued to strengthen its management control program. Instructions for performing risk assessments and management control reviews were improved. A process to validate corrective actions resulting from management control reviews was implemented.



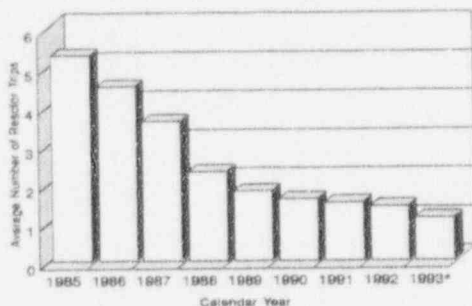


Note: There are no commercial reactors in Alaska or Hawaii.

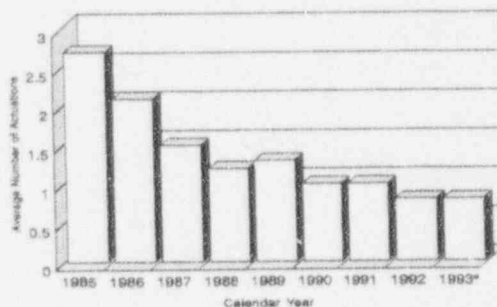
Figure 2. U.S. Commercial Nuclear Power Reactors

NRC Performance Indicators for Operating  
Nuclear Power Plants;  
Annual Industry Averages 1985-1993

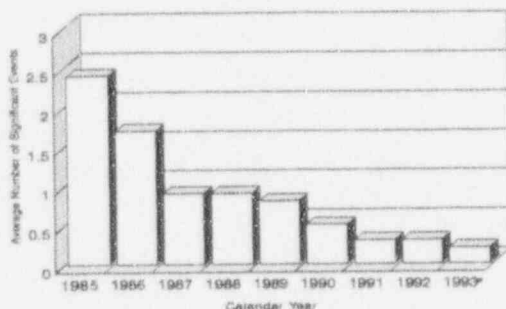
AUTOMATIC TRIPS WHILE CRITICAL



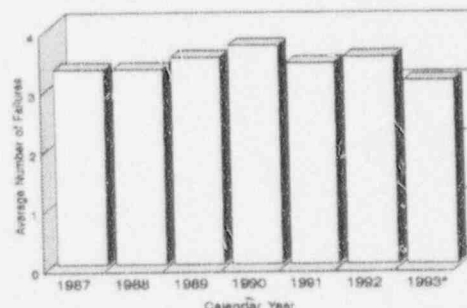
SAFETY SYSTEM ACTUATIONS



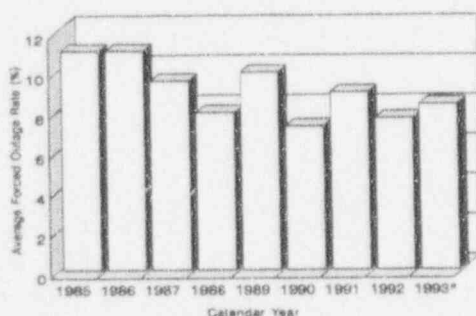
SIGNIFICANT EVENTS



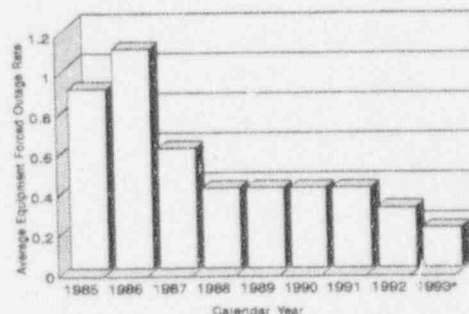
SAFETY SYSTEM FAILURES



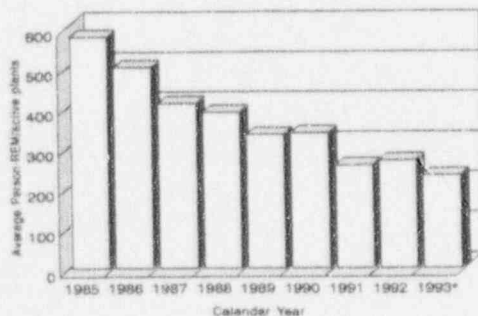
FORCED OUTAGE RATE (%)



EQUIPMENT-FORCED OUTAGE/1000 CRIT. HRS.



COLLECTIVE RADIATION EXPOSURE

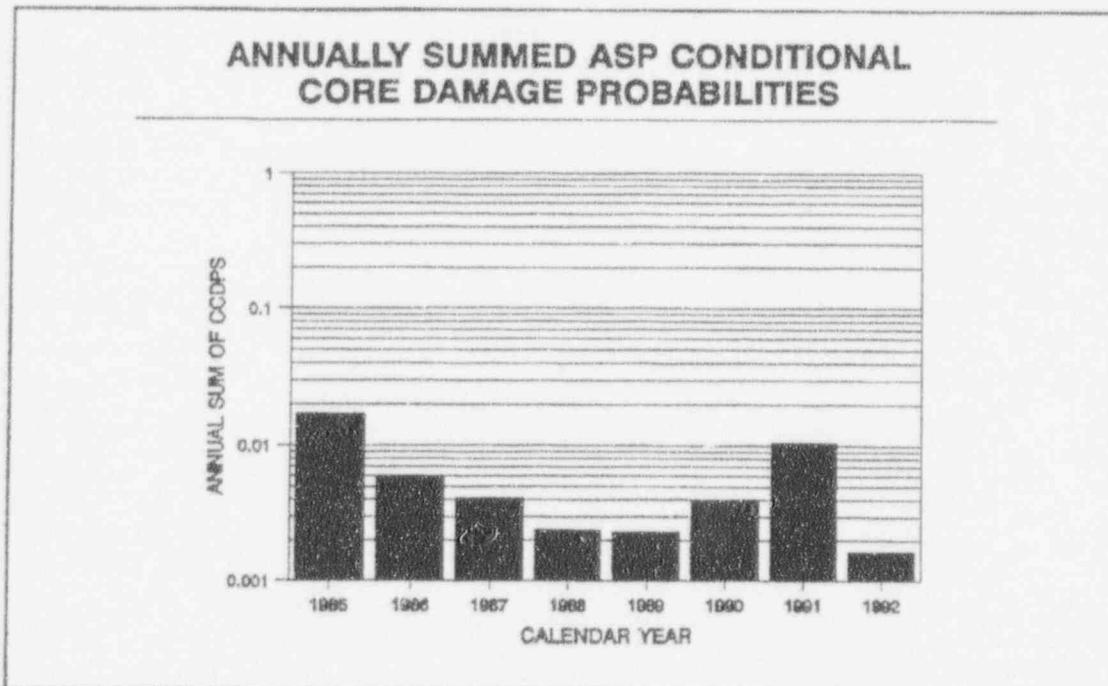


\*Based on annual  
projections from first six or  
nine months of Calendar  
Year 1993.

Figure 3. Licensee Safety Performance Indicators

## **ACCIDENT SEQUENCE PRECURSORS**

Accident Sequence Precursor (ASP) models are used to estimate conditional core damage probability (CCDP). The small number of events, particularly events with higher CCDPs, limits the statistical significance of the results, making trending uncertain. Results are evaluated on a yearly basis. Given this caveat, long-term trends are evaluated using the sum of the CCDP for each year and by examining the yearly number of events with a CCDP in a given range.



**Figure 4**

There is a significant correlation between the annual sum of CCDPs and the overall reactor trip rate, and the apparent overall decrease in the sum of CCDPs between 1985 and 1992 is believed to be due to a decreasing trip rate during this period. Most of the events during the time period have CCDPs of less than 0.001. In 1990, one significant shutdown event was included in the ASP sum of CCDPs. Prior to 1990, these shutdown events had not generally been included in the ASP analyses. This event accounted for over 60 percent of the increase over the previous year. The cause of the increase in the sum of the CCDPs in 1991 was an event with a CCDP in the 0.01 to 0.001 range. No event in this range has been identified since 1986.

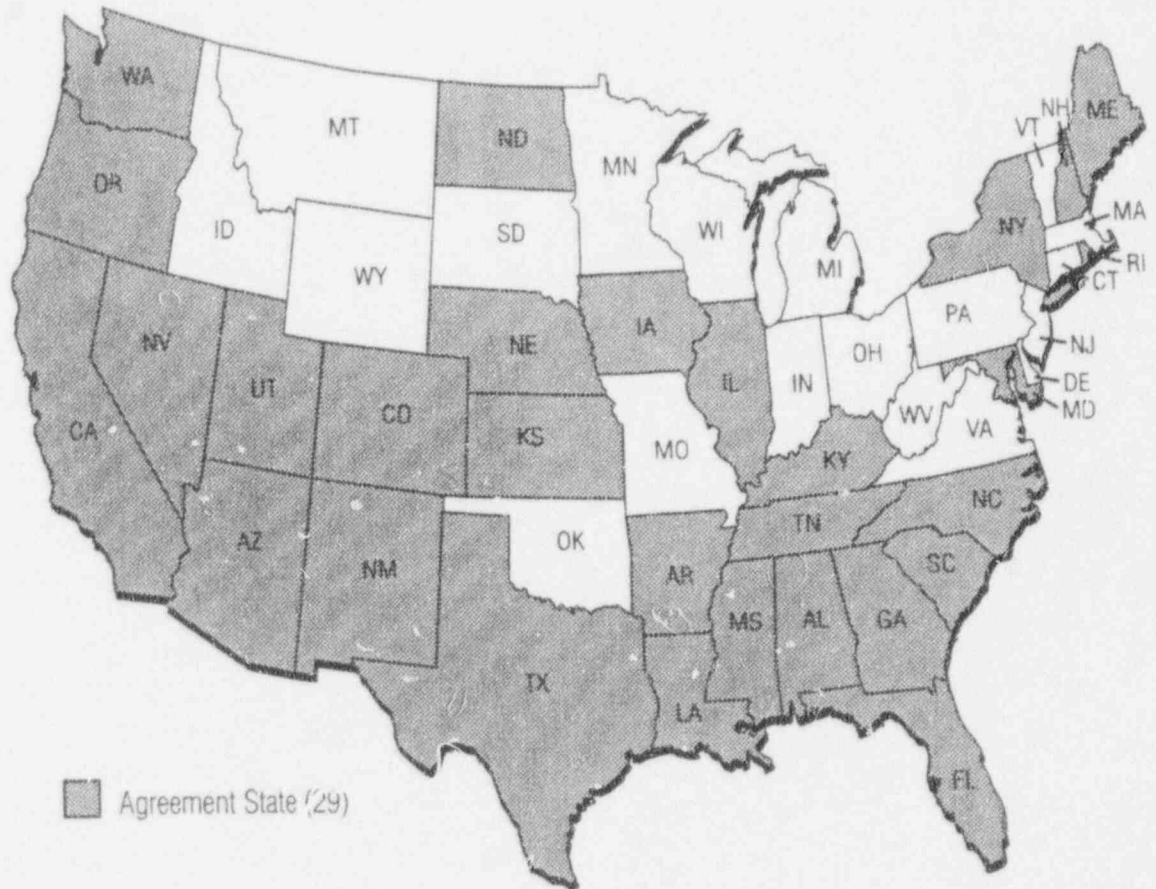


Figure 5. NRC Agreement States

## ***NRC REGULATIONS***

### ***Final Rules***

Final rules have been issued to amend the Commission's regulations to cover such areas as training and qualifications of civilian nuclear power plant personnel, physical protection requirements, approved Spent Fuel Storage Casks, physical protection requirements at fixed sites, day firing qualification programs for security personnel at fuel cycle facilities, fitness for duty requirements for certain facilities and shipments, and land disposal of radioactive waste applicable to above ground disposal. Final rulemakings have been issued on decommissioning recordkeeping and license termination, disposal of waste oil by incineration from nuclear power plants, and licenses and radiation safety requirements for large irradiators.

### ***Regulatory Guides***

A regulatory guide on monitoring the effectiveness of maintenance at nuclear power plants was issued to implement the maintenance rule, 10 CFR 50.65. Several documents were published in support of the revised source-term program.

**EXPENSES BY PROGRAM**

FY 1993 operating expenses by program are as follows:

|   |                          |
|---|--------------------------|
| Reactor Safety and Safeguards<br>Regulations                                | \$ 152,453,071.00        |
| Reactor Safety Research   | 97,681,505.00            |
| Reactor Special and Reviews<br>Investigation and Enforcement                | 30,971,340.00            |
| Nuclear Material and Low-Level<br>Waste Safety and Safeguards<br>Regulation | 52,208,353.00            |
| High-Level Nuclear Waste Regulation   | 20,330,550.00            |
| Nuclear Safety Management &<br>Support                                      | 132,874,912.00           |
| Inspector General   | 5,956,363.00             |
| GSA Transfer Appropriation  | 2,499,523.00             |
| Reimbursable Work   | 1,080,602.00             |
| TOTAL   | <u>\$ 496,056,219.00</u> |



**BIBLIOGRAPHIC DATA SHEET**

(See instructions on the reverse)

1. REPORT NUMBER  
(Assigned by NRC, Add Vol., Supp., Rev.,  
and Addendum Numbers, if any.)

NUREG-1470  
Vol. 3

2. TITLE AND SUBTITLE

Financial Statement for Fiscal Year 1993

3. DATE REPORT PUBLISHED  
MONTH YEAR

August 1994

4. FUND OR GRANT NUMBER

5. AUTHOR(S)

6. TYPE OF REPORT

7. PERIOD COVERED (Inclusive Dates)

October 1992 thru  
September 1993

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.)

Office of the Controller  
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.)

Office of the Controller  
U. S. Nuclear Regulatory Commission  
Washington, DC 20555-0001

10. SUPPLEMENTARY NOTES

11. ABSTRACT (200 words or less)

The Chief Financial Officers Act of 1990 requires the NRC Chief Financial Officer to prepare and submit an annual financial statement to the Director of the Office of Management and Budget (OMB). The OMB has replaced the requirement for the CFO's Annual Report with the annual financial statement. The annual financial statement was previously included in the Chief Financial Officer's Annual Report. This report is the third annual report for the NRC and includes an overview of the NRC, the audited principal financial statements and audit reports for fiscal year 1993, and supplemental financial and management information.

12. KEY WORDS/DESCRIPTORS (List words or phrases that will assist researchers in locating the report.)

Financial Statement  
Annual Financial Statement  
CFO's Act  
Chief Financial Officer's Annual Report  
Annual Report -- CFO's  
Financial Management

13. AVAILABILITY STATEMENT

Unlimited

14. SECURITY CLASSIFICATION

(This Page)

Unclassified

(This Report)

unclassified

15. NUMBER OF PAGES

16. PRICE



Federal Recycling Program

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## ***NRC PRINCIPLES OF GOOD FINANCIAL MANAGEMENT***

Those who handle public resources have a special responsibility to safeguard the resources entrusted to them and to use them properly. Poor financial management by NRC can undermine the confidence that we are effectively accomplishing our health and safety mission. NRC managers must ensure that public funds are used for authorized purposes only and that they are used economically, efficiently, and within established limits. Toward these ends, the NRC uses the following Principles of Good Financial Management:

***PLANNING.*** Good financial management begins with good planning. NRC's strategic planning should be based on sound assumptions and accurate information, and should provide the foundation for the entire fiscal process. Resource requests must be consistent with program goals, guidance, and planning assumptions, and must consider current financial status. Plans should be developed for commitment and obligation of funds based on program needs, procurement lead times, and the need for continuity of funding.

***CONTROL.*** Good financial management requires good financial control. Appropriate effective cost controls throughout the financial management process ensure adequate accounting of funds expended, prevent over-obligation of funds and inappropriate expenditures, identify early instances where funds should be reallocated, and produce valuable information for the planning process.

***COMMUNICATION.*** Good financial management requires good communication among those involved in the financial management process. Complete, accurate, and timely financial information must be readily available, and financial implications must be considered in decisionmaking. Financial systems should be integrated and meet both agency and office data needs. New information and ideas must be shared throughout the organization.

***COST EFFECTIVENESS.*** Good financial management balances expenditures and results. Managers at all levels must ensure that NRC gets what it pays for and that the results are what NRC needs to accomplish its mission. Ongoing projects should be evaluated to ensure results justify continued funding. Appropriate precautions ensure that waste is avoided. To ensure maximum utility of available resources, funds should be obligated as early as practical during the fiscal year, and excess funds should be deobligated as soon as practical after project completion.

***EVALUATION.*** Good financial management requires periodic evaluation of performance against meaningful financial and program performance measures. Such performance assessment should evaluate planned versus actual program results as well as the comparison of program costs with program accomplishments.

***PERSONNEL.*** Good financial management is the product of competent and motivated people. Those who are given financial management responsibility must have integrity, dedication and be well trained and qualified. They must have authority that is commensurate with their responsibility, and they must be recognized when achieving superior performance.

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NUREG-1470, Vol. 3

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