



United States Nuclear Regulatory Commission

*Protecting People and the Environment*

**Fiscal Year 2023**

# **Agency Financial Report**



**UNITED STATES NUCLEAR REGULATORY COMMISSION**

# AVAILABILITY OF REFERENCE MATERIALS IN NRC PUBLICATIONS

## NRC Reference Material

As of November 1999, you may electronically access NUREG-series publications and other NRC records at the NRC's Library at [www.nrc.gov/reading-rm.html](http://www.nrc.gov/reading-rm.html). Publicly released records include, to name a few, NUREG-series publications; *Federal Register* notices; applicant, licensee, and vendor documents and correspondence; NRC correspondence and internal memoranda; bulletins and information notices; inspection and investigative reports; licensee event reports; and Commission papers and their attachments.

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

### 1. The Superintendent of Documents

U.S. Government Publishing Office  
Washington, DC 20402-0001  
Internet: <https://bookstore.gpo.gov/>  
Telephone: (202) 512-1800  
Fax: (202) 512-2104

### 2. The National Technical Information Service

5301 Shawnee Road  
Alexandria, VA 22312-0002  
Internet: [www.ntis.gov](http://www.ntis.gov)  
1-800-553-6847 or, locally, (703) 605-6000

A single copy of each NRC draft report for comment is available free, to the extent of supply, upon written request as follows:

Address: **U.S. Nuclear Regulatory Commission**  
Office of Administration  
Digital Communication and Administrative  
Services Branch  
Washington, DC 20555-0001  
E-mail: [Reproduction.Resource@nrc.gov](mailto:Reproduction.Resource@nrc.gov)  
Facsimile: (301) 415-2289

Some publications in the NUREG series that are posted at the NRC's Web site address [www.nrc.gov/reading-rm/doc-collections/nuregs](http://www.nrc.gov/reading-rm/doc-collections/nuregs) are updated periodically and may differ from the last printed version. Although references to material found on a Web site bear the date the material was accessed, the material available on the date cited may subsequently be removed from the site.

## Non-NRC Reference Material

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

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

### The NRC Technical Library

Two White Flint North  
11545 Rockville Pike  
Rockville, MD 20852-2738

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

### American National Standards Institute

11 West 42nd Street  
New York, NY 10036-8002  
Internet: [www.ansi.org](http://www.ansi.org)  
Telephone: (212) 642-4900

Legally binding regulatory requirements are stated only in laws; NRC regulations; licenses, including technical specifications; or orders, not in NUREG-series publications. The views expressed in contractor prepared publications in this series are not necessarily those of the NRC.

The NUREG series comprises (1) technical and administrative reports and books prepared by the staff (NUREG-XXXX) or agency contractors (NUREG/CR-XXXX), (2) proceedings of conferences (NUREG/CP-XXXX), (3) reports resulting from international agreements (NUREG/IA-XXXX), (4) brochures (NUREG/BR-XXXX), and (5) compilations of legal decisions and orders of the Commission and Atomic and Safety Licensing Boards and of Directors' decisions under Section 2.206 of the NRC's regulations (NUREG-0750) (6) Knowledge Management prepared by NRC staff or agency contractors (NUREG/KM-XXXX)..

**DISCLAIMER:** This report was prepared as an account of work sponsored by an agency of the U.S. Government. Neither the U.S. Government nor any agency thereof, nor any employee, makes any warranty, expressed or implied, or assumes any legal liability or responsibility for any third party's use, or the results of such use, of any information, apparatus, product, or process disclosed in this publication, or represents that its use by such third party would not infringe privately owned rights.

# About This Report

The Agency Financial Report (AFR) for the U.S. Nuclear Regulatory Commission (NRC) provides financial and summary performance information in accordance with Office of Management and Budget Circular A-136, “Financial Reporting Requirements.” This AFR is an account of the agency’s stewardship of its resources during fiscal year (FY) 2023, which covers the period from October 1, 2022, to September 30, 2023. The report is organized into the following three chapters:

- **Chapter 1: Management’s Discussion and Analysis**  
This chapter provides an overview of the NRC financial information and summary-level program performance information. It includes an overview of program performance, current status of systems, internal controls, financial management, and the FY 2023 financial statement analysis.
- **Chapter 2: Financial Statements and Auditors’ Report**  
This chapter contains details on the NRC’s finances for FY 2023. It includes a message from the Chief Financial Officer, the financial statements, and accompanying notes, required supplementary information, and the independent auditors’ report.
- **Chapter 3: Other Information**  
This chapter provides the Office of the Inspector General’s discussion of management and performance challenges, a summary of the financial statement audit, information on payment integrity and fraud, details on space occupancy, a glossary of acronyms, and other information.

## NRC Reports on the Agency Web Site:

- The Annual Performance Plan is reflected in the NRC’s FY 2024 Congressional Budget Justification and is posted on the NRC’s Web site at <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1100/>.
- Since FY 2017, AFRs are located at <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr2220/>
- Before publication of the AFR, the NRC prepared Performance and Accountability Reports, which are located at <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1542/>.

## Public Protection Notification

The NRC may not conduct or sponsor, and a person is not required to respond to, a request for information or an information collection requirement unless the requesting document displays a currently valid Office of Management and Budget control number.

The document NUREG-2220, Volume 7, has been reproduced from the best available copy.



# Table of Contents

<b>The Commission</b> .....	<b>vi</b>
<b>A Message from the Chair</b> .....	<b>vii</b>
<b>Chapter 1: Management’s Discussion and Analysis</b> .....	<b>1</b>
Mission – Vision – Principles of Good Regulation.....	2
About the NRC .....	3
The NRC’s Organizational Structure.....	4
The NRC’s Regulatory Activities.....	5
The Nuclear Industry.....	6
Future Challenges.....	10
Program Performance Overview.....	12
Source of Funds.....	21
Analysis of the Financial Statements.....	22
Analysis of Systems, Controls, and Legal Compliance.....	27
<b>Chapter 2: Financial Statements and Auditors’ Report</b> .....	<b>35</b>
A Message from the Chief Financial Officer.....	36
Financial Statements.....	37
Notes to the Financial Statements .....	41
Required Supplementary Information .....	62
Inspector General’s Letter Transmitting Independent Auditors’ Report.....	67
Independent Auditors’ Report.....	69
Management’s Response to the Independent Auditors’ Report.....	75
<b>Chapter 3: Other Information</b> .....	<b>77</b>
Inspector General’s Assessment of the Most Serious Management and Performance Challenges Facing the NRC.....	78
Summary of Financial Statement Audit and Management Assurances.....	105
Payment Integrity.....	107
Real Property .....	108
Civil Monetary Penalty Adjustment for Inflation .....	109
Grants Oversight and New Efficiency Act Requirements .....	110
Climate-Related Financial Risk .....	110
Acronyms and Abbreviations.....	112

## The Commission

The authority of the U.S. Nuclear Regulatory Commission is vested in a Commission of five members, with one member designated by the President of the United States to serve as Chair. With the advice and consent of the Senate, the President appoints each member to serve a 5-year term. The Chair is the chief executive officer and official spokesperson for the Commission. The Commission as a whole formulates policies and regulations governing the safety and security of nuclear reactors and materials, issues orders to licensees, and adjudicates legal matters brought before it. The Executive Director for Operations carries out program policies and decisions made by the Commission. At the end of FY 2023, one-of-the-five Commissioner positions was vacant.



**Chair Christopher T. Hanson**



**Commissioner David A. Wright**



**Commissioner Annie Caputo**



**Commissioner Bradley Crowell**

## A Message from the Chair



The U.S. Nuclear Regulatory Commission (NRC) is pleased to present its fiscal year 2023 Agency Financial Report (AFR). This AFR details the NRC's continuing success in achieving its mission, which is to license and regulate the Nation's civilian use of radioactive materials in a manner that provides reasonable assurance of adequate protection of public health and safety and promotes the common defense and security. The AFR provides key financial information and a summary of program performance to the President, Congress, and the American people, detailing how we used our resources during FY 2023. The AFR is available at <https://www.nrc.gov/reading-rm/doc-collections/nureqs/staff/sr2220/index.html>.

The NRC is an independent regulatory agency dedicated to the effective and efficient regulatory oversight of the Nation's operating power, research, and test nuclear reactors. The agency also maintains regulatory oversight of nuclear reactors in various stages of decommissioning. The NRC reviews all safety aspects of new reactor designs, siting, and construction. Further, the agency focuses on the safe and secure use of nuclear materials in the energy, medical, educational, and industrial sectors through effective regulatory oversight of fuel facilities, uranium recovery sites, decommissioning sites, spent nuclear fuel sites, and nuclear material users.

The NRC is committed to good governance and the prudent management of its resources. Based on assessments the agency conducted consistent with the *Federal Managers' Financial Integrity Act of 1982* (Integrity Act), I have concluded the NRC is able to provide an unmodified statement of assurance that the internal control and financial management systems meet the objectives of the Integrity Act. The FY 2023 AFR includes the results of the independent audit of the NRC's FY 2023 financial statements, which I am pleased to announce is an unmodified opinion. There is reasonable assurance the agency is in substantial compliance with all requirements pertaining to internal control including laws, regulations, program management, resource management, and information technology. The financial and summary performance data published in this report are complete, accurate, reliable, and timely, in accordance with the *Reports Consolidation Act of 2000* and the Office of Management and Budget Circular A-136, "Financial Reporting Requirements." Additionally, I have concluded that the agency is in substantial compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA), based on the NRC's implementation of OMB Circular A-123, Appendix D requirements.

The performance and dedication of NRC employees in achieving the agency's safety and security goals is evident. As an agency, we look forward to continuing to provide the high-quality service the American people have come to expect from us.

A handwritten signature in black ink, appearing to read "C.T. Hanson". The signature is written in a cursive, flowing style.

Christopher T. Hanson  
Chair





## **Chapter 1: Management's Discussion and Analysis**

## Mission

The U.S. Nuclear Regulatory Commission (NRC) licenses and regulates the Nation’s civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety, and to promote the common defense and security, and to protect the environment.

## Vision

**Demonstrate the Principles of Good Regulation in performing the agency’s mission.**

To be successful, the NRC must not only excel in carrying out its mission but must do so in a manner that engenders the trust of the public and stakeholders. The Principles of Good Regulation— independence, openness, efficiency, clarity, and reliability—guide the agency. They affect how the NRC reaches decisions on safety, security, and the environment; how the NRC performs administrative tasks; and how its employees interact with each other as well as with external stakeholders. By adhering to these principles, the NRC maintains its regulatory competence, conveys that competence to stakeholders, and promotes trust in the agency. The agency puts these principles into practice with effective, realistic, and timely actions.

<b>Principles of Good Regulation</b>	
<b>Independence:</b>	<i>Nothing but the highest possible standard of ethical performance and professionalism should influence regulation.</i>
<b>Openness:</b>	<i>Nuclear regulation is the public’s business, and it must be transacted publicly and candidly.</i>
<b>Efficiency:</b>	<i>The highest technical and managerial competence is required and must be a constant agency goal.</i>
<b>Clarity:</b>	<i>Regulations should be coherent, logical, and practical. Agency positions should be readily understood and easily applied.</i>
<b>Reliability:</b>	<i>Regulations should be based on the best available knowledge from research and operational experience.</i>

## About the NRC

The U.S. Congress established the NRC on January 19, 1975, as an independent Federal agency regulating the commercial and institutional uses of nuclear materials. The *Atomic Energy Act of 1954*, as amended, and the *Energy Reorganization Act of 1974*, as amended, define the NRC’s purpose. These acts provide the foundation for the NRC’s mission to regulate the Nation’s civilian use of byproduct, source, and special nuclear materials to provide adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. The agency regulates civilian nuclear power plants and other nuclear facilities, as well as other uses of nuclear materials. These other uses include nuclear medicine programs at hospitals; academic activities at educational institutions; research work; industrial applications, such as gauges and testing equipment; and the transport, storage, and disposal of nuclear materials and wastes. Additional information about the NRC is available in the Information Digest at <https://www.nrc.gov/reading-rm/doc-collections/nureqs/staff/sr1350/>.

NRC Headquarters is located in Rockville, MD. The agency Operations Center in the headquarters building coordinates communications with NRC licensees, State agencies, and other Federal agencies. This center is the focal point for assessing and responding to operating events in the industry. NRC operations officers’ staff the Operations Center 24 hours a day, 7 days a week. The agency also has four regional offices located in King of Prussia, PA; Atlanta, GA; Lisle, IL; and Arlington, TX. The regional offices allow the agency to work closely with the agency’s licensees to ensure safety. The NRC also employs at least two resident inspectors at each of the Nation’s nuclear power reactor, new reactor, and fuel fabrication sites.



### Nuclear Power Plants

- Each regional office oversees the plants in its region—except for the Callaway plant in Missouri, which Region IV oversees.

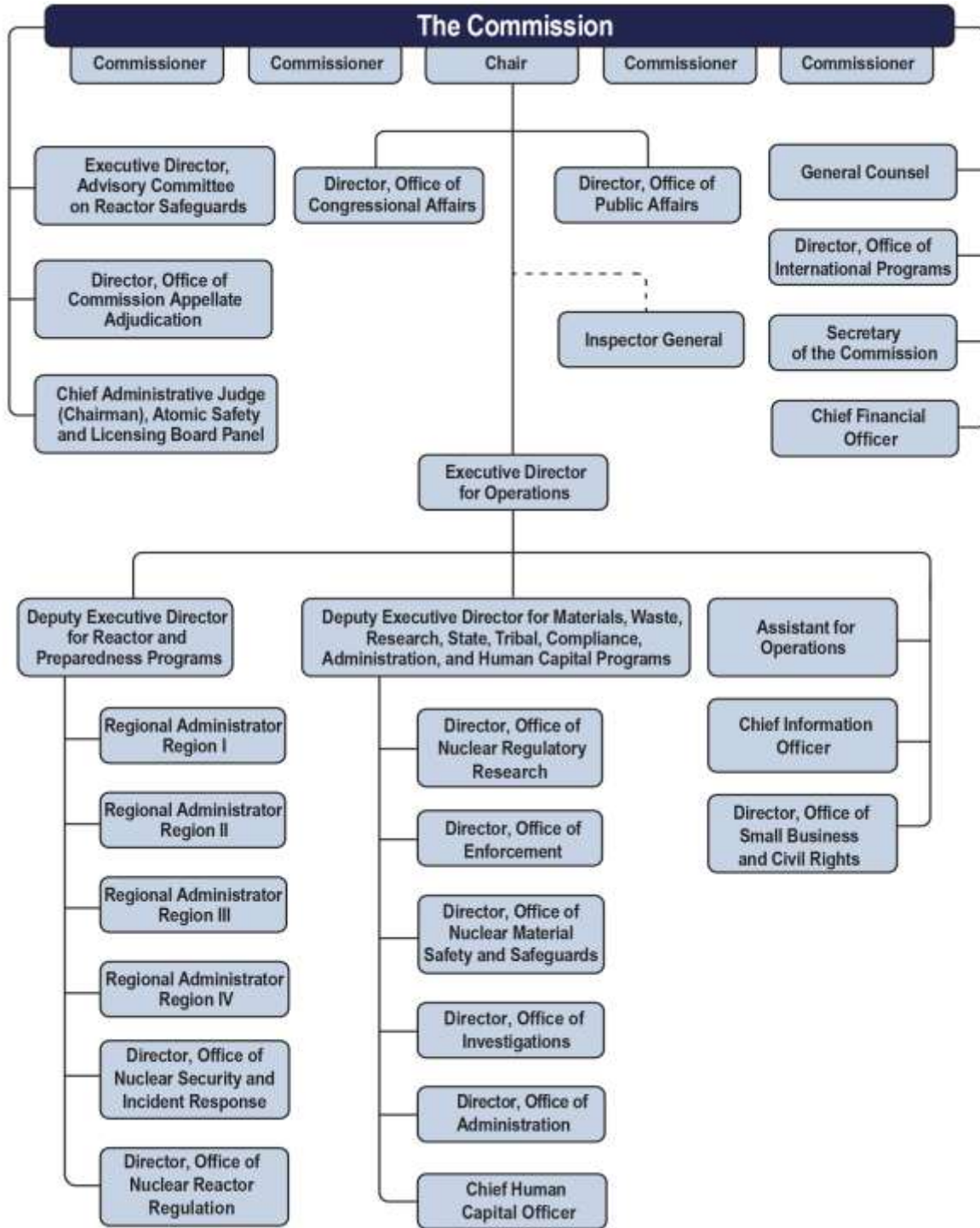
### Materials Licensees

- Region I oversees licensees and Federal facilities located in Region I and Region II.
- Region III oversees licensees and Federal facilities located in Region III.
- Region IV oversees licensees and Federal facilities located in Region IV.

### Nuclear Fuel Processing Facilities

- Region II oversees all the fuel processing facilities in all regions.
- Region II also handles all construction inspection activities for new nuclear power plants and fuel cycle facilities in all regions.

## The NRC’s Organizational Structure



## The NRC’s Regulatory Activities

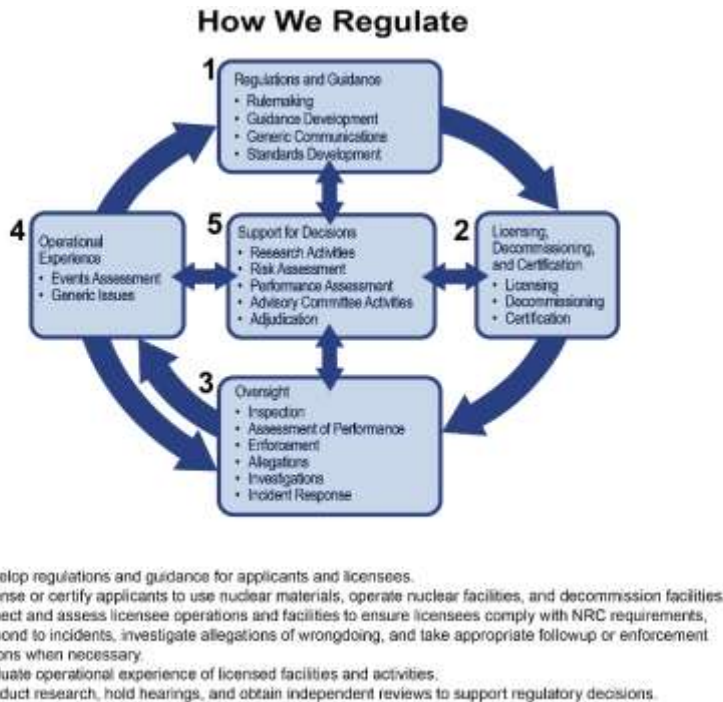
The NRC performs five principal regulatory functions: developing regulations and guidance for applicants and licensees; licensing or certifying applicants to use nuclear materials, operate nuclear facilities, construct new nuclear facilities, and decommission facilities; inspecting and assessing licensee operations and facilities to verify that licensees are complying with NRC requirements and taking appropriate follow-up or enforcement actions when necessary; evaluating operational experience of license facilities and activities; and conducting research, holding hearings, and obtaining independent reviews to support regulatory decisions (see Figure 1).

The standards and regulations established by the agency set the rules that users of radioactive materials must follow. Drawing on the knowledge and experience of the agency’s scientists and engineers, these rules are the basis for protecting workers and the general public from the potential hazards associated with the use of radioactive materials.

With a few exceptions, any organization or individual intending to have or use radioactive materials must obtain a license. A license identifies the type and amount of radioactive material that may be held and used. NRC scientists and engineers evaluate the license application to ensure that the potential licensee’s use of nuclear materials meets the agency’s safety and security requirements.

The NRC regulates 92 commercial nuclear power reactors operating in 28 states at 54 sites; 31 research and test reactors as part of nonpower production and utilization facilities; 25 nuclear reactors in various stages of decommissioning; 84 independent spent fuel storage installations; 9 licensed active fuel cycle facilities; 3 uranium recovery sites; and more than 2,100 licenses for medical, academic, industrial, and general uses of nuclear materials. The agency conducts approximately 600 to 800 safety and security inspections of its nuclear materials licensees annually.

Under the NRC’s Agreement State program, 39 states have assumed primary regulatory responsibility for the industrial, medical, and other users of nuclear materials within their states, accounting for nearly 16,000 licenses. The NRC works closely with these states to assist them in maintaining public safety through acceptable licensing and inspection procedures.



**Figure 1 How the NRC Regulates**

## The Nuclear Industry

The civilian nuclear industry can best be described by examining the nuclear fuel cycle (see Figure 2). The nuclear material cycle begins with the mining and production of nuclear fuel or the use of nuclear materials for medical, industrial, and other applications, continues with the use of nuclear fuel to power the Nation’s nuclear power plants, and ends with the safe transportation and storage of spent nuclear fuel and other nuclear waste. The NRC’s regulatory programs provide reasonable assurance that radioactive materials are used safely and securely at every stage in the nuclear material cycle. To address safety and security issues, the NRC has developed regulatory practices, knowledge, and expertise specific to each activity in the nuclear fuel cycle beginning with the processing of uranium ore.

## Fuel Cycle Facilities

The production of nuclear fuel begins at uranium mines where milled uranium ore is used to produce a uranium concentrate called “yellowcake.” At a special facility, the yellowcake is converted into uranium hexafluoride ( $UF_6$ ) gas and loaded into cylinders. The cylinders are sent to a uranium enrichment facility, where the concentration of the isotope uranium-235 is increased for use as reactor fuel. The enriched uranium is then converted into oxide powder, fabricated into fuel pellets (each about the size of a fingertip), loaded into metal fuel rods about 14 feet (4.3 meters) long and bundled into the reactor fuel fabrication assemblies. The assemblies are then transported to nuclear power plants, non-power research reactor facilities, and naval propulsion reactors for use as fuel (see Figure 3). The NRC licenses all commercial uranium conversion, enrichment, and fuel fabrication facilities in the United States. Because they handle extremely hazardous material, these facilities take special precautions to prevent theft, diversion, and dangerous exposures.

The Nuclear Fuel Cycle

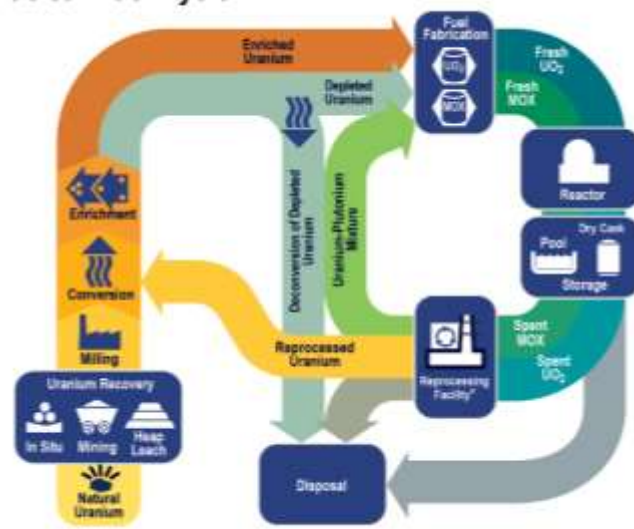


Figure 2 The Nuclear Fuel Cycle

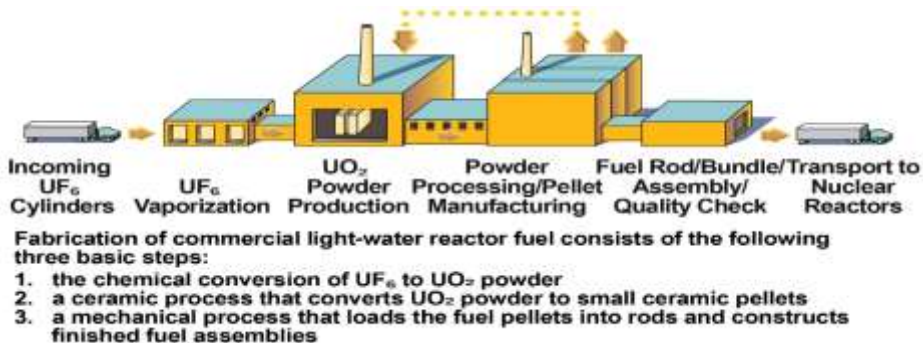


Figure 3 Simplified Fuel Fabrication Process

## Reactors

Nuclear power reactors licensed by the NRC generate approximately 19 percent of the U.S. gross electricity needs, or about 778 billion kilowatt hours annually. To generate electricity, power plants change one form of energy into another. Electrical generating plants convert heat energy, the kinetic energy of wind or falling water, or solar energy into electricity. Other types of heat-conversion plants burn coal, oil, or gas to produce heat energy that is then used to produce electricity. Nuclear energy cannot be seen. Heat energy is not produced by the burning of fuel in the usual sense. Rather, energy is given off by the nuclear fuel as certain types of atoms split in a process called nuclear fission. This energy is in the form of fast-moving particles and radiation. As the particles and radiation move through the fuel and surrounding water, the energy is converted into heat, which generates electricity. The radiation energy can be hazardous, and facilities take special precautions at nuclear power plants to protect people and the environment from these hazards (see Figures 4 and 5).

Because the fission reaction produces potentially hazardous radioactive materials, nuclear power plants are equipped with safety systems to protect workers, the public, and the environment. Radioactive materials require careful use because they produce radiation, a form of energy that can damage human cells. Depending on the amount and duration of the exposure, radiation can potentially cause cancer. In a nuclear reactor, most hazardous radioactive substances, called fission byproducts, are trapped in the fuel pellets or in the sealed metal tubes holding the fuel. However, small amounts of these radioactive fission byproducts, principally gases, become mixed with the water passing through the reactor. Other impurities in the water also become radioactive as they pass through the reactor. The facility processes and filters the water to remove these radioactive impurities and then returns the water to the reactor cooling system.

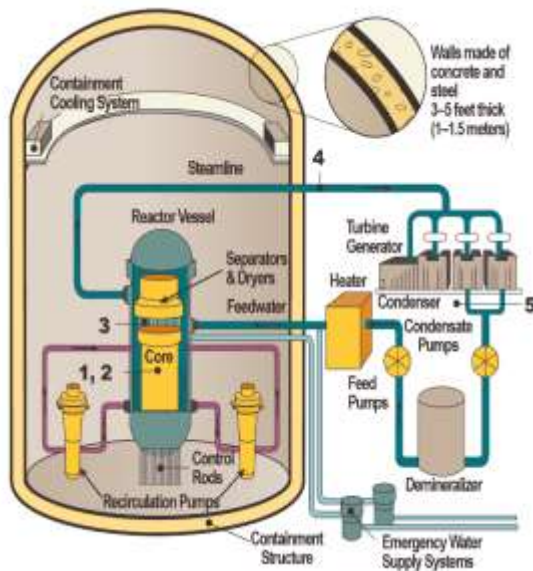


Figure 4 The Boiling-Water Reactor

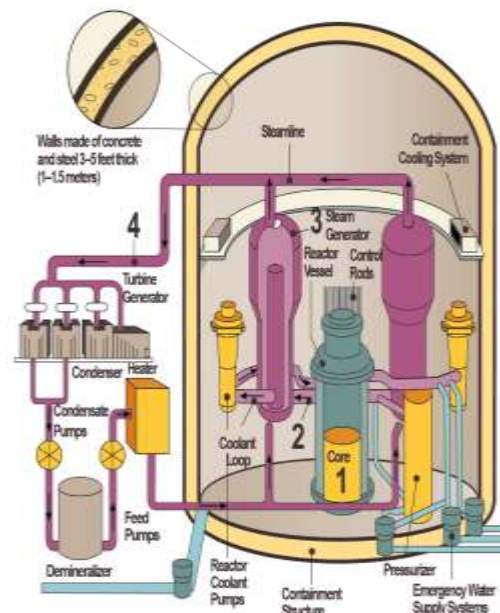


Figure 5 The Pressurized-Water Reactor

### Materials Users

The medical, academic, and industrial fields all use nuclear materials. For example, about one-third of all patients admitted to U.S. hospitals are diagnosed or treated using radioisotopes. Most major hospitals have specific departments dedicated to nuclear medicine. Of the nuclear medicine or radiation therapy procedures performed annually, the vast majority are used in diagnoses. Radioactive materials used as a diagnostic tool can identify the status of a disease and minimize the need for surgery. Radioisotopes give doctors the ability to look inside the body and observe soft tissues and organs, in a manner similar to the way x-rays provide images of bones. Radioisotopes carried in the blood also allow doctors to detect clogged arteries or check the functioning of the circulatory system.

The same property that makes radiation hazardous can also make it useful in treating certain diseases like cancer. When living tissue is exposed to high levels of radiation, cells can be destroyed or damaged. Doctors can selectively expose cancerous cells (cells that are dividing uncontrollably) to radiation to either destroy or damage these cells.

Many of today's industrial processes also use nuclear materials. Technologically advanced methods that ensure the quality of manufactured products often rely on radiation generated by radioisotopes. To determine whether a well drilled deep into the ground has the potential for producing oil, geologists use nuclear well-logging, a technique that employs radiation from a radioisotope inside the well, to detect the presence of different materials. Radioisotopes are also used to sterilize instruments, find flaws in critical steel parts and welds that go into automobiles and modern buildings, authenticate valuable works of art, and solve crimes by spotting trace elements of poison. Radioisotopes can also eliminate dust from film and compact discs and reduce static electricity (which may create a fire hazard) from can labels. In manufacturing, radiation can change the characteristics of materials, often giving them features that are highly desirable. For example, wood and plastic composites treated with gamma radiation resist abrasion and require low maintenance. As a result, they are used for some flooring in high-traffic areas of department stores, airports, hotels, and churches.

### Waste Disposal

During normal operations, a nuclear power plant generates both high level radioactive waste, which consists of used fuel (usually called spent fuel), and low-level radioactive waste, which includes contaminated equipment, filters, maintenance materials, and resins used in purifying water for the reactor cooling system. Other users of radioactive materials also generate low level waste.

Nuclear power plants handle each type of radioactive waste differently. They must use special procedures in the handling of the spent fuel because it contains the highly radioactive fission byproducts created while the reactor was operating. The spent fuel from nuclear power plants can be stored in water-filled pools at each reactor site. The water in the spent fuel storage pool provides cooling and adequately shields and protects workers from the radiation. Nuclear power plants also use dry casks to store spent fuel. These large metal or concrete casks rest on concrete pads adjacent to the reactor facility. The thick layers of concrete and steel in these casks shield workers and the public from radiation.



## Chapter 1 • Management's Discussion and Analysis

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

Licensees often store low-level waste on site until its radioactivity has decayed and the waste can be disposed of as ordinary trash, or until amounts are large enough for shipment to a low-level waste disposal site in containers approved by the U. S. Department of Transportation. The NRC has developed a waste classification system for low-level radioactive waste based on its potential hazards and has specified disposal and waste form requirements for Class A, Class B, and Class C waste. Generally, Class A waste contains lower concentrations of radioactive material than Class B and Class C wastes. The three disposal facilities that accept a broad range of low-level wastes are located in Barnwell, SC, Richland, WA, and Andrews, TX.



Spent Fuel Dry Cask Storage

### Future Challenges

Many challenges and external factors influence the NRC's ability to achieve its strategic goals and associated objectives. The most significant challenges include industry operating experience, national priorities, a potential significant incident at a domestic or non-U.S. nuclear facility, the security and threat environment, legislation, Federal court litigation, market forces, new technologies, and resource availability. The NRC strives to respond promptly to shifts in agency priorities necessitated by these challenges. The nuclear industry has maintained an excellent safety record at nuclear power plants over decades as both the nuclear industry and the NRC have gained substantial experience in the operation and maintenance of nuclear power facilities. Maintaining this excellent safety record requires that the agency take proactive measures to ensure the accomplishment of its mission. The sections below highlight the key challenges the agency faces.

### Market Forces

Many market forces affect the nuclear industry. These can affect the business operations of facility operators and license applicants subject to NRC jurisdiction and therefore the workload before the agency. The NRC must be prepared with the regulatory infrastructure to continue to provide reasonable assurance of the safety and security of operating facilities, support areas such as decommissioning of nuclear power plants, changes in exports and imports, and licensing of new technologies and facilities.

### Globalization and Development of Nuclear Technology

Technological changes may affect the development of advanced nuclear systems and support infrastructure, resulting in impacts to the industry activities subject to NRC jurisdiction. Increased globalization of nuclear technology, including small modular reactors and advanced reactor designs, could increase competition in the nuclear supply chain and, therefore, could affect industry operating costs and increase the complexity of regulatory oversight due to the need to encompass foreign vendors. In addition to operating and regulatory impacts on the domestic nuclear industry, globalization increases the value of the NRC's enhanced cooperation with international organizations for licensing activities, training, development and implementation of codes and standards, and conventions and treaties to ensure safe and secure use of nuclear technology.

### Incidents

The U.S. national security landscape will continue to be dynamic, encompassing a full range of threats and incidents, including the identification of and protection against, cyber and physical security threats. As a result, the regulatory approach needed to ensure the safety and security of nuclear materials and infrastructure may need to evolve in response to such incidents and threats. A significant incident at a nuclear facility, whether caused by adversaries, natural disaster, or other factors, could prompt the agency to reassess its safety and security requirements and could impact the agency's focus. The NRC must anticipate and be prepared for an operational and regulatory response to threats and incidents involving nuclear infrastructure. An incident at a non-U.S. facility could also cause the NRC to reassess its safety and security requirements.

### Legislative and Executive Branch Actions

Congressional or Executive Branch actions may affect the NRC’s regulatory responsibilities, and strategies to comply with new direction would need to be developed.

### International Treaties and Conventions

The ratification by the United States of international instruments related to the safety of nuclear facilities or radioactive materials could potentially impose binding provisions on the Nation that can affect responsible governmental agencies, such as the NRC. Strategies to comply with new provisions would need to be developed.

### Workforce Dynamics

The agency’s most valuable resource is its staff, and its ability to recruit, hire, train, motivate, and retain qualified staff in a competitive job market is critical to meeting its strategic goals. The agency must also maintain a high-performing, diverse, engaged, and flexible workforce supported by a healthy organizational culture with a focus on safety, security, and continuous improvement to meet mission needs. This will require the NRC to better understand and meet the needs of its employees and become a more flexible and agile organization.

### Information Technology Advances

Information technology developments in an increasingly mobile society will impact the agency’s operations. The NRC will need to take advantage of technology to enable an effective and efficient work environment. It is essential to maintain a reasonable balance between the need to maximize technological innovation to perform the agency’s mission and the secure use and protection of sensitive and proprietary information. The NRC needs to be aware of the heightened risk that sensitive information held by the agency, or its licensees could be lost, misplaced, or intercepted and obtained by unauthorized users. The agency will need to develop and maintain a knowledgeable workforce capable of addressing both these technology and security challenges.

## Program Performance Overview

The NRC’s mission is to license and regulate the Nation’s civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety, to promote the common defense and security and to protect the environment. Therefore, the trends for progress on the agency’s strategic goals and objectives are to be at either zero or very low levels. The agency works to prevent or minimize the outcomes tracked by the safety and security performance indicators.

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, consisting of the Operating Reactors and New Reactors business lines; and, Nuclear Materials and Waste Safety, consisting of the Fuel Facilities, Nuclear Materials Users, Decommissioning and Low-Level Waste, and Spent Fuel Storage and Transportation business lines. The agency accomplishes its mission to provide reasonable assurance of adequate protection for public health and safety through regulatory activities that include licensing, oversight, and rulemaking. The NRC oversees licensees through inspection, assessment, investigation, and enforcement actions. Investigations and enforcement actions are a subset of oversight in cases of suspected or proven instances of noncompliance with safety or security regulations. The NRC’s event response activities prepare for and respond to emergencies involving radioactive materials. The following narrative highlights the agency’s progress during FY 2023 in achieving its Safety and Security goals.

## Strategic Goals and Objectives

The NRC’s FY 2022-2026 Strategic Plan describes the agency’s mission, goals, and strategies and can be found at <https://www.nrc.gov/reading-rm/doc-collections/nuregs/staff/sr1614/v8/>. Each strategic goal has supporting objectives and strategies that reflect the desired outcome and the NRC’s role in achieving it. The NRC has established three strategic goals that are supported by eight strategic objectives. The Annual Performance Plan and Report is expected to be published around February annually. It will be posted to NRC’s “Our Plans, Budget, and Performance” webpage.

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

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

### STRATEGIC GOAL 2: CONTINUE TO FOSTER A HEALTHY ORGANIZATION

<b>Organizational Health Objective 2.1:</b>	Foster an organizational culture in which the workforce is engaged, adaptable, receptive to change, and makes data-driven and evidence-based decisions.
---	---

## Chapter 1 • Management’s Discussion and Analysis

**Organizational Health Objective 2.2:** Enable the workforce to carry out the agency’s mission by leveraging modern technology, innovation, and knowledge management to support data-driven decisions in an evolving regulatory landscape.

**Organizational Health Objective 2.3:** Attract, develop, and maintain a high-performing, diverse, engaged, and flexible workforce with the skills needed to carry out the NRC’s mission now and in the future.

### STRATEGIC GOAL 3: INSPIRE STAKEHOLDER CONFIDENCE IN THE NRC

**Stakeholder Confidence Objective 3.1:** Engage stakeholders in NRC activities in an effective and transparent manner.

**Stakeholder Confidence Objective 3.2:** Uphold an NRC decision-making process that is data-driven and evidence-based while ensuring information is available and accessible to interested stakeholders.

### Strategic Goals and Performance Measures

In conjunction with the development of the agency’s Strategic Plan for FYs 2022–2026, the NRC developed performance goals and indicators for each strategic objective. Performance goals and indicators for Strategic Goal 1, which focus on safety and security, are output based and describe the level of product or activity that will be provided over time. The NRC works to prevent or minimize the outcomes tracked by the safety and security performance indicators. Therefore, performance indicators demonstrating progress on meeting the agency’s strategic goal and objectives for safety and security are to be at either zero or very low levels. Strategic Goals 2 and 3 focus on organizational health and stakeholder confidence, respectively. These goals use outcome-based performance indicators, which describe the progress toward achieving the intended result.

The memorandum “Formation of the Programmatic Senior Assessment Team,” dated March 31, 2016 (Agencywide Documents Access and Management System Accession No. ML16067A159), discusses output-based performance indicators that are out of standard to ensure mitigating strategies and determines whether the outcome-based performance indicators are achieving progress toward the intended results. The Programmatic Senior Assessment Team will make this determination during the agency’s Quarterly Performance Review or Strategic Alignment Meetings. Outcome-based performance indicators use targets of “heading in the right direction” and can also produce results of “opportunity for improvement” or “heading in the wrong direction.”

# Chapter 1 • Management’s Discussion and Analysis

In FY 2023, the NRC achieved its Safety goal strategic objective. The NRC uses five performance indicators to determine whether it has met its Safety goal. The agency met all five performance indicator targets in FY 2023. Table 1 shows the outcomes for the last 5 years (FY 2019-FY 2023).

## Safety Performance Indicators: FY 2019–2023

**Table 1 Goal–Safety: Ensure the Safe Use of Radioactive Materials**

**1. Prevent radiation exposures that significantly exceed regulatory limits.**

Business Line	FY 2019		FY 2020		FY 2021		FY 2022		FY 2023	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
New Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0
Nuclear Materials	≤ 3	1	≤ 3	2	≤ 3	0	≤ 3	1 <sup>3</sup>	≤ 3	0

**2. Prevent releases of radioactive materials that significantly exceed regulatory limits.**

Business Line	FY 2019		FY 2020		FY 2023		FY 2022		FY 2023	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
New Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0
Nuclear Materials	0	0	0	0	0	0	0	0	0	0

**3. Prevent the occurrence of any inadvertent criticality events.**

Business Line	FY 2019		FY 2020		FY 2021		FY 2022		FY 2023	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	0	0	0	0	0	0	0	0	0	0
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level	0	0	0	0	0	0	0	0	0	0

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

Business Line	FY 2019		FY 2020		FY 2021		FY 2022		FY 2023	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Operating Reactors	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0
New Reactors	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0	≤ 3	0

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

Business Line	FY 2019		FY 2020		FY 2021		FY 2022		FY 2023	
	Target	Actual	Target	Actual	Target	Actual	Target	Actual	Target	Actual
Fuel Facilities	0	0	0	0	0	0	0	0	0	0
Decommissioning and Low-Level	0	0	0	0	0	0	0	0	0	0
Spent Fuel Storage and Transportation	0	0	0	0	0	0	0	0	0	0

### Strategic Goal 1: Ensure the Safe Use of Radioactive Materials

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

#### Safety and Security Objective 1.1

Provide quality licensing and oversight of nuclear facilities and radioactive materials.

#### Summary of FY 2023 Progress

The NRC continues to provide quality licensing and oversight of nuclear facilities and radioactive materials in a manner that protects public health and safety, promotes the common defense and security, and protects the environment.

#### Performance Measures

**Performance Goal 1.1.1:** Prevent radiation exposures that significantly exceed regulatory limits.

**Performance Indicator:** Number of radiation exposures that meet or exceed Abnormal Occurrence (AO) Criteria I.A.1 (unintended radiation exposure to an adult), I.A.2 (unintended radiation exposure to a minor), or I.A.3 (radiation exposure that has resulted in unintended permanent functional damage to an organ or physiological system).

**Performance Goal 1.1.2:** Prevent releases of radioactive materials that significantly exceed regulatory limits.

**Performance Indicator:** Number of releases of radioactive materials that meet or exceed AO Criterion 1.B (discharge or dispersal of radioactive material from its intended place of confinement).

**Performance Goal 1.1.3:** Prevent the occurrence of any inadvertent criticality events.

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

### Safety and Security Objective 1.2

Ensure regulatory requirements adequately support the safe and secure use of radioactive materials.

#### Summary of FY 2023 Progress

The NRC continues to ensure that the agency’s regulatory requirements adequately support the safe and secure use of radioactive materials. The NRC’s regulations impose requirements that licensees must meet to obtain or retain a license or certificate to use nuclear materials or operate a nuclear facility. These regulations govern the use of materials at such nuclear facilities as power plants, research reactors, uranium mills, fuel facilities, and waste repositories; the use of materials for medical, industrial, and academic purposes; and the transportation of materials.

#### Performance Measures

**Performance Goal 1.2.1:** Prevent accident precursors and reductions of safety margins at commercial nuclear power plants that are of high safety significance.

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

**Performance Goal 1.2.2:** Prevent accident precursors and reductions of safety margins at nonreactor facilities or during transportation of nuclear materials that are of high safety significance.

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

**Performance Goal 1.2.3:** Prevent sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material.

**Performance Indicator:** Number of instances of sabotage, theft, diversion, or loss of risk-significant quantities of radioactive material that meet or exceed AO Criteria I.C.1 (stolen, abandoned, or unrecovered lost), I.C.2 (radiological sabotage), or I.C.3 (substantiated case of actual theft, diversion, or loss of a formula quantity of SNM or inventory discrepancy).

### Safety and Security Objective 1.3

Maintain emergency preparedness and response capabilities for NRC and NRC-licensed facilities.

#### Summary of FY 2023 Progress

The NRC continues to maintain an incident response program that oversees required



## Chapter 1 • Management’s Discussion and Analysis

emergency response activities for the NRC, NRC-licensed facilities, and radioactive materials licensees. The NRC’s incident response program relies on the agency’s Headquarters Operations Center (Rockville, Maryland) and four Regional Incident Response Centers (Region I in King of Prussia, Pennsylvania; Region II in Atlanta, Georgia; Region III in Lisle, Illinois; and Region IV in Arlington, Texas). The agency’s response provides expert consultation, support, and assistance to State and local public safety officials responding to an event. Activating the NRC incident response program brings teams of specialists, as needed, to the Headquarters Operations Center and Regional Incident Response Centers. These teams obtain and evaluate event information, assessing the event’s potential impact on public health and safety and the environment. The NRC staff and management at the Headquarters Operations Center coordinate with the NRC Chair, Commission, Office of Public Affairs, and Office of Congressional Affairs any needed communications with the news media, State government, Federal agencies, members of Congress, and the White House.

### Performance Measures

**Performance Goal 1.3.1:** Prevent substantial breakdowns of physical security, cybersecurity, or material control and accountability.

**Performance Indicator:** Number of substantial breakdowns of physical security, cybersecurity, or material control and accountability that meet or exceed AO Criteria I.C.4 (substantial breakdown in physical security, cybersecurity, or material control and accountability) or I.C.3 (substantiated case of actual theft, diversion, or loss of a formula quantity of SNM or an inventory discrepancy).

## Strategic Goal 2: Continue to Foster a Healthy Organization

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

### Organizational Health Objective 2.1

Foster an organizational culture in which the workforce is engaged, adaptable, and receptive to change and makes data-driven and evidence-based decisions.

### Summary of FY 2023 Progress

The NRC strives for a successful outcome of this goal by facilitating continuous learning and innovation, knowledge management, diversity, and inclusion; promoting and sustaining a strong safety culture; fostering creativity and innovation; connecting vision with action; and continuously adapting and striving to be a healthy organization. The NRC continued implementing the agency’s culture improvement strategy with a focus on coaching and empowerment, recognizing and sharing different viewpoints, taking innovative approaches and discussing risk, showing mutual support and shared responsibility, and bringing the whole self to work.

### Performance Measures

**Performance Goal 2.1.1:** Foster an organizational culture that represents shared values, assumptions, beliefs, and behaviors.

## Chapter 1 • Management’s Discussion and Analysis

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis to foster a desired organizational culture.

**Performance Goal 2.1.2:** Empowering decision-making across the agency.

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis that empower staff decision-making.

### Organizational Health Objective 2.2

Enable the workforce to carry out the agency’s mission by leveraging modern technology, innovation, and knowledge management to support data-driven decisions in an evolving regulatory landscape.

#### Summary of FY 2023 Progress

The NRC continues to carry out the agency’s mission by leveraging modern technology, innovation, and knowledge management to support data-driven decisions in an evolving regulatory landscape. The NRC’s approach focuses on modernizing IT tools and systems, improving business processes, enhancing access to data for more risk-informed decision-making, modernizing the agency’s network, and improving stakeholder experience.

#### Performance Measures

**Performance Goal 2.2.1:** Enhance innovation, knowledge management, and data-driven and evidence-based decision-making.

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis for the development, modernization, and enhancement of agency operational and information technologies to support the mission.

### Organizational Health Objective 2.3

Attract, develop, and maintain a high-performing, diverse, engaged, and flexible workforce with the skills needed to carry out the NRC’s mission now and in the future.

#### Summary of FY 2023 Progress

The NRC continues to promote strong employee engagement and to attract, develop, and maintain a high-performing, diverse, engaged, and flexible workplace with the skills needed to carry out the NRC’s mission. The NRC is also taking steps to implement recommendations to strengthen the hybrid work environment and ensure that its workforce has the tools and resources to affectively achieve its mission.

### Performance Measures

**Performance Goal 2.3.1:** Develop and maintain a high performing workforce.

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis to maintain an adaptable and skilled workforce through workforce planning and staff training and development.

**Performance Goal 2.3.2:** Enhance the agency’s decision-making through knowledge management.

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis to enhance knowledge management through the identification and capturing of critical information and leveraging the agency’s investments in modern information management and technology.

### Strategic Goal 3: Inspire Stakeholder Confidence in the NRC

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

#### Stakeholder Confidence Objective 3.1

Engage stakeholders in NRC activities in an effective and transparent manner.

#### Summary of FY 2023 Progress

The NRC continues to engage stakeholders in the agency’s activities in an effective and transparent manner. To achieve this goal, the NRC promotes transparency, openness, and independence in its regulatory activities by fostering engagement and providing multiple ways for members of the public to be informed and participate in the agency’s regulatory activities. The NRC continues to publish and provide information to stakeholders through its website ([www.nrc.gov](http://www.nrc.gov)); operates the agency’s Public Document Room at its headquarters in Rockville, Maryland; and holds public meetings virtually and in person throughout the country.

### Performance Measures

**Performance Goal 3.1.1:** Enhance the effectiveness and transparency of stakeholder engagement.

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis to build stakeholder confidence through effective communication, by providing multiple ways stakeholders can provide feedback and input, and by ensuring the NRC staff is communicating clearly and openly.

### Stakeholder Confidence Objective 3.2

Uphold an NRC decision-making process that is data driven and evidence based while ensuring information is available and accessible to interested stakeholders.

#### Summary of FY 2023 Progress

The NRC continues to uphold a data-driven and evidence-based decision-making process while ensuring information is available and accessible to interested stakeholders to build stakeholder confidence and foster engagement.

#### Performance Measures

**Performance Goal 3.2.1:** Employ and incorporate high-quality data and information to support agency decision-making processes.

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis that identify and disseminate data and evidence used to facilitate programmatic and organizational decision-making and policymaking.

**Performance Goal 3.2.2:** Provide the public timely access to information to ensure transparency and inclusiveness of the agency's decision-making process.

**Performance Indicator:** Measures, milestones, or deliverables established on an annual basis to enhance timeliness and access to discoverable and usable high-quality data sets and information.

## Source of Funds

### Appropriations

The NRC receives two appropriations: (1) Salaries and Expenses and (2) the Office of the Inspector General (OIG). For FY 2023, the NRC received total appropriations of \$927.2 million, which included \$911.4 million for the Salaries and Expenses appropriation and \$15.8 million for the OIG. The NRC’s Salaries and Expenses appropriation increased \$35.5 million compared to the prior year. The appropriation for the OIG increased by \$2.0 million.

The Salaries and Expenses appropriation is available until expended. This includes a provision that not more than \$9.5 million be made available for the Office of the Commission; these funds are available for obligation for two years. After that date, the remaining funds that have not been obligated for the Office of the Commission are available until expended as part of the Salaries and Expenses appropriation. On May 21, 2022, NRC received additional appropriation of \$2 million to NRC’s Salaries and Expenses account for the specific purpose of providing “regulatory and technical support related to the situation in Ukraine”, available until expended.

The OIG receives a 2-year appropriation which includes \$1.5 million in funding for Inspector General services provided to the Defense Nuclear Facilities Safety Board (DNFSB).

### Total Budget Authority

The total budget authority available for the NRC to expend in FY 2023 was \$1,087.4 million and included \$927.2 million for current year appropriations, \$133.9 million from prior year appropriations, \$19.1 million from recoveries of prior-year obligations, and \$7.2 million spending authority from offsetting collections. Funds available in FY 2023 increased from the FY 2022 amount of \$1,019.9 million by \$67.5 million, primarily as a result of an increase of \$37.5 million in current year appropriations and an increase of \$33.2 million in unobligated balances from prior-year budget authority.

**Table 2 Total Budget Authority (In Millions)**

For the fiscal years ended September 30,	2023	2022	Inc/(Dec)
<b>Appropriations</b>			
Salaries and Expenses	\$911.4	\$875.9	\$35.5
Office of the Inspector General	15.8	13.8	2.0
<b>Total Appropriations</b>	<b>927.2</b>	<b>889.7</b>	<b>37.5</b>
<b>Other Budget Authority</b>			
Unobligated balance from prior-year budget authority, brought forward October 1	133.9	100.7	33.2
Recoveries of prior-year obligations	19.1	24.1	(5.0)
Spending Authority from Offsetting Collections	7.2	5.4	1.8
<b>Total Other Budget Authority</b>	<b>160.2</b>	<b>130.2</b>	<b>30.0</b>
<b>Total NRC Budget Authority</b>	<b>\$1,087.4</b>	<b>\$1,019.9</b>	<b>\$67.5</b>

## Fee Collection Offset of Appropriations

The Nuclear Energy Innovation and Modernization Act (NEIMA), requires the NRC to recover, to the maximum extent practicable, approximately 100 percent of its annual budget less certain amounts excluded from this fee recovery requirement. Funds equal to fees collected are transferred to the NRC’s two appropriations, and the U.S. Department of the Treasury (Treasury) issues a negative warrant in the amount of the fee transfer to reduce the NRC’s appropriations.

**Table 3 Sources of Funds for Appropriations (In Millions)**

For the fiscal years ended September 30,	2023	2022	Inc/(Dec)
Reactor Fees Collected	\$706.4	\$670.9	\$35.5
Materials Fees Collected	75.3	66.4	8.9
Nuclear Waste Fund	0.0	0.0	0.0
Treasury General Fund	145.5	152.4	(6.9)
<b>Total Sources of Funds</b>	<b>\$927.2</b>	<b>\$889.7</b>	<b>\$37.5</b>

In FY 2023, the NRC collected \$781.7 million, and the net received from the Treasury general fund was \$145.5 million (see Table 3). The fees collected during FY 2022 and transferred to the Treasury totaled \$737.3 million.

## Analysis of the Financial Statements

Chapter 2 presents the NRC’s financial statements, accompanying notes, and required supplementary information. The independent auditors issued an unmodified opinion on the financial statements and an unmodified opinion on internal controls over financial reporting for the FY ended 2023. Additionally, the independent auditors found no reportable instances of noncompliance with laws and regulations.

The principal financial statements are prepared to report the financial position and results of operations of the NRC, pursuant to the requirements of 31 United States Code (U.S.C.) § 3515(b). The statements are prepared from the books and records of the NRC in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

We present the following analysis of the financial statements and significant changes (see Table 4).

## Chapter 1 • Management’s Discussion and Analysis

**Table 4 Key Measures (In Millions)**

For the fiscal years ended September 30,	FY 2023	FY 2022	Inc/(Dec)	%
<b>Assets:</b>				
Fund Balance with Treasury	\$412.6	\$384.3	\$28.3	7.4%
Accounts Receivable, Net	63.0	58.1	4.9	8.4%
Advances and Prepayments	5.0	4.3	0.7	16.3%
Property & Equipment, Net	29.7	32.3	(2.6)	(8.0%)
<b>Total Assets</b>	<b>\$510.3</b>	<b>\$479.0</b>	<b>\$31.3</b>	<b>6.5%</b>
<b>Liabilities:</b>				
Accounts Payable	\$26.6	\$31.7	\$(5.1)	(16.1%)
Federal Employee Benefits	52.4	50.5	1.9	3.8%
Other Liabilities	29.5	26.3	3.2	12.2%
<b>Total Liabilities</b>	<b>\$108.5</b>	<b>\$108.5</b>	<b>\$0.0</b>	<b>0%</b>
<b>Net Position (Assets minus Liabilities)</b>	<b>\$401.8</b>	<b>\$370.5</b>	<b>\$31.3</b>	<b>8.4%</b>
<b>COST BY PROGRAMS</b>				
Nuclear Reactor Safety	\$735.7	\$699.1	\$36.6	5.2%
Nuclear Materials and Waste Safety	206.0	196.6	9.4	4.8%
<b>LESS: Earned Revenue (License Fees)</b>	<b>783.1</b>	<b>737.3</b>	<b>45.8</b>	<b>6.2%</b>
<b>Net Cost of Operations</b>	<b>\$158.6</b>	<b>\$158.4</b>	<b>\$0.2</b>	<b>0.1%</b>

### Analysis of the Balance Sheet

**Assets.** The NRC's total assets were \$510.3 million as of September 30, 2023, representing an increase of \$31.3 million from the fiscal year ended September 30, 2022. Changes in major categories include increases of \$28.3 million in the Fund Balance with Treasury, \$0.7 million in Advances and Prepayments and \$4.9 million in Accounts Receivable net, and a decrease of \$2.6 million in Property and Equipment, Net.

The Fund Balance with Treasury was \$412.6 million as of September 30, 2023, which accounts for 81 percent of total assets. This account consists of cash or cash equivalents from appropriated funds, license fee collections, and other funds maintained at the U.S. Treasury to pay current liabilities and to finance authorized purchase commitments. The Fund Balance with Treasury can vary largely due to timing of disbursing payments and receiving collections as well as changes in the appropriations.

Accounts Receivable, Net consists mainly of amounts that other Federal agencies and the public owe to the NRC for license fees. As of September 30, 2023, Accounts Receivable, Net was \$63.0 million, which includes an offsetting allowance for doubtful accounts of \$2.4 million. This represents a net increase in Accounts Receivable, Net of \$4.9 million from the FY 2022 amount of \$58.1 million. The increase is primarily due to a growth in unbilled fees receivable of \$4.7 million, miscellaneous receivables with the public of \$1.8 million and intragovernmental billed fees receivable of \$0.5 million, and a decrease in billed fees receivable of \$1.8 million. In addition, there was an increase in the allowance of doubtful accounts of \$0.4 million which is an offset to accounts receivable.

Property and Equipment, Net consists primarily of office equipment, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The NRC has no real property. The land and buildings in which the NRC operates are leased from the U.S. General Services Administration (GSA). At the end of FY 2023, Property and Equipment, Net was \$29.7 million, a \$2.6 million decrease from the FY 2022 amount of \$32.3 million. The decrease primarily results from the amortization/depreciation expense of \$7.5 million recognized across multiple property categories and the disposition of \$5.8 million of leasehold improvements; offset by an increase in capitalized acquisitions of \$10.9 million.

**Liabilities.** Total Liabilities were \$108.5 million as of September 30, 2023, representing no change from the FY 2022 balance of \$108.5 million. Liabilities consist primarily of accounts payable to other Federal agencies and the public, grants payable, accrued salaries and benefits, and other accrued employee benefits.

Total Liabilities include liabilities not covered by budgetary resources, which represent expenses recognized in the financial statements that will be paid from future appropriations. The liabilities not covered by budgetary resources were \$57.9 million for FY 2023, compared to \$57.1 million for end of FY 2022, a \$0.8 million increase. For FY 2023, the liabilities not covered by budgetary resources represent 53.4 percent of Total Liabilities and mainly encompasses \$48.9 million in unfunded accrued annual leave that has been earned but not yet taken, \$3.1 million as an actuarial estimate of accrued future workers' compensation expenses included in Federal employee benefits, \$0.8 million in accrued workers' compensation included in Other Liabilities, and a \$4.6 million accrual to GSA for future annual rent increases on the rent of NRC office buildings.



**Net Position.** The difference between Total Assets and Total Liabilities, Net Position, was \$401.8 million as of September 30, 2023, an increase of \$31.3 million from the FY 2022 year end balance. Net Position comprises two components: Unexpended Appropriations and Cumulative Results of Operations which is the cumulative excess of financing sources over expenses. The analysis of the Statement of Changes in Net Position provides additional information on the significant changes to Net Position for FY 2023 year-end.

### Analysis of the Statement of Net Cost

The Statement of Net Cost presents the gross cost of the NRC’s two major programs (Nuclear Reactor Safety and Nuclear Materials and Waste Safety) as identified in the NRC Annual Performance Plan, offset by earned revenue. The purpose of this statement is to link program performance to the cost of programs. The NRC’s net cost of operations for the year ended September 30, 2023, was \$158.6 million, representing an increase of \$0.2 million compared to the FY 2022 net cost of \$158.4 million. This represents an increase in gross costs of \$46.0 million less an increase in earned revenue of \$45.8 million.

**Gross Cost.** The NRC’s total gross costs were \$941.7 million for FY 2023, an increase of \$46 million from the prior-year amount of \$895.7 million. The gross costs in FY 2023 for the Nuclear Reactor Safety program were \$735.7 million compared to FY 2022 gross costs of \$699.1 million, an increase of \$36.6 million. The gross costs in FY 2023 for the Nuclear Materials and Waste Safety program were \$206.0 million compared to FY 2022 gross costs of \$196.6 million, an increase of \$9.4 million. Thus, the gross cost of both programs increased a total of \$46.0 million. The increase primarily results from the Nuclear Reactor Safety Program and Nuclear Materials and Waste Safety Program’s other than intragovernmental gross costs increase of \$35.4 million and \$7.3 million respectively, as well as an increase in the Nuclear Reactor Safety Program and Nuclear Materials and Waste Safety Program’s intragovernmental costs of \$1.2 million and \$2.1 million respectively.

**Earned Revenue.** Total earned revenue for FY 2023 was \$783.1 million, an increase of \$45.8 million from the FY 2022 earned revenue of \$737.3 million. Revenue for the Nuclear Reactor Safety program in FY 2023 was \$708.3 million compared to \$670.9 million in FY 2022, an increase of \$37.4 million. Revenue from the Nuclear Materials and Waste Safety program in FY 2023 was \$74.8 million compared to \$66.4 million in FY 2022, an increase of \$8.4 million. The increase in earned revenue is primarily a result of the fee base, that is, the amount of the appropriated budget that Congress directs the NRC to recover in license fees.

The NRC is required to collect approximately 100 percent of its annual budget, less certain amounts excluded from this fee recovery requirement, through license fee billing. The agency collects fees for reactor and materials licensing and inspections in accordance with Title 10 of the *Code of Federal Regulations* (10 CFR) Part 170, “Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the Atomic Energy Act of 1954, as amended,” at <https://www.nrc.gov/reading-rm/doc-collections/cfr/part170/>, and 10 CFR Part 171, “Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Materials Licenses, Including Holders of Certificates of Compliance, Registrations, and Quality Assurance Program Approvals and Government Agencies Licensed by the NRC,” at <https://www.nrc.gov/reading-rm/doc-collections/cfr/part171/>.

### Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position for the reporting period. Net position is affected by the changes in two components: (1) Cumulative Results of Operations and (2) Unexpended Appropriations. In FY 2023, the NRC had an increase in Net Position of \$31.3 million resulting from an increase of \$31.7 million in Unexpended Appropriations and a decrease in Cumulative Results of Operations of \$0.4 million.

The increase in FY 2023 Unexpended Appropriations of \$31.7 million resulted from an increase in the beginning balance of \$23.5 million and an increase of \$2.8 million appropriations received, offset by Other adjustments, and Appropriations used to finance the NRC operations totaling \$5.4 million. The increase in appropriations received, net of license fees collected, resulted from appropriations received for FY 2023 of \$927.2 million, reduced by current year license fee collections of \$773.8 million, as compared to appropriations received in FY 2022 of \$889.7 million, reduced by FY 2022 license fee collections of \$739.1 million.

### Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) provides information on budgetary resources available to the NRC and their status at the end of the period. In FY 2023, the Total Budgetary Resources available were \$1,068.3 million. This was \$72.6 million more than the \$995.7 million available in FY 2022. The following categories contributed to this change: Salaries and Expenses, increase of \$35.5 million, Office of the Inspector General, (OIG), increase of \$2.0 million, Unobligated balance from prior-year authority, brought forward October 1, increase of \$33.2 million, and Spending Authority from Offsetting Collections, increase of \$1.8 million.

The SBR accounts for operational activities funded by NRC's budgetary resources during the fiscal year. The NRC's obligations for FY 2023 were \$946.8 million, an increase of \$56.1 million from the prior-year amount of \$890.7 million. The following categories contributed to this change: Salaries and Expenses, increase of \$56.6 million, and a decrease in the Office of the Inspector General, (OIG) of \$0.5 million.

The SBR also accounts for the funds that were not obligated and used for operations during the fiscal year. The balance of unobligated budgetary resources at the end of FY 2023 was \$121.5 million, compared to \$105.0 million for the prior year. The following categories contributed to this change: Salaries and Expenses, increase of \$14.1 million, and an increase in the Office of the Inspector General, (OIG) of \$2.4 million.

### Analysis of Systems, Controls, and Legal Compliance

#### Federal Managers’ Financial Integrity Act of 1982

The Federal Managers’ Financial Integrity Act of 1982 (FMFIA or Integrity Act) requires that Federal agencies establish effective internal control and provide reasonable assurance that the following objectives are being met:

- **Program Management** – Programs are achieving their intended results, and are protected from waste, fraud, abuse, and mismanagement;
- **Resource Management** – Resources are being used consistently with the agency’s mission;
- **IT Systems** – Information systems are authorized and appropriately secured;
- **Laws and Regulations** – Laws and regulations are followed; and
- **Communication** – Reliable and timely information is obtained, maintained, reported, and used for sound decision-making.

The agency’s program, operational, and administrative areas, as well as accounting and financial management, are covered by the Integrity Act. The Act also requires the NRC Chair to provide an assurance statement on the adequacy of internal controls and on the conformance of financial systems with Government-wide standards.

#### Enterprise Risk Management and Programmatic Internal Control

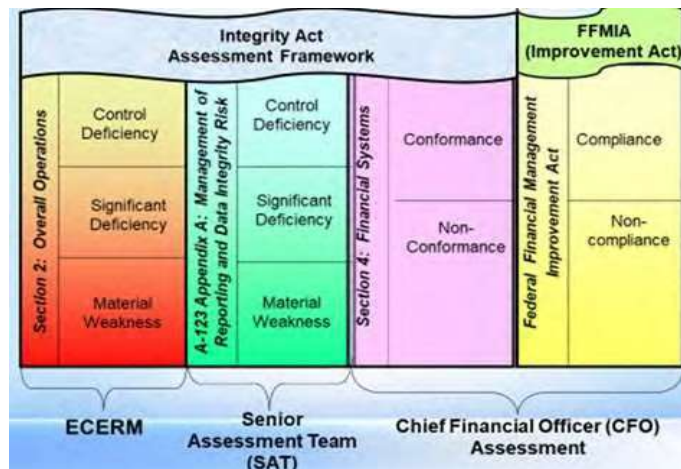
Enterprise Risk Management (ERM) provides an enterprise-wide portfolio view of organizational challenges that provides better insight about how to most effectively prioritize resource allocations to ensure successful mission delivery. A principal component of ERM is Internal Control, which the U.S. Government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

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

In FY 2021, the OIG conducted an audit of the NRC’s implementation of the ERM Process. The report was issued in September 2021 and included eight recommendations to improve the overall alignment of the NRC’s ERM to the guidance provided in OMB Circular A-123. As of September 30, 2023, all the audit recommendations have either been deemed resolved by the OIG or are actively being implemented by the NRC.

## Chapter 1 • Management’s Discussion and Analysis

Under the NRC’s FMFIA Governance Framework (see Figure 6), reading from right to left: the Chief Financial Officer (CFO) is responsible for ensuring that the agency complies with the *Federal Financial Management Improvement Act of 1996* (Improvement Act), and Section 4 of the Integrity Act, “Financial Systems.” The Senior Assessment Team (SAT), chaired by the CFO, is responsible for ensuring that the agency complies with Appendix A of OMB Circular A-123, “Management of Reporting and Data Integrity Risk.” The Executive Committee on Enterprise Risk Management (ECERM), co-chaired by the CFO and the Executive Director for Operations, is responsible for ensuring that the agency’s internal control over programmatic operations complies with the Integrity Act.



**Figure 6**  
**The NRC’s FMFIA Governance Framework**

The other members that comprise the ECERM are senior executives from the Office of the Executive Director for Operations and the Chief Information Officer. The agency’s General Counsel, Inspector General, and the agency’s Internal Control Team Leader serve as advisory members. The other members of the SAT include senior executives from the Office of the Chief Financial Officer (OCFO) as well as senior officials from the agency’s corporate support product lines, (i.e., the Chief Human Capital Officer, the Chief Information Officer, and the Director of the Office of Administration, who oversees the agency’s Division of Acquisitions).

The ECERM assessed the agency’s programmatic operations, financial systems, and internal control over reporting and found there is reasonable assurance that NRC internal control is achieving its intended results. The ECERM voted to recommend that the Chair sign the agency’s Federal Managers’ Financial Integrity Act Statement (see Figure 7).

### Integrity Act Results

As required by Section 2 of the Integrity Act and under the guidance established in OMB Circular A-123, all NRC business line leads and corporate support product lines certified that, as of September 30, 2023, there was reasonable assurance that internal control was in place producing intended results. Based on management’s certification of reasonable assurance, the NRC can provide a statement of assurance that its internal control met the objectives of the Integrity Act and conforms to Government-wide standards.

U.S. NUCLEAR REGULATORY COMMISSION  
FISCAL YEAR 2023  
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

The U.S. Nuclear Regulatory Commission's (NRC) managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act of 1982* (Integrity Act). The NRC is able to provide an unmodified statement of assurance that the internal control and financial management systems meet the objectives of the Integrity Act.

The NRC conducted its assessment of the agency's overall system of internal control and Enterprise Risk Management (ERM) in accordance with the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (Circular A-123) guidelines. Based on the results of this evaluation, NRC can provide reasonable assurance that its internal control over programmatic operations, as well as its ERM efforts, are in compliance with applicable laws and guidance, as of September 30, 2023.

In addition, the NRC conducted its assessment of the effectiveness of internal control over reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of the evaluation, the NRC can provide reasonable assurance that its internal control over reporting as of September 30, 2023, was operating effectively, and no material weaknesses were identified.

In accordance with the requirements of the *Federal Financial Management Improvement Act of 1996* and Circular A-123 guidance, the Chief Financial Officer reviewed audit reports and other sources of information, and as of September 30, 2023, can provide reasonable assurance that NRC's financial systems substantially comply with Federal financial system requirements, applicable Federal accounting standards, and the U.S. Department of Treasury standard general ledger at the transaction level.



Christopher T. Hanson  
Chair  
U.S. Nuclear Regulatory Commission  
November 9, 2023

Figure 7 FY 2023 Federal Managers' Financial Integrity Act Statement

### Office of Management and Budget Circular A-123, Management’s Responsibility for Enterprise Risk Management and Internal Control

#### Management of Reporting and Data Integrity Risk (Appendix A)

The NRC conducted its assessment of the effectiveness of internal control over reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of the evaluation, the NRC can provide reasonable assurance that its internal control over reporting as of September 30, 2023, was operating effectively, and no material weaknesses were found in the design or operation of the internal control over reporting.

#### Risk Management Framework for Government Charge Card Programs (Appendix B)

The Government Charge Card Abuse Prevention Act (Charge Card Act) of 2012 establishes reporting and audit requirement responsibilities for executive branch agencies. NRC’s Office of Administration (ADM) has procedures in place for use of purchase cards. ADM updated NRC’s Purchase Card Management Plan in early October 2023. Also, NRC’s Office of Chief Financial Officer (OCFO) has procedures in place for the use of the travel charge card. OCFO updated NRC’s Travel Charge Card Management Plan in early October 2023. NRC has reviewed the Purchase Charge Card and Travel Card programs for compliance with the Charge Card Act and can provide reasonable assurance that appropriate policies and controls are in place to mitigate the risk of fraud and inappropriate charge card practices in accordance with OMB Circular A-123, Appendix B.

#### Requirements for Payment Integrity Improvement (Appendix C)

In accordance with the Payment Integrity Information Act of 2019 (PIIA), the NRC conducts a risk assessment to determine whether any programs were susceptible to making significant improper payments on a triennial basis. The NRC conducted the latest risk assessment in FY 2023.

The FY 2023 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2023 risk assessment identified programs as low risk, the NRC continues to monitor its payment processes, in addition to conducting periodic reviews of key controls for PIIA programs if identified by management. The NRC will continue to conduct a risk assessment on a triennial basis, in accordance with PIIA and OMB guidance. The next NRC PIIA risk assessment will take place in FY 2026. In addition, the NRC will conduct additional risk assessments, as needed, if there are material changes in programs operations or if the NRC establishes new programs.

Chapter 3, *Other Information*, of this report presents additional information in the Payment Integrity section.

## Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA or Improvement Act) requires each agency to implement and maintain systems that comply substantially with:

(1) Federal financial system requirements; (2) applicable Federal accounting standards; and, (3) the standard general ledger at the transaction level. FFMIA requires the Chair to determine whether the agency’s financial management system complies with FFMIA and to develop remediation plans for systems that do not comply.

## Improvement Act Results

In September 2023, the CFO successfully completed an enhancement to fully automate the reimbursable agreement financial activity within the agency’s core financial system, Financial Accounting and Integrated Management Information System (FAIMIS), to meet Treasury’s G-Invoicing Phase II mandate.

The CFO also worked through the requirements, configuration, development and testing of four new socio-economic data fields from the GSA Federal Procurement Data System to the GSA SAM.gov/FAIMIS interface by the August 31, 2023, mandated deadline.

The CFO reviewed audit reports and other sources of information and, as of September 30, 2023, can provide reasonable assurance that NRC’s financial systems substantially comply with applicable Federal accounting standards as required by the Improvement Act.

## Digital Accountability and Transparency Act (DATA Act) of 2014

The DATA Act aims to establish Government-wide financial data standards and increase the availability, accuracy, and usefulness of Federal spending information. The DATA Act has the following purposes:

- **Establish Government-wide data standards** for financial data and provide consistent, reliable, and searchable Government-wide spending data that are accurately displayed.
- **Expand accountability** of the *Federal Funding Accountability and Transparency Act of 2006* to disclose direct Federal Agency expenditures and link Federal contract, loan, and grant spending information to programs.
- **Simplify reporting** for entities receiving Federal funds by streamlining requirements and reducing compliance costs while improving transparency.
- **Improve data quality** submitted to [USASpending.gov](https://www.usaspending.gov) by holding Federal agencies accountable for the completeness and accuracy of the information submitted.
- **Apply approaches** developed by the Recovery Accountability and Transparency Board for spending across the Federal Government to increase spending transparency and reduce reporting burden.
- NRC continues to refine internal processes related to DATA Act to streamline the monthly and quarterly reviews of the DATA Act files. NRC submitted and published monthly files which were certified on a quarterly basis.

## Financial Management Systems Strategies

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

In FY 2023, OCFO began the discovery phase of two additional automation initiatives, the configuration of automated general tie-point reconciliation within the core ledger system and automating the reconciliation of Central Accounting Reporting System (CARS) transactions with core ledger system transactions. The CARS automated reconciliation was implemented in March 2023 while the automated tie-point reconciliation is scheduled to complete before June 2024. The CARS automated reconciliation resulted in tangible benefits and business efficiencies.

In addition to focusing on areas ripe for automation, the OCFO has completed migrating of financial management systems from on-premises to FedRAMP based Cloud Infrastructure aligning with the agency's enterprise architecture strategy.

## Prompt Payment

The Prompt Payment Act of 1982, as amended, requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2023, the NRC paid 98.3 percent of the 4,603 invoices subject to the Prompt Payment Act on time.

## Debt Collection

The Debt Collection Improvement Act of 1996 enhances the ability of the Federal Government to service and collect debts. The agency's goal is to maintain the level of delinquent debt owed to the NRC at year-end to less than 1 percent of its annual billings. The NRC met this goal. At the end of FY 2023, delinquent debt was \$4.2 million or less than 1 percent of annual billings.

The NRC was able to refer 100 percent of all eligible debt over 180 days delinquent to the Treasury for collection and 100 percent over 120 days old in accordance with the DATA Act. In addition, the NRC met the collections requirements of NEIMA which requires the agency to recover through fees approximately 100 percent of its annual budget, less certain amounts excluded from this fee recovery requirement, in the current fiscal year.



### Biennial Review of User Fees

The *Chief Financial Officers Act of 1990* requires agencies to conduct a biennial review of fees, royalties, rents, and other charges imposed by agencies and to revise fees as appropriate to recover program and administrative costs incurred. The NRC conducted the following reviews in FY 2023:

- Small Materials – Completed June 2023
- Import/Export Materials – Completed June 2023
- Information Access and Material Access Authorization Programs – Completed October 2023
- Criminal History Program – Completed October 2023
- Auditorium Fees – Completed August 2023
- Navy Porting Fees – Completed September 2023
- Freedom of Information Act – Completed June 2023
- Administrative Charges for Delinquent Debt – Completed August 2023

On June 15, 2023, the NRC issued a final rule in the Federal Register (FR) amending the licensing, inspection, special project, and annual fees charged to its applicants and licensees. These amendments are necessary to implement NEIMA, which requires the NRC to recover, to the maximum extent practicable, approximately 100 percent of its annual budget less certain amounts excluded from this fee-recovery requirement.

The FY 2023 rule can be found at <https://www.federalregister.gov/documents/2023/06/15/2023-12696/revision-of-fee-schedules-fee-recovery-for-fiscal-year-2023>

By law, the following appropriated amounts are excluded from the fee-recovery requirement: any type of fee-relief activity as identified by the Commission, generic homeland security activities, waste incidental to reprocessing activities, Nuclear Waste Fund (NWF) activities, advanced reactor regulatory infrastructure activities, Inspector General services for the Defense Nuclear Facilities Safety Board (DNFSB), research and development at universities in areas relevant to the NRC's mission, and a nuclear science and engineering grant program.

Based on the Consolidated Appropriations Act, 2023, the final rule reflects a budget authority in the amount of \$927.2 million. After accounting for the fee-recovery exclusions and net billing adjustments, the NRC must recover approximately \$790.6 million in fees in FY 2023.

### Inspector General Act of 1978

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



Grey Water Pond at Palo Verde

## **Chapter 2: Financial Statements and Auditors' Report**

### A Message from the Chief Financial Officer



The fiscal year (FY) 2023 Agency Financial Report illustrates our sound stewardship of the U.S. Nuclear Regulatory Commission (NRC) resources. As noted in Chapter 1, the NRC has achieved all the agency's Safety and Security goals. Chapter 2 presents the NRC's financial statements and the independent auditor's report. Finally, Chapter 3 presents other relevant information, such as the Inspector General's assessment of the most serious management and performance challenges facing the NRC.

I am pleased to present the NRC FY 2023 financial statements. An independent auditor has issued an unmodified opinion on the NRC FY 2023 financial statements. The auditor concluded: The NRC's financial statements as of and for the FY ended September 30, 2023, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles; the NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023; and no reportable noncompliance for FY 2023 with provisions of applicable laws, regulations, contracts, and grant agreements they tested and no other matters.

During FY 2023, the NRC continued our financial management and system modernization enhancements to better utilize government resources. The NRC enhanced the agency's core financial system with the automation of transaction reconciliation for the Central Accounting Reporting System. The NRC successfully supported government-wide efficiencies, including the U.S. General Services Administration's Federal Procurement Data System, SAM.Gov socio-economic interface enhancements and the U.S. Department of Treasury's G-Invoicing initiative.

The NRC remains committed to its mission of ensuring the safety and security of the Nation's civilian use of radioactive materials in the most effective and efficient manner. The regulation of the Nation's nuclear industries during this period of fiscal and regulatory challenges requires rigorous stewardship of taxpayer resources and demands superior financial performance. I am proud of the agency's sound business practices in the conduct of our regulatory mission and am confident that we will continue to make future improvements.

A handwritten signature in black ink, appearing to read 'H. Osborne'.

Howard K. Osborne  
Chief Financial Officer

November 9, 2023

## Financial Statements

### Consolidated Balance Sheets *(In Thousands)*

As of September 30,	2023	2022
<b>Assets</b>		
Intragovernmental assets:		
Fund balance with Treasury (Note 2)	\$ 412,625	\$ 384,244
Accounts receivable, net (Note 3)	4,982	4,482
Advances and prepayments	4,957	4,271
Total intragovernmental	422,564	392,997
Other than intragovernmental assets:		
Accounts receivable, net (Note 3)	57,954	53,661
General Property and equipment, net (Note 4)	29,687	32,295
Advances and prepayments	52	55
Total other than intragovernmental assets	87,693	86,011
<b>Total Assets</b>	<b>\$ 510,257</b>	<b>\$ 479,008</b>
<b>Liabilities</b>		
Intragovernmental liabilities:		
Accounts payable	\$ 5,906	\$ 12,152
Other liabilities (Note 5)	8,045	9,163
Total intragovernmental liabilities	13,951	21,315
Other than intragovernmental liabilities:		
Accounts payable	20,714	19,524
Federal employee benefits payable (Note 6)	52,326	50,496
Other liabilities (Note 5)	21,479	17,175
Total other than intragovernmental liabilities	94,519	87,195
<b>Total Liabilities</b>	<b>108,470</b>	<b>108,510</b>
<b>Net Position</b>		
Unexpended appropriations	360,502	328,773
Cumulative results of operations	41,285	41,725
<b>Total Net Position</b>	<b>401,787</b>	<b>370,498</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 510,257</b>	<b>\$ 479,008</b>

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

**Consolidated Statements of Net Cost (In Thousands)**

For the years ended September 30,	2023	2022
<b>Nuclear Reactor Safety</b>		
Gross costs	\$ 735,685	\$ 699,128
Less: Earned revenue (Note 10)	(708,348)	(670,907)
<b>Net Cost of Nuclear Reactor Safety (Note 9)</b>	<b>27,337</b>	28,221
<b>Nuclear Materials and Waste Safety</b>		
Gross costs	205,996	196,573
Less: Earned revenue (Note 10)	(74,734)	(66,356)
<b>Total Net Cost of Nuclear Materials and Waste Safety (Note 9)</b>	<b>131,262</b>	130,217
<b>Net Cost of Operations</b>	<b>\$ 158,599</b>	<b>\$ 158,438</b>

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

**Consolidated Statements of Changes in Net Position** *(In Thousands)*

For the years ended September 30,	2023	2022
<b>Unexpended Appropriations</b>		
Beginning Balance	\$ 328,773	\$ 305,238
Appropriations received	153,372	150,619
Other adjustments	(629)	(900)
Appropriations used (Note 11)	(121,014)	(126,184)
Net Change in Unexpended Appropriations	31,729	23,535
<b>Total Unexpended Appropriations, ending balance</b>	<b>360,502</b>	328,773
<b>Cumulative Results of Operations</b>		
Beginning Balance	\$ 41,725	\$ 49,830
Beginning Balance, as adjusted	\$ 41,725	\$ 49,830
Appropriations used (Note 11)	121,014	126,184
Non exchange revenue (Note 11)	(240)	209
Imputed financing (Note 11)	37,145	24,149
Other	240	(209)
<b>Net Cost of Operations</b>	<b>(158,599)</b>	(158,438)
<b>Net Change in Cumulative Results of Operations</b>	<b>(440)</b>	(8,105)
<b>Total Cumulative Results of Operations</b>	<b>\$ 41,285</b>	\$ 41,725
<b>Net Position</b>	<b>\$ 401,787</b>	\$ 370,498

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

**Combined Statements of Budgetary Resources (In Thousands)**

For the years ended September 30,	2023	2022
<b>Budgetary Resources</b>		
Unobligated balance from prior-year budget authority, net (discretionary and mandatory)	\$ 133,924	\$ 100,646
Appropriations (discretionary and mandatory)	927,153	889,700
Spending authority from offsetting collections (discretionary and mandatory)	7,224	5,397
<b>Total Budgetary Resources</b>	<b>\$ 1,068,301</b>	<b>\$ 995,743</b>
<b>Status of Budgetary Resources</b>		
New obligations and upward adjustments (total) Unobligated balance, end of year	\$ 946,775	\$ 890,682
Apportioned, unexpired accounts	109,454	102,591
Exempt from apportionment, unexpired accounts	219	281
Unapportioned, unexpired accounts	9,922	301
Unexpired unobligated balance, end of year	119,595	103,173
Expired unobligated balance, end of year	1,931	1,888
Unobligated balance, end of year (total)	121,526	105,061
<b>Total Budgetary Resources</b>	<b>\$ 1,068,301</b>	<b>\$ 995,743</b>
<b>Outlays, Net, and Disbursements, Net</b>		
Outlays, net (total) (discretionary and mandatory)	898,144	881,353
Distributed offsetting receipts (-)	(773,781)	(739,081)
<b>Agency Outlays, net</b>	<b>\$ 124,363</b>	<b>\$ 142,272</b>

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



### Notes to the Financial Statements

(All tables are presented in thousands)

#### Note 1 – Summary of Significant Accounting Policies

##### A. Reporting Entity

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

The NRC operates through the execution of its congressionally approved appropriations for Salaries and Expenses (which includes funds derived from the Nuclear Waste Fund (NWF) and OIG).

The reporting entity is a component of the U.S. Government. For this reason, some of the assets and liabilities reported by the entity may be eliminated for Government-wide reporting because they are offset by assets and liabilities of another U.S. Government entity.

##### B. Basis of Presentation

These financial statements for Fiscal Year (FY) 2023 and FY 2022 (prior-year) are presented on a comparative basis. They report the financial position and results of operations of the NRC as required by the *Chief Financial Officers Act of 1990* and the *Government Management Reform Act of 1994*. These financial statements were prepared from the books and records of the NRC in conformance with generally accepted accounting principles (GAAP) for Federal entities of the United States and the form and content for entity financial statements specified in OMB Circular A-136. GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board (FASAB). The FASAB has been recognized by the American Institute of Certified Public Accountants (AICPA) as the official accounting standard setting authority for the Federal government. These statements are different from the financial reports prepared by the NRC in compliance with OMB directives, which are used to monitor and control the NRC's use of budgetary resources.

Presentation of the budget accounts on the Combined Statement of Budgetary Resources shows columns for the no-year Salaries and Expenses appropriation, which includes funding for the Office of the Commission; no-year and 2-year funds aggregated for the OIG, and the Nuclear Facility Fees, which reflects the Distributed Offsetting receipts.

The NRC collects miscellaneous receipts for information requests under the Freedom of Information Act; civil penalties; and interest, administrative, and penalty charges on delinquent debt. All miscellaneous receipts, when collected, are returned to the U.S. Treasury. The NRC has not presented these amounts on a Statement of Custodial Activity as the amounts involved are immaterial and incidental to the agency's operations and mission.

### C. Budgets and Budgetary Accounting

Budgetary accounting measures appropriation and consumption of budget spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of Federal funds. Under budgetary reporting principles, budgetary resources are used at the time of purchase. Assets and liabilities, which do not use current budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to use budgetary resources.

Congress passed the Consolidated Appropriations Act, 2023 that funded the NRC's budget at a level of \$911.4 million for FY 2023. Not more than \$9.5 million of the appropriation was made available for the costs of the Office of the Commission until September 30, 2024. Congress also enacted a 2-year appropriation of \$15.8 million for the OIG, which is available for obligation through September 30, 2024. Total funding for the NRC including OIG funding is \$927.2 million for FY 2023.

Congress passed the Consolidated Appropriations Act, 2022 that funded the NRC's budget at a level of \$873.9 million for FY 2022. Congress also enacted the Additional Ukraine Supplemental Appropriations Act, 2022, which added \$2.0 million to NRC's budget for FY 2022. NRC's total Salaries and Expenses appropriation for FY 2022 is \$875.9 million. Not more than \$9.5 million of the appropriation was made available for the costs of the Office of the Commission until September 30, 2023. Congress also enacted a two-year appropriation of \$13.8 million for the OIG, which is available for obligation through September 30, 2023. Total funding for the NRC including the supplemental and OIG funding is \$889.7 million for FY 2022.

### D. Basis of Accounting

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is also used to record the obligation of funds prior to the accrual-based transaction. SBR presents total budgetary resources available to the NRC, the status of total budgetary resources, and net outlays for the year.

### E. Revenues and Other Financing Sources

The NRC is required to offset its appropriations by revenue received during the FY from the assessment of fees. The NRC assesses two types of fees to recover its appropriation:

1. Fees assessed to recover the NRC's costs of providing individually identifiable services to specific applicants and licensees under 10 CFR Part 170, "Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the *Atomic Energy Act of 1954, as Amended*," for licensing, inspection, and other services under the authority of the *Independent Offices Appropriation Act of 1952*.
2. Annual fees assessed for nuclear facilities and materials licensees under 10 CFR Part 171, "Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Materials Licenses."

Licensing revenues are recognized on a straight-line basis over the licensing period. The annual licensing period for reactor and materials fees begins October 1 and ends September 30. Annual fees for reactors are invoiced in four quarterly installments, before the end of each quarter. The NRC invoices licensees for materials annual fees in the month the license is originally issued. Fees are recorded as revenues when the services are performed.

For accounting purposes, appropriations are recognized as a financing source (appropriations used) at the time goods and services are received. Periodically during the FY, appropriations recognized are reduced by the amount of assessed fees collected during the FY to the extent of new budget authority for the year. Collections that exceed 100 percent of the NRC's appropriation, excluding amounts appropriated for any fee-relief activity as identified by the Commission, generic homeland security activities, waste incidental to reprocessing activities, Nuclear Waste Fund activities, advanced reactor regulatory infrastructure activities, Inspector General services for the Defense Nuclear Facilities Safety Board, research and development at universities in areas relevant to the NRC's mission, and a nuclear science and engineering grant program, are held to offset subsequent years' appropriations. The NRC recognizes appropriated expenses over the useful life of property and equipment as reflected by depreciation and amortization expense.

### F. Fund Balance with Treasury

The Treasury processes the NRC's cash receipts and disbursements. The Fund Balance with Treasury is primarily appropriated funds and license fee collections that are available to pay current liabilities and to finance authorized purchase commitments. The Fund Balance with Treasury represents the NRC's right to draw on the U.S. Treasury for allowable expenditures.

### G. Accounts Receivable

Accounts receivable consist of amounts that other Federal agencies and the public owe to the NRC. Amounts due from the public are presented net of an allowance for uncollectible accounts. The allowance is determined based on the age of the receivable and allowance

rates established from historical experience. Receivables from Federal agencies are expected to be collected; therefore, there is no allowance for uncollectible accounts for Federal agencies. An allowance for Federal agencies is considered based on FASAB Technical Bulletin 2020-01, but the NRC deems the Federal accounts receivable to be receivable based on historical experience.

### H. Non-Entity Activity

Non-entity activity consist of miscellaneous fees assessed for Freedom of Information Act requests; civil penalties; and interest, administrative charges, and penalties assessed on delinquent debt due from the public. Once collected, the funds are transferred to the U.S. Treasury.

### I. Property and Equipment

Property and equipment consist primarily of typical office furnishings, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The costs of internal use software include the full cost of salaries and benefits for agency personnel involved in software development. The NRC has no real property as the land and buildings in which the NRC operates are occupancy agreements through the GSA. The rent approximates the commercial rental rates for similar properties.

Property with a cost of \$50,000 or more per unit and a useful life of 2 years or more is capitalized at cost and depreciated using the straight-line method over the useful life of the assets. Other property items are expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

### J. Accounts Payable

The NRC uses an estimation methodology to calculate the accounts payable balance, which represents costs for billed and unbilled goods and services received but unpaid before year-end. The NRC calculates the accounts payable amount using an average based on the historical trend of validated accruals. The estimation methodology is validated quarterly.

### K. Liabilities Not Covered by Budgetary Resources

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of the end of the FY. These liabilities are not funded from current or prior-year appropriations and assessments, but instead they are funded from future appropriations and assessments.

Liabilities represent the number of monies or other resources that are likely to be paid by the NRC as a result of a transaction or event that has already occurred. The NRC cannot pay Liabilities without an appropriation. Liabilities for which an appropriation has not been enacted are classified as "Liabilities Not Covered by Budgetary Resources" and fall into the following three categories:

- **Intragovernmental.** The NRC records a liability to the U.S. Department of Labor (DOL) for Federal Employees Compensation Act (FECA) benefits paid by the DOL on behalf of

the NRC. The NRC also accrued a liability to GSA for Broker Commission Credits received by the NRC and annual step rent increases on the occupancy agreements for rent of NRC office space. The NRC amortizes the liability on a straight-line basis and pays GSA over the life of the occupancy agreements.

- **Federal Employee Benefits.** Federal employee benefits represent the actuarial liability for estimated future FECA disability benefits. The DOL generates the future workers' compensation estimate from an application of actuarial procedures developed to estimate the liability for FECA, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases.
- **Other.** This category includes the amount of accrued annual leave earned by the NRC employees, but not yet taken; and contingent liabilities which have the probable likelihood of an adverse outcome.

### L. Contingencies

Contingent liabilities are those for which the existence or amount of the liability cannot be determined with certainty pending the outcome of future events. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. Accounting treatment of the contingency depends on if the likely outcome is considered probable, reasonably possible, or remote.

A contingency is considered probable when the future confirming event or events are more likely than not to occur, with the exception of pending or threatened litigation and unasserted claims. This type of contingency is recorded in the financial statements as a contingent liability (included in Other Liabilities) and as an expense. It should be recorded when a past event or exchange transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable.

A contingency is considered reasonably possible when the chance of the future confirming event or events occurring is more than remote but less than probable. This type of contingency is disclosed in the notes to the financial statements (Note 8) if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may have been incurred.

A contingency is considered remote when the chance of the future event or events occurring is slight. This type of contingency is not recognized as a liability and as an expense in the financial statements, nor is it disclosed in the notes when the chance of the future event or events occurring is remote.

### M. Annual, Sick, and Other Leave

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

### N. Retirement Plans

The NRC employees belong to either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS).

The NRC does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the U.S. Office of Personnel Management (OPM). The portion of the current and estimated future outlays for FERS and CSRS not paid by the NRC is included in NRC's financial statements as an imputed financing source in the Statement of Changes in Net Position and as program costs on the Statement of Net Cost.

NRC employees make mandatory contributions to their federal retirement plans through payroll deductions as required by law. Employees who entered federal service before 1987 are covered under the Civil Service Retirement System (CSRS). The NRC withholds 7 percent of base pay earnings from CSRS participants, and the NRC matches this 7 percent contribution. Employees who entered federal service on and after January 1, 1987, but before January 1, 2013, are covered under the Federal Employee Retirement System (FERS). Under FERS, the NRC withholds 0.8 percent of base pay earnings and made employer contributions of 18.4 percent in 2023 and 17.3 percent in 2022 for FERS participants. In accordance with Public Law 112-96, Section 5001 of the Middle Class Tax Relief and Job Creation Act of 2012, employees who entered federal service on and after January 1, 2013 but before January 1, 2014 are covered under the Federal Employee Retirement System – Revised Annuity Employees (FERS-RAE). Under FERS-RAE, the NRC withholds 3.1 percent of base pay earnings and made employer contributions of 16.6 percent in 2023 and 15.5 percent in 2022. Employees who entered federal service on and after January 1, 2014, are covered under the Federal Employee Retirement System – Further Revised Annuity Employees (FERS-FRAE). Under FERS-FRAE, the NRC withholds 4.4 percent of base pay earnings and made employer contributions of 16.6 percent in 2023 and 15.5 percent in 2022.

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees belonging to either FERS or CSRS. The maximum percentage of base pay that an employee participating in FERS or CSRS may contribute is unlimited, but it is subject to the maximum contribution of \$22,500 in 2023 and \$20,500 in 2022. For employees participating in FERS, the NRC automatically contributes 1 percent of base pay to the employee's account and matches contributions up to an additional 4 percent. For employees participating in CSRS, the NRC does not match the contribution. The sum of the employees' and the NRC's contributions is transferred to the Federal Retirement Thrift Investment Board.

### O. Leases

The NRC has two types of leases: capital leases and operating leases (Note 7):

Capital leases: Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. Capital leases are reported in the Balance Sheet as an asset under Property and Equipment, Net and as a liability under Other Liabilities. If at its inception, a lease meets one or more of the following four criteria, the lessee should classify the lease as a capital lease:

1. The lease transfers the ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal or greater than 75 percent of the estimated economic life of the leased property.
4. The present value of rental or other minimum lease payments, excluding that portion of the payments representing executor cost, equals or exceeds 90 percent of the fair value of the leased property.

The NRC's capital leases are for personal property consisting of reproduction equipment that is installed at the NRC Headquarters.

Operating leases: The FASAB defines an operating lease as a lease in which the Federal entity does not assume the risks of ownership of the property, plant, and equipment (PP&E). It is an agreement conveying the right to use property for a limited time in exchange for periodic rental payments.

Operating leases at the NRC consist of real property leases with the GSA. The NRC holds Occupancy Agreements with the GSA, which are not leases but are treated as leases for accounting purposes. The leases are for the NRC's Headquarters, regional offices, and Technical Training Center (TTC). The GSA charges the NRC lease rates that approximate commercial rates for comparable space.

### **P. Pricing Policy**

The NRC provides nuclear reactor and materials licensing and inspection services to the public and other Government entities. In accordance with OMB Circular A-25, "Transmittal Memorandum #1, User Charges of 1993," and the *Independent Offices Appropriation Act of 1952*, the NRC assesses fees under 10 CFR Part 170 for licensing and inspection activities to recover the full cost of providing individually identifiable services.

The NRC's policy is to recover the full cost of goods and services provided to other Government entities where the services performed are not part of the agency's statutory mission and the NRC has not received appropriations for those services. Fees for reimbursable work are assessed at the 10 CFR Part 170 rate with minor exceptions for programs that are nominal activities of the NRC.

### **Q. Net Position**

The NRC's net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent (1) appropriated spending authority that is unobligated and has not been withdrawn by the U.S. Treasury, and (2) unliquidated obligations and expenditures not yet disbursed. Cumulative results of operations represent the excess of financing sources over expenses since inception.

### R. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

### S. Transfers

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

### T. Statements of Net Cost

The programs as presented on the Statement of Net Cost are based on the annual performance budget and are described as follows:

The Nuclear Reactor Safety program encompasses all the NRC efforts to ensure that civilian nuclear power reactor facilities and research and test reactors are licensed and operated in a manner that adequately protects public health and safety, and the environment, and protects against radiological sabotage and theft or diversion of special nuclear materials. The Nuclear Reactor Safety program consist of the following activities: operating reactors and new reactors.

The Nuclear Materials and Waste Safety program encompasses all the NRC efforts to protect the public health and safety and the environment and ensures the secure use and management of radioactive materials. The Nuclear Materials and Waste Safety program consist of the following activities: fuel facilities, nuclear materials users, decommissioning and low-level waste, spent fuel storage and transportation, and a high-level waste repository.

For intragovernmental gross costs and revenue, the buyers and sellers are Federal entities. For earned revenues from the public, the buyers of the goods or services are non-Federal entities.

### U. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.



**Note 2 – Fund Balance with Treasury**

As of September 30,	2023	2022
<b>Status of Fund Balance with Treasury</b>		
Unobligated balance		
Available - Appropriated funds	\$ 109,673	\$ 102,872
Unavailable		
Unapportioned, unexpired accounts	9,922	301
Expired accounts	1,931	1,888
Obligated balance not yet disbursed	291,099	279,183
<b>Total</b>	<b>\$ 412,625</b>	<b>\$ 384,244</b>

The Fund Balance with Treasury consists of the unobligated and obligated budgetary account balances, including NWF activity. The NWF unobligated balance was \$0.2 million as of September 30, 2023, and \$0.3 million as of September 30, 2022.

Other fund types in the Fund Balance with Treasury represent license fee collections used to offset the NRC current-year budget authority, miscellaneous collections, and adjustments that will offset revenue in the following FY.

**Note 3 – Accounts Receivable**

As of September 30,	2023	2022
<b>Intragovernmental</b>		
Fee receivables and reimbursements	\$ 4,982	\$ 4,482
<b>Receivables with the Public</b>		
Materials and facilities fees-billed	\$ 2,953	\$ 4,725
Materials and facilities fees-unbilled	53,595	48,849
Other	3,811	2,054
Total Receivables with the Public	60,359	55,628
Less: Allowance for uncollectible accounts	(2,405)	(1,967)
<b>Total Receivables with the Public, Net</b>	<b>\$ 57,954</b>	<b>\$ 53,661</b>
Total Accounts Receivable	\$ 65,341	\$ 60,110
Less: Allowance for uncollectible accounts	(2,405)	(1,967)
<b>Total Accounts Receivable, Net</b>	<b>\$ 62,936</b>	<b>\$ 58,143</b>

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

Note 4 – Property and Equipment, Net

As of September 30,				2023	
Fixed Assets Class	Service Years	Acquisition Value	Accumulated Depreciation and Amortization	Net Book Value	
Equipment	5	\$ 15,343	\$ (12,310)	\$ 3,033	
Leased equipment	5	463	(463)	-	
IT software	5	62,955	(62,033)	923	
IT software under development	-	191	-	191	
Leasehold improvements	Life of related lease	58,846	(37,475)	21,371	
Leasehold improvements in progress	-	4,169	-	4,169	
<b>Total</b>		<b>\$ 141,967</b>	<b>\$ (112,281)</b>	<b>\$ 29,687</b>	

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

For the years ended September 30,	2023		2022	
Balance beginning of year	\$	32,295	\$	37,106
Capitalized acquisitions		10,899		7,150
Disposals		(5,788)		(2,753)
Depreciation & Amortization expense		(7,480)		(9,208)
Revaluations		-		-
Other		(239)		-
<b>Balance at end of fiscal year</b>	<b>\$</b>	<b>29,687</b>	<b>\$</b>	<b>32,295</b>

In accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 44, "Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use," the NRC repairs or replaces capital assets as required and does not recognize impairment losses. Refer to Note 11, "Summary of Significant Accounting Policies", *Property and Equipment* for more information.

**Note 5 – Other Liabilities**

As of September 30,	2023	2022
<b>Intragovernmental</b>		
Liability to the U.S. Treasury General Fund for misc. receipts	\$ 120	\$ 360
Liability for advances from other agencies	18	17
Accrued workers' compensation	751	822
Accrued unemployment compensation	8	-
Employee benefit contributions	2,556	2,413
Other liabilities	4,592	5,551
<b>Total Intragovernmental Other Liabilities</b>	<b>\$ 8,045</b>	<b>\$ 9,163</b>
<b>With the Public</b>		
Accrued salaries and benefits	\$ 8,019	\$ 7,580
Contract holdbacks, advances, capital lease liability, and other	4,156	1,819
Contingent Liabilities	250	250
Grants Payable	9,054	7,526
<b>Total With the Public Other Liabilities</b>	<b>\$ 21,479</b>	<b>\$ 17,175</b>
<b>Total Intragovernmental and With the Public Other Liabilities</b>	<b>\$ 29,524</b>	<b>\$ 26,338</b>

Other Liabilities represents the accrual of broker commission credits (BCC) received by the NRC and the sum of annual step rent increases paid to GSA for rent of NRC office space. The credits received by the NRC and the step rent increases are amortized on a straight-line basis over the life of the occupancy agreements.

Other liabilities are current except for the \$4.6 million accrual for BCC and annual step rent increases on the existing occupancy agreements with GSA.

**Note 6 – Liabilities Not Covered by Budgetary Resources**

As of September 30,	2023	2022
<b>Intragovernmental</b>		
FECA paid by DOL	\$ 751	\$ 822
Accrued unemployment compensation	8	-
<b>Federal Employee Benefits</b>		
Future FECA	3,058	3,552
Employer Contributions & Payroll Taxes Payable	377	351
Accrued annual leave	48,891	46,593
<b>Other</b>		
Contingent Liabilities	250	250
Other Liabilities	4,592	5,551
<b>Total Liabilities Not Covered by Budgetary Resources</b>	<b>57,927</b>	<b>57,119</b>
<b>Total Liabilities Covered by Budgetary Resources</b>	<b>50,543</b>	<b>51,391</b>
<b>Total Liabilities</b>	<b>\$ 108,470</b>	<b>\$ 108,510</b>

Liabilities not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of September 30, 2023, and 2022. These liabilities are not funded from current or prior-year appropriations and assessments, but rather they

## Chapter 2 • Financial Statements and Auditors' Report

should be funded from future appropriations and assessments. Accordingly, future funding requirements have been recognized for the expenses that will be paid from future appropriations.

The projected annual benefit payments for FECA are discounted to present value. For FY 2023, projected annual payments were discounted to present value based on the OMB's interest rate assumptions, which were interpolated to reflect the average duration in years for income payments and medical payments. The interest rate assumptions used for FY 2023 discounting were 2.3 percent in year 1 and year 2 for wage benefits, and 2.1 percent in year 1 and year 2 for medical benefits.

### Note 7 – Leases

As of September 30,	2023	2022
<b>Assets Under Capital Leases:</b>		
Copiers and booklet maker	\$ 463	\$ 463
Accumulated amortization	(463)	(463)
<b>Net Assets Under Capital Leases</b>	<b>\$ -</b>	<b>\$ -</b>

#### Future Lease Payments Due:

As of September 30,	2023			
Fiscal Year	Capital	Operating Non- cancellable	Operating Cancellable	
2024	-	9,711	19,622	<b>29,333</b>
2025	-	9,759	16,387	<b>26,146</b>
2026	-	9,809	15,115	<b>24,924</b>
2027	-	9,236	15,025	<b>24,261</b>
2028	-	2,706	11,885	<b>14,591</b>
2029 and thereafter	-	7,140	57,044	<b>64,184</b>
Total Lease Liability	-	48,361	135,078	<b>183,439</b>
Subtract: Imputed Interest	-	-	-	-
<b>Total Future Lease Payments</b>	<b>\$ -</b>	<b>\$ 48,361</b>	<b>\$ 135,078</b>	<b>\$ 183,439</b>

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

## Chapter 2 • Financial Statements and Auditors' Report

For Future Lease Payments, the NRC calculated the Capital Lease Liability as of September 30, 2023, and subtracted the imputed interest to arrive at the Total Future Lease Payments. The reproduction equipment is generally depreciated over 5 years using the straight-line method with no salvage value.

The NRC does not own or lease any real property. The land and buildings the NRC occupies and operates are leased by or owned by the General Services Administration (GSA) and are occupied via Occupancy Agreements (OA's) between the GSA and the NRC. The NRC Headquarters complex consists of three office buildings and a warehouse located in Rockville, MD. One of the headquarters office buildings (Three White Flint North) is jointly occupied with the U.S. Food and Drug Administration (FDA) and the National Institutes of Health (NIH), and another building, Two White Flint North is jointly occupied by NIH. The NRC has four regional offices that are located in King of Prussia, PA, Atlanta, GA, Lisle, IL, and Arlington, TX. In addition, the NRC operates and occupies a Technical Training Center (TTC) located in Chattanooga, TN. Table 5 summarizes the lease arrangements.

**Table 5 Occupied Property List**

Occupied Property List	Cancellable vs. Non-cancellable	Lease Begin Date	Lease End Date
Headquarters – One White Flint	Cancellable	03/01/2018	02/29/2028
Headquarters – Two White Flint	Cancellable	01/01/2023	12/14/2033
Headquarters – Three White Flint	Non-cancellable	10/01/2020	11/02/2027
Headquarters - Lot 4	Non-cancellable	11/12/2018	11/11/2028
Headquarters - Warehouse	Cancellable	12/01/2020	12/14/2036
Region I: Allendale Rd, King of Prussia, PA	Non-cancellable	08/1/2022	04/30/2032
Region II: Atlanta, GA	Non-cancellable	12/01/2009	10/31/2022
	Cancellable	11/01/2022	11/30/2024
Region III: Lisle, IL	Cancellable	09/01/2022	06/30/2024
Region III: Naperville, IL	Cancellable	08/01/2022	07/31/2037
Region IV: Arlington, TX	Cancellable	08/01/2021	04/05/2026
TTC: Chattanooga, TN	Non-cancellable	10/17/2016	10/16/2026
	Cancellable	10/17/2026	10/16/2036

In the Three White Flint North (3WFN) office building, the NRC occupies 24,889 usable square feet and the NRC is no longer the primary tenant. The NRC occupies the Data center (half of fourth floor) and the Operations center (floor B1). The FDA and NIH occupy the other floors and have backfilled all of the space released by NRC in 3WFN, however, due to the terms of the occupancy agreement between GSA and NRC, NRC pays the delta between what the backfill tenant pays, and the true rental costs which currently equates to approximately \$5.1 million per year for the space occupied by FDA and NIH and approximately \$1.5 million per year for the space occupied by NRC. NRC plans to vacate 3WFN entirely by moving the agency's remaining operations in 3WFN to OWFN by the lease expiration in November 2027. Therefore, NRC's annual rent and related costs are anticipated to reduce by \$6.6 million beginning in FY 2028.

In the Two White Flint North (2WFN) office building, the NRC occupies 207,144 usable square feet, 515 structured parking spaces, and 14 surface parking spaces. In FY 2021, NRC released the tenth floor of 2WFN which was subsequently backfilled by NIH. The lease bill for 2WFN will be approximately \$0.9 million less per year (not including the repayment of unearned rent abatement and broker commission credits of approximately \$0.6 million repaid the first year). NRC released two additional floors (floors 8 & 9) effective in January 2023 which will reduce the lease bill by approximately \$1.8 million (not including the repayment of unearned rent abatement and broker commission credits of approximately \$1.0 million to be repaid over the first two years).

In FY 2021, the NRC signed a 10-year lease for the relocation of the Region I office for roughly half the size of the previous location. The NRC occupies 32,539 useable square feet. The new lease for Region I is approximately \$1.9 million dollars less per year than the previous location.

The NRC leases for land and buildings do not have renewal options or contingent rental restrictions. The overall lease costs remain flat due to the elimination of the tenant improvement costs and lease escalations in some leases (e.g., TWFN AND 3WFN). No additional escalations are scheduled over the terms of the remainder of the Regional leases. The current leases for Regions 2, 3, and 4 expire in FY 2025, FY 2024, and FY 2026 respectively. We have a new lease for Region 3. An extension was signed for the existing location that expires 6/30/2024. Occupancy of the new location is not expected until FY 2024 and this lease period will be for 15 years with an expiration of 7/31/2037. Pending funding, GSA and NRC plan to solicit and negotiate new leases for each Region prior to the lease expirations listed above, for roughly half the current size of each location by incorporating a more contemporary design. By reducing the size of each Region by roughly half, the agency anticipates the regional rent and related costs to reduce by roughly half once the new leases are occupied. The lease for the headquarters warehouse has been executed and the lease expires in FY 2036.

### Note 8 – Contingencies

The NRC is subject to potential liabilities in various administrative proceedings, legal actions, environmental suits, and claims brought against it. In the opinion of the NRC's management and legal counsel, the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the financial position or net costs of the NRC.

**Probable Likelihood of an Adverse Outcome:**

As of September 30, 2023, the NRC was involved in a case with the likelihood of an adverse outcome being probable. The NRC accrued a legal contingency of \$250 thousand. The estimated range of loss is \$250 thousand on the lower end to \$350 thousand on the upper end. As of September 30, 2022, the NRC was involved in a case with the likelihood of an adverse outcome being probable. The NRC accrued a legal contingency of \$250 thousand. The estimated range of loss is \$250 thousand on the lower end to \$350 thousand on the upper end.

**Reasonably Possible Likelihood of an Adverse Outcome:**

As of September 30, 2023, the NRC was involved in four reasonably possible cases that have an undetermined amount of potential loss. As of September 30, 2022, the NRC was involved in six reasonably possible cases that have an undetermined amount of potential loss.

### Note 9 – Suborganization Program Costs

For the fiscal years ended September 30,	2023	2022
<b>Nuclear Reactor Safety:</b>		
Intragovernmental gross costs	\$ 202,076	\$ 200,888
Less: Intragovernmental earned revenue	(53,260)	(48,412)
Intragovernmental net costs	148,816	152,476
Other than intragovernmental gross costs	533,609	498,240
Less: Other than intragovernmental earned revenues	(655,088)	(622,495)
Other than intragovernmental net costs	(121,479)	(124,255)
<b>Total Net Cost of Nuclear Reactor Safety</b>	<b>\$ 27,337</b>	<b>\$ 28,221</b>
<b>Nuclear Materials and Waste Safety:</b>		
Intragovernmental gross costs	\$ 59,255	\$ 57,196
Less: Intragovernmental earned revenue	(6,400)	(4,931)
Intragovernmental net costs	52,855	52,265
Other than intragovernmental gross costs	146,741	139,377
Less: Other than intragovernmental earned revenues	(68,334)	(61,425)
Other than intragovernmental net costs	78,407	77,952
<b>Total Net Cost of Nuclear Materials and Waste Safety</b>	<b>\$ 131,262</b>	<b>\$ 130,217</b>

Nuclear Reactor Safety and Nuclear Materials and Waste Safety represent the NRC's two major programs as identified in the NRC Strategic Plan.

**Note 10 – Exchange Revenues**

For the periods ended September 30,	2023	2022
Fees for licensing, inspection, and other services	\$ 776,425	\$ 732,223
Revenue from reimbursable work	6,657	5,040
<b>Total Exchange Revenues</b>	<b>\$ 783,082</b>	<b>\$ 737,263</b>

Earned revenues or exchange revenues arise when an entity provides goods and services to the public or another Government entity for a price. The NRC's revenues are primarily recorded at full cost for services provided for inspections, fees for licensing, and reimbursable work.

**Note 11 – Financing Sources Other Than Exchange Revenue**

For the periods ended September 30,	2023	2022
<b>Appropriations Used</b>		
Collections are used to reduce the fiscal year's appropriations:		
Funds consumed	\$ 894,857	\$ 865,304
Less: Collection of fees assessed	(773,781)	(739,081)
Less: Nuclear Waste Fund Expense	(62)	(39)
<b>Total Appropriations Used</b>	<b>\$ 121,014</b>	<b>\$ 126,184</b>

Funds consumed include \$96.8 million and \$66.5 million through September 30, 2023, and 2022, respectively, of available funds from prior years. Current year funds consumed were \$798 million and \$798.8 million through September 30, 2023, and 2022 respectively.

For the fiscal years ended September 30,	2023	2022
<b>Non-Exchange Revenue</b>		
Civil penalties	\$ 264	\$ 621
Miscellaneous receipts	(504)	(412)
<b>Non-Exchange Revenue</b>	<b>(240)</b>	<b>209</b>
Contra-Revenue	240	(209)
<b>Total Non-Exchange Revenue, Net of Funds Returned to the U.S. Treasury</b>	<b>\$ -</b>	<b>\$ -</b>

For the periods ended September 30,	2023	2022
<b>Imputed Financing</b>		
Civil Service Retirement System	\$ 2,173	\$ 2,164
Federal Employees Retirement System	12,349	1,454
Federal Employee Health Benefit	22,432	20,454
Federal Employee Group Life Insurance	81	77
Judgments/Awards	110	-
<b>Total Imputed Financing</b>	<b>\$ 37,145</b>	<b>\$ 24,149</b>



Note 12 – Status of Budgetary Resources

A. Net Adjustments to Unobligated Balance, Brought Forward, October 1

This budgetary resources line consists of unobligated balance, brought forward as of October 1, as increased or decreased by current fiscal year activity related to the unobligated balance brought forward—typical items include recoveries of prior year unpaid obligations, cancellations of multi-year appropriations, and other changes including refunds collected for downward adjustments of prior year paid obligations, and remaining anticipated recoveries. The adjustments for FY 2023 and FY 2022 are described below.

For the years ended September 30,	2023	2022
Unobligated balance, Brought Forward, October 1	\$ 105,061	\$ 77,079
Actual Recoveries of Prior Year Unpaid Obligations	\$ 28,810	\$ 23,442
Canceled Authority	\$ (628)	\$ (902)
Other Changes in Unobligated Balance, Net	\$ 681	\$ 1,027
<b>Unobligated Balance from Prior Year Budget Authority, net</b>	<b>\$ 133,924</b>	<b>\$ 100,646</b>

B. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

SFFAS 7, “Accounting for Revenue and Other Financing Sources” and OMB Circular A-136 require the NRC to reconcile the budgetary resources reported on the SBR to the actual budgetary resources presented in the President’s Budget and explain any material differences.

The NRC does not have any material differences between the budgetary resources reported on the SBR for FY 2022 and the FY 2022 actuals in the proposed President's Budget for FY 2024. The reconciliation was based on actual numbers for FY 2022 because the Budget of the United States (also known as the President’s Budget) was not published at the time that these financial statements were issued.

The NRC reconciled the amounts of the FY 2022 column on the Combined Statement of Budgetary Resources to the actual amounts for FY 2022 from the Appendix in the FY 2024 President’s Budget for budgetary resources, new obligations and upward adjustments, distributed offsetting receipts, and net outlays.

For the fiscal year ended September 30, 2022	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Outlays (Net)
<b>Combined Statement of Budgetary Resources</b>	\$ 995,743	\$ 890,682	\$ (739,081)	\$ 881,353
Spending authority from offsetting collections	\$ (5,397)	-	-	-
Unobligated balance beginning of period	\$ (100,646)	-	-	-
<b>Budget of the U.S Government</b>	<b>\$ 889,700</b>	<b>\$ 890,682</b>	<b>\$ (739,081)</b>	<b>\$ 881,353</b>

The FY 2023 actual budgetary resources numbers will be available in the FY 2025 President’s Budget which is expected to be published in 2024, and will be available on the OMB Web site <https://www.whitehouse.gov/omb/> and through the U.S. Government Publishing Office.

**Note 13 – Reconciliation of Net Costs and Net Outlays**

For the fiscal year ended September 30, 2023

	Intragovernmental	Other than Intragovernmental	Total
<b>Net Cost</b>	<b>\$ 201,671</b>	<b>\$ (43,072)</b>	<b>\$ 158,599</b>
<b>Components of the Net Cost That Are Not Part of Net Outlays</b>			
Property, plant, and equipment depreciation	-	(7,480)	(7,480)
Property, plant, and equipment disposal & revaluation	-	(5,788)	(5,788)
<b>Increase/(decrease) in assets:</b>			
Accounts receivable, net	5,247	(453)	4,794
Other assets	686	(3)	683
<b>(Increase)/decrease in liabilities:</b>			
Accounts payable	6,246	(1,190)	5,056
Salaries and benefits	-	494	494
Other liabilities	877	(6,627)	(5,750)
<b>Other Financing sources:</b>			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(37,145)	-	(37,145)
<b>Total Components of Net Cost That Are Not Part of Net Outlays</b>	<b>\$ (24,089)</b>	<b>\$ (21,047)</b>	<b>\$ (45,136)</b>
<b>Components of Net Outlays That Are Not Part of Net Cost</b>			
Acquisition of capital assets	-	10,899	10,899
<b>Total Components of Net Outlays That Are Not Part of Net Cost</b>	<b>-</b>	<b>10,899</b>	<b>10,899</b>
<b>Misc. Items:</b>			
Distributed offsetting receipts	(773,781)	-	(773,781)
Custodial/Non-exchange revenue	-	240	240
Non-Entity Activity	(236)	-	(236)
Appropriated Receipts for Trust/Special Funds	773,781	-	773,781
Other Reconciling Items	(3)	-	(3)
<b>Total Other Reconciling Items</b>	<b>(239)</b>	<b>240</b>	<b>1</b>
<b>Net Outlays</b>	<b>\$ 177,343</b>	<b>\$ (52,980)</b>	<b>\$ 124,363</b>

**Note 14 – Financial Statements to Reclassified Financial Statements**

To prepare the Financial Report of the U.S. Government (Financial Report), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows the NRC's financial statements and the NRC's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated Financial Report line items. A copy of the 2022 Financial Report can be found here: Bureau of the Fiscal Service - Reports, Statements & Publications (treasury.gov) and a copy of the 2023 Financial Report will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

**Statement of Net Cost to Reclassified Statement of Net Cost**

For the period ended September 30, 2023			
NRC SNC		Line Items Used to Prepare the Government-wide SNC	
Financial Statement Line	Amount	Total (Consolidated)	Reclassified Financial Statement Line
			<b>Non-Federal Costs</b>
		\$ 680,237	Non-Federal Gross Cost
		680,237	<b>Total Non-Federal Costs</b>
			<b>Intragovernmental Costs</b>
		102,299	Benefit Program Costs
		37,146	Imputed Costs
		92,952	Buy/Sell Costs
		29,047	Other Expenses (w/o Reciprocals)
		261,444	<b>Total Intragovernmental Costs</b>
Gross Costs	\$ 941,681		
<i>Total Gross Costs</i>	941,681	941,681	<i>Total Reclassified Gross Costs</i>
		723,422	Non-Federal Earned Revenue
			<b>Intragovernmental Revenue</b>
		59,660	Buy/Sell Revenue
		59,660	<b>Total Intragovernmental Earned Revenue</b>
Earned Revenue	783,082		
<i>Total Earned Revenue</i>	783,082	783,082	<i>Total Reclassified Earned Revenue</i>
<b>Net Cost</b>	\$ 158,599	\$ 158,599	<b>Net Cost</b>

## Chapter 2 • Financial Statements and Auditors' Report

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

For the period ended September 30, 2023

FY 2023 NRC SCNP		Line Items Used to Prepare the Government-wide SCNP	
Financial Statement Line	Amount	Total	Reclassified Financial Statement Line
<b>Unexpended Appropriations</b>			
Unexpended Appropriations, Beginning Balance	\$ 328,773	\$ 328,786	Unexpended Appropriations, Beginning Balance
Appropriations Received	152,743	152,744	Appropriations Received
Appropriations Used	(121,014)	(121,028)	Appropriations Used
<b>Total Unexpended Appropriations</b>	<b>\$ 360,502</b>	<b>\$ 360,502</b>	<b>Total Unexpended Appropriations</b>
<b>Cumulative Results of Operations</b>			
Cumulative Results, Beginning Balance	\$ 41,725	\$ 41,711	Cumulative Results, Beginning Balance as adjusted
Non-Exchange Revenues	(240)	(240)	<b>Non-Federal Non-Exchange Revenues</b> Miscellaneous Taxes and Receipts (240) <b>Total Non-Federal Non-Exchange Revenues</b>
<i>Total Non-Exchange Revenues</i>	(240)	(240)	<i>Total Non-Exchange Revenues</i>
Other	240	236	Other
		4	
<i>Total Other</i>	240	240	<b>Total Other</b>
Imputed Financing	37,145	37,145	Imputed Financing Sources
<b>Net Cost of Operations</b>	<b>(158,599)</b>	<b>(158,599)</b>	<b>Net Cost of Operations</b>
<b>Ending Balance - Cumulative Results of Operations</b>	<b>41,285</b>	<b>41,711</b>	<b>Cumulative Results of Operations</b>
<b>Total Net Position</b>	<b>\$ 401,787</b>	<b>\$ 401,787</b>	<b>Net Position</b>

NRC does not have funds from dedicated collections.

**Note 15 – Nuclear Waste Fund**

For FY 2023 and FY 2022, the NRC’s budget did not include funds from the Nuclear Waste Fund (NWF). The funding provided to the NRC before FY 2014 and carried forward to subsequent years was for the purpose of performing activities associated with the DOE’s application for a high-level waste repository at Yucca Mountain, NV.

The SFFAS 43 "Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27, Identifying and Reporting Earmarked Funds," lists three defining criteria for funds from dedicated collections.

1. A statute committing the Federal government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal government by non-federal sources only for designated activities, benefits or purposes;
2. Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
3. A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal government’s general revenues.

In 1982, Congress passed the Nuclear Waste Policy Act of 1982 (Public Law 97-425) establishing the NWF to be administered by the DOE (42 U.S.C. 10222). For the NRC, the NWF transfer is a source of financing from other than non-Federal sources. The NRC collects no revenue on behalf of the NWF and has no administrative control over it. Furthermore, the Treasury has no separate fund symbol for the NWF under the NRC’s agency location code. The receipt and expenditure of NWF funding is reported to the U.S. Treasury under the NRC’s primary Salaries and Expenses Treasury Account Symbol (X0200).

As a result, the NWF is not a fund from dedicated collections from the NRC’s perspective. However, to provide additional information to the users of these financial statements, the summary below presents enhanced disclosure of the fund.

For the periods ended September 30,	2023		2022	
Appropriations Received from NWF	\$	-	\$	-
Expended Appropriations	\$	60	\$	39
Obligations Incurred	\$	64	\$	19
Unobligated Balances (includes recoveries of prior year obligations)	\$	219	\$	281

### Required Supplementary Information

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

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

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

DM&R should include funded and unfunded M&R activities that have been delayed to a future period. DM&R on inactive or excess general property plant and equipment should be included to the extent that it is required to maintain those items in acceptable condition. The NRC evaluated DM&R activities for leased facilities, the multiple components of the agency information technology (IT) infrastructure, and individual capital asset purchases with a cost equal to or greater than \$50,000. The NRC did not include noncapitalized PP&E with a cost of less than \$50,000, which are deemed immaterial.

#### Deferred Maintenance and Repairs for the NRC Facilities, Other Structures, and Capital Equipment

For the NRC leased facilities and capital equipment purchases, the NRC typically does not have any DM&R. The NRC had no DM&R for facilities, other structures, and capital equipment as of September 30, 2023, and 2022.

#### Defining and Implementing Maintenance and Repair Policies in Practice

For the NRC Headquarters facilities, the agency uses the GSA guidelines for maintenance activities along with industry best practices to determine the preventive maintenance activities to perform and the schedule for those activities. For the building structures and systems, the maintenance contractor performs all required periodic maintenance to keep the systems and buildings in a good state of repair. The contractor is held to a 98 percent scheduled completion rate, with all the preventive maintenance completed within a reasonable time. When equipment reaches the end of its useful life, it is generally replaced with like-kind or upgraded equipment. For any type of an emergent failure to facilities, the NRC would request additional funding, as needed, for repairs or replacement to structures and equipment.

For the regional offices, the building management (lessor) is responsible for performing all required periodic maintenance to keep the systems and buildings in a good state of repair. Generally, the regional leases contain the fixed assets, including equipment purchased to support the operations of the agency's leased space, such as diesel generators and chillers for the Incident Response Center, the local area network, and power cooling. Equipment requiring repair results in a service repair call. For those instances where equipment is purchased to support the NRC regional operations, maintenance contracts are put in place to provide periodic service and maintenance on the equipment. When equipment reaches the end of its useful life, it is generally replaced with like-kind or with upgraded equipment. For any type of an emergent failure, the NRC would request additional funding, as needed, for repairs or replacement of equipment.

The TTC facility and associated systems are leased and maintained by the lessor. This includes any emergent repairs that may occur, as well as any scheduled maintenance. Assets within the TTC are predominantly maintained by facilities personnel or in some cases, such as for simulator systems, contractor personnel perform all required emergent and periodic maintenance to keep the simulator systems in a good state of repair. When equipment reaches the end of its useful life, it is replaced with like-kind or upgraded equipment.

### Ranking and Prioritization of Maintenance and Repair Activities

Personnel safety is a top priority at the NRC leased facilities. Maintenance activity, such as for fire alarms and emergency exits, is given top priority. If a preventive maintenance activity must be deferred, which is typically only for 2 to 4 weeks, the impact to personnel safety and building functionality is considered during the maintenance review. Other M&R activities are executed as required so that there is no disruption to the NRC operations and the TTC training schedules.

### Factors Considered in Determining Acceptable Condition

The NRC's Facilities Management Branch at the headquarters facilities perform the daily inspections and maintenance of the buildings and major systems. The NRC internally reviews planned maintenance activity records and historical logs of M&R to monitor condition information for equipment. Based on the information gathered, the NRC will determine whether planning for replacement or upgrade is needed. Additionally, the GSA conducts onsite inspections every 3 to 5 years at the headquarters facilities to assess the overall condition of the buildings and to determine when major systems and components need to be scheduled for replacement. For the TTC and regional offices, the NRC has a Facilities Management staff person onsite to work with the GSA to manage the buildings with support from the lessors. As a result, the GSA performs more frequent onsite inspections of the facilities. The NRC works in close coordination with the GSA to ensure that M&R activities are performed on a timely basis for all NRC-occupied facilities.

### Deferred Maintenance and Repairs for Information Technology Infrastructure and Systems

The NRC had no DM&R for IT Infrastructure and Systems as of September 30, 2023, and 2022.

The NRC IT infrastructure is a network of multiple equipment, software, and service components, taken as a whole, which provides the critical communication network that allows the NRC to accomplish its mission. The NRC IT infrastructure encompasses the following:

- End-user systems and support and end-user hardware includes desktop, laptop, and handheld devices; peripherals (local printers, shared printers); software (personal computer operating systems, office automation suites, messaging, and groupware), and hardware and software for help desks. Also included are network operations command centers, wire closets, and cable management. For regional offices, this includes regional end-user support similar to that provided by the Customer Support Center at the NRC Headquarters, which includes contract support and Federal full-time equivalent (FTE).
- Telecommunications services includes data networks and telecommunications (including wireless, multimedia, and local and long-distance telephone); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. For regional offices, this includes local telecommunications, which includes contract support and Federal FTE.
- Production operations include mainframes and servers (including Web hosting, but not Web content development and management); hardware and software operations; licenses; maintenance; and backup, continuity of operations, and disaster recovery. Also included resources related to carrying out Homeland Security Presidential Directive-12, which requires all Federal Executive departments and agencies to implement a Government-wide standard for secure and reliable forms of identification for access to Federal facilities and information systems.

The NRC relies on the asset project and program managers to execute the maintenance budget and to establish and modify the M&R schedule as needed. Ranking factors that may impact the M&R schedule include personnel safety, age of the asset, scheduled replacement date, budget constraints, and unforeseen or unexpected events.

Additionally, for IT systems, whether computer-off-the-shelf or internally developed software, the NRC relies on the project and program managers to establish a M&R budget and schedule. Minor repairs, enhancements, and upgrades are completed internally through the regular M&R operations process. For major upgrades and replacement systems, the project manager must submit a request to perform the work to the appropriate IT governance boards for their approval.



### Defining and Implementing Maintenance and Repair Policies in Practice

All of the NRC IT infrastructure M&R activities are performed under various contracts which includes leasing of servers, computers, printers, and software and provides provisions for periodic monitoring, maintenance, and repairs. Replacement of miscellaneous equipment components and software is scheduled as needed when the equipment reaches the end of its useful life and before the equipment and software become obsolete. Desktops and laptops are upgraded on a 3-year rolling schedule so that they do not become obsolete.

### Ranking and Prioritization of Maintenance and Repair Activities

The NRC program managers determine the requirements for ranking, scheduling, and performing IT infrastructure M&R activities and include them in the contractor statement of work. For the critical IT infrastructure and support services (ITISS) contract, the main ranking factor is the age of the asset (e.g., desktop, laptop, printer), followed by cost and budget constraints. However, when applicable, personnel safety is considered and is the highest priority.

### Factors Considered in Determining Acceptable Condition

In determining acceptable condition, the NRC mainly considers the asset's age, remaining useful life, and compatibility with current and required software.

**Combined Statement of Budgetary Resources** *(In Thousands)*

For the fiscal year ended September 30, 2023	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
<b>Budgetary Resources:</b>				
Unobligated balance from prior-year budget authority, net (Note 12)	\$ 128,715	\$ 5,209	\$ –	\$ 133,924
Appropriations	911,384	15,769	–	927,153
Spending authority from offsetting collections	7,224	–	–	7,224
<b>Total Budgetary Resources</b>	<b>\$ 1,047,323</b>	<b>\$ 20,978</b>	<b>\$ –</b>	<b>\$ 1,068,301</b>
<b>Memorandum Entries:</b>				
Net adjustments to unobligated balance brought forward, Oct 1	\$ 18,830	\$ 257	–	\$ 19,087
<b>Status of Budgetary Resources:</b>				
New obligations and upward adjustments (total)	\$ 933,494	\$ 13,281	\$ –	\$ 946,775
Unobligated balance, end of period:				
Apportioned, unexpired accounts	104,492	4,962	–	109,454
Exempt from apportionment, unexpired accounts	219	–	–	219
Unapportioned, unexpired accounts	9,000	922	–	9,922
Unexpired unobligated balance, end of year	113,711	5,884	–	119,595
Expired unobligated balance, end of year	118	1,813	–	1,931
Unobligated balance, end of year	113,829	7,697	–	121,526
<b>Total Status of Budgetary Resources</b>	<b>\$ 1,047,323</b>	<b>\$ 20,978</b>	<b>\$ –</b>	<b>\$ 1,068,301</b>
<b>Outlays Net and Disbursements Net:</b>				
Outlays Net and Disbursements Net	885,131	13,013	–	898,144
Distributed offsetting receipts	–	–	(773,781)	(773,781)
<b>Agency Outlays, Net</b>	<b>\$ 885,131</b>	<b>\$ 13,013</b>	<b>\$ (773,781)</b>	<b>\$ 124,363</b>
For the fiscal year ended September 30, 2022	Salaries and Expenses	Office of the Inspector General	Nuclear Facility Fees	Total
<b>Budgetary Resources:</b>				
Unobligated balance from prior-year budget authority, net	\$ 95,506	\$ 5,141	\$ –	\$ 100,646
Appropriations	875,901	13,799	–	889,700
Spending authority from offsetting collections	5,227	169	–	5,397
<b>Total Budgetary Resources</b>	<b>\$ 976,634</b>	<b>\$ 19,109</b>	<b>\$ –</b>	<b>\$ 995,743</b>
<b>Memorandum Entries:</b>				
Net adjustments to unobligated balance brought forward, Oct 1	\$ 24,055	\$ 414	–	\$ 24,469
<b>Status of Budgetary Resources:</b>				
New obligations and upward adjustments (total)	\$ 876,899	\$ 13,783	\$ –	\$ 890,682
Unobligated balance, end of period:				
Apportioned, unexpired accounts	99,363	3,228	–	102,591
Exempt from apportionment, unexpired accounts	281	–	–	281
Unapportioned, unexpired accounts	–	301	–	301
Unexpired unobligated balance, end of year	99,644	3,529	–	103,173
Expired unobligated balance, end of year	92	1,796	–	1,888
Unobligated balance, end of year (total)	99,736	5,325	–	105,061
<b>Total Status of Budgetary Resources</b>	<b>\$ 976,635</b>	<b>\$ 19,108</b>	<b>\$ –</b>	<b>\$ 995,743</b>
<b>Outlays Net and Disbursements Net:</b>				
Outlays Net and Disbursements Net	867,577	13,776	–	881,353
Distributed offsetting receipts	–	–	(739,081)	(739,081)
<b>Agency Outlays, Net</b>	<b>\$ 867,577</b>	<b>\$ 13,776</b>	<b>\$ (739,081)</b>	<b>\$ 142,272</b>

## Inspector General's Letter Transmitting Independent Auditors' Report



### MEMORANDUM

**DATE:** November 9, 2023

**TO:** Christopher T. Hanson  
Chair

**FROM:** Robert J. Feitel  
Inspector General

**SUBJECT:** RESULTS OF THE INDEPENDENT AUDITOR'S REPORT OF THE U.S. NUCLEAR REGULATORY COMMISSION'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2023 (OIG-24-A-02)

Robert J. Feitel Digitally signed by Robert J. Feitel  
Date: 2023.11.09 16:23:44 -0500

We contracted with the independent public accounting firm, CliftonLarsonAllen LLP (CLA), to audit the financial statements of the U.S. Nuclear Regulatory Commission (NRC) as of and for the fiscal years (FY) ended September 30, 2023 and 2022, to provide an opinion on internal control over financial reporting and to report on compliance with laws and other matters, including whether the NRC's financial management systems complied substantially with the requirements of federal law. The contract required that the audit be performed in accordance with the generally accepted government auditing standards, Office of Management and Budget audit guidance, and the Financial Audit Manual issued by the Government Accountability Office and the Council of Inspectors General on Integrity and Efficiency.

In our audits of the fiscal years (FYs) 2023 and 2022 financial statements of the NRC, we found:

- The NRC's financial statements as of and for the FY ended September 30, 2023 and 2022, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles (GAAP);
- The NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023; and,
- No reportable noncompliance for FY 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

---

NRC Headquarters | 11555 Rockville Pike | Rockville, Maryland 20852 | 301.415.5930  
nrc.oig.oversight.gov

In connection with the contract, we reviewed CLA's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the NRC's financial statements or internal control over financial reporting, or conclusions on compliance with applicable laws and other matters. CLA is responsible for the attached Independent Auditor's Report, dated November 9, 2023, and the conclusions expressed therein. However, our review disclosed no instances where CLA did not comply, in all material respects, in accordance with the generally accepted government auditing standards.

We held an exit conference on November 7, 2023, with representatives of the Office of the Chief Financial Officer, the OIG, and CLA to discuss the results of the audit. The Chief Financial Officer agreed with the report. The full text of his response follows this report.

If you have any questions, please contact Hruta Virkar, Assistant Inspector General for Audits, at 301.415.1982, or me at 301.415.5930.

Attachment:  
As stated

cc: Commissioner Wright  
Commissioner Caputo  
Commissioner Crowell

## Independent Auditors' Report



CliftonLarsonAllen LLP  
CLAcconnect.com

### Independent Auditors' Report

Inspector General  
United States Nuclear Regulatory Commission and  
Defense Nuclear Facilities Safety Board

Chair  
United States Nuclear Regulatory Commission

In our audits of the fiscal years (FYs) 2023 and 2022 financial statements of the United States Nuclear Regulatory Commission (NRC), we found:

- The NRC's financial statements as of and for the FY ended September 30, 2023 and 2022, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles (GAAP);
- The NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023; and
- No reportable noncompliance for FY 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

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

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

#### Opinions on the Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying financial statements of the NRC, which comprise the balance sheets as of September 30, 2023 and 2022; the related statements of net cost, changes in net position, and budgetary resources for the FYs then ended; and the related notes to the financial statements. In our opinion, the NRC's financial statements referred to above present fairly, in all material respects, the NRC's financial position as of September 30, 2023 and 2022, and its net cost of operations, changes in net position, and budgetary resources for the FYs then ended in accordance with U.S. GAAP.

We also have audited the NRC's internal control over financial reporting as of September 30, 2023, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA). In our opinion, the NRC maintained, in all material respects, effective internal control over financial reporting as of September 30, 2023, based on criteria established under FMFIA.

<sup>1</sup> The RSI consists of Management's Discussion and Analysis, the Combining Statement of Budgetary Resources, and Deferred Maintenance and Repairs, which are included with the financial statements.

<sup>2</sup> Other information consists of information included with the financial statements, other than the RSI and the auditors' report.

CLA (CliftonLarsonAllen LLP) is an independent network member of CLA Global, see [CLAGlobal.com/disclosure](http://CLAGlobal.com/disclosure)

### Independent Auditors' Report (Continued)

During our FY 2023 audit, we identified deficiencies in the NRC's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.<sup>3</sup> Nonetheless, these deficiencies warrant the NRC management's attention. We have communicated these matters to the NRC management, and where appropriate, will report on them separately.

#### Basis for Opinions

We conducted our audits in accordance with U.S. generally accepted government auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 24-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 24-01). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting section of our report. We are required to be independent of the NRC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

The NRC management is responsible for (1) preparing and fairly presenting the agency's financial statements in accordance with U.S. GAAP; (2) preparing, measuring, and presenting the RSI in accordance with U.S. GAAP; (3) preparing and presenting other information included in the AFR, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, (5) assessing the effectiveness of internal control over financial reporting based on the criteria established under the FMFIA; and (6) assessing the effectiveness of internal control over financial reporting as of September 30, 2023, included in the Federal Managers' Financial Integrity Act Statement in the Management's Discussion and Analysis (MD&A) section of the AFR.

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

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

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of financial statements or an audit of internal control over financial reporting conducted in accordance with *Government Auditing Standards* will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve

---

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

### Independent Auditors' Report (Continued)

collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that even if the control operates as designed the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

### Independent Auditors' Report (Continued)

#### Definition and Inherent Limitations of Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

#### Required Supplementary Information

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

#### Other Information

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

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

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

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



### Independent Auditors' Report (Continued)

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for FY 2023 that would be reportable under *Government Auditing Standards*. In addition, our tests of compliance with the FFMIA Section 803(a) requirements disclosed no instances in which the NRC's financial management systems did not comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, or (3) application of the U.S. Government Standard General Ledger (USSGL) at the transaction level. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the NRC. Accordingly, we do not express such an opinion.

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

We performed our tests of compliance in accordance with *Government Auditing Standards*.

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

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

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

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

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

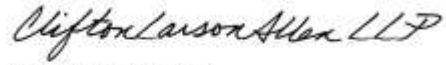
The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and other matters, and the results of that testing, and not to provide an opinion on compliance. This report is an integral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

#### **The NRC's Response to Audit Conclusions**

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

Independent Auditors' Report (Continued)

CliftonLarsonAllen LLP



Greenbelt, Maryland  
November 09, 2023

## Management's Response to the Independent Auditors' Report


### Exhibit A NRC's Response to Audit Conclusions



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

November 6, 2023

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

FROM: Howard K. Osborne  Signed by Osborne, Howard  
Chief Financial Officer on 11/06/23

SUBJECT: AUDIT OF THE FISCAL YEAR 2023 FINANCIAL STATEMENTS

We appreciate the collaborative relationship between the Office of the Inspector General, the auditors, and the Office of the Chief Financial Officer in supporting our continuing effort to improve financial reporting. We have reviewed the independent Auditor's Report of the Agency's fiscal year 2023 financial statements and are in agreement with it.

cc: D. Dorman, EDO  
M. Bailey, OEDO  
M. Meyer, OEDO  
J. Jolicœur, OEDO  
S. Miotla, OEDO

CONTACT: Jim Ekechuku, OCFO/DOC  
301-415-5045



## **Chapter 3: Other Information**

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

November 3, 2023

OIG-24-A-01



### The Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the U.S. Nuclear Regulatory Commission in Fiscal Year 2024



Diablo Canyon Nuclear Power Plant, Units 1 and 2,  
Avila Beach, California  
(Source: Photo courtesy of ©Pacific Gas and Electric)

All publicly available OIG Reports, including this report, are accessible through the OIG's website:  
[nrc.oig.oversight.gov](https://nrc.oig.oversight.gov)

### At a glance

#### **WHY WE DID THIS REPORT**

The Reports Consolidation Act of 2000 (Public Law 106-531) requires us to annually update our assessment of the U.S. Nuclear Regulatory Commission's (NRC) most serious management and performance challenges facing the agency and the agency's progress in addressing those challenges.

#### **WHAT WE FOUND**

The Office of the Inspector General (OIG) has assessed, developed, and described each of the NRC's most serious challenges for fiscal year (FY) 2024, noting the NRC's already-completed actions and continuing work on each challenge. By addressing these challenges, the NRC will strengthen the execution of its mission, achieve its strategic goals, and maintain the highest level of accountability over taxpayer dollars.

The OIG has independently identified the following nine clear, specific, and actionable challenges that require the NRC's continued attention:

1. Ensuring safety and security through risk-informed regulation of established and new nuclear technologies, as well as cyber and physical security activities impacting the NRC's mission;
2. Overseeing the decommissioning process and the management of decommissioning trust funds;
3. Implementing new legislative requirements related to NRC core mission areas and corporate support;
4. Ensuring the effective acquisition, management, and protection of information technology and data;
5. Hiring and retaining sufficient highly skilled employees to carry out the NRC mission;
6. Overseeing the safe and secure use of nuclear materials and storage and disposal of high- and low-level waste;
7. Managing financial and acquisitions operations to enhance fiscal prudence and transparency of resource management;
8. Maintaining public outreach related to the agency's regulatory process; and,
9. Planning for and assessing the impact of Artificial Intelligence and Machine Learning on nuclear safety and security.

**AGENCY RESPONSE TO MANAGEMENT CHALLENGES  
FOR FY 2023**

The NRC has constructively engaged with the OIG and sought to address OIG audit report recommendations throughout the year. The NRC faces extraordinary opportunities and challenges as it seeks to achieve its objective to become a more modern, risk-informed regulator.



Contents

Introduction..... 1

Ensuring Safety and Security Through Risk-Informed Regulation of Established and New Nuclear Technologies, as well as Cyber and Physical Security Activities Impacting the NRC’s Mission.....5

Overseeing the Decommissioning Process and the Management of Decommissioning Trust Funds..... 8

Implementing New Legislative Requirements Related to NRC Core Mission Areas and Corporate Support .....10

Ensuring the Effective Acquisition, Management, and Protection of Information Technology and Data..... 12

Hiring and Retaining Sufficient Highly Skilled Employees to Carry Out the NRC Mission.....14

Overseeing the Safe and Secure Use of Nuclear Materials and Storage and Disposal of High- and Low-Level Waste .....16

Managing Financial and Acquisitions Operations to Enhance Fiscal Prudence and Transparency of Resource Management .....18

Maintaining Public Outreach Related to the Agency’s Regulatory Process .... 20

Planning for and Assessing the Impact of Artificial Intelligence and Machine Learning on Nuclear Safety and Security .....22

To Report Fraud, Waste, or Abuse.....23

Comments and Suggestions .....23

Notice to Non-Governmental Organizations and Business Entities Specifically Mentioned in This Report.....23

### Introduction



Robert J. Feitel,  
NRC and DNFSB  
Inspector General

#### **FROM THE INSPECTOR GENERAL**

I am pleased to present our assessment of the most significant management and performance challenges facing the NRC in FY 2024.

The Reports Consolidation Act of 2000 requires us to annually update our assessment of the NRC's "most serious management and performance challenges facing the agency...and the agency's progress in addressing those challenges." This report provides the updated OIG assessment in these areas.

The NRC continues to accomplish its mission, demonstrating through its work that it is dedicated to ensuring public health and safety, promoting the common defense and security, and protecting the environment through the effective regulation of nuclear materials. Beyond its nuclear safety and security mission, as a federal agency, the NRC must be a responsible steward of taxpayer dollars and expend its budgeted funds properly.

#### **ABOUT THE INSPECTOR GENERAL**

In accordance with the 1988 amendments to the Inspector General Act of 1978, the NRC's OIG was established on April 15, 1989, as an independent and objective unit to conduct and supervise audits and conduct investigations relating to the NRC's programs and operations. The purpose of the OIG's audits and investigations is to prevent and detect fraud, waste, abuse, and mismanagement, and promote economy, efficiency, and effectiveness in NRC programs and operations. In addition, the OIG reviews existing and proposed regulations, legislation, and directives and comments on any significant concerns. The Inspector General serves under the general supervision of the NRC Chair but operates with personnel, contracting, and budget authority independent of the NRC. The Inspector General informs the Chair and Congress about problems, recommends corrective actions, and monitors the NRC's progress in implementing such actions.

#### **ABOUT THE NRC**

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

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

The NRC is led by a group of up to five Commissioners appointed by the President and confirmed by the Senate for 5-year terms. One of the Commissioners is designated by the President as Chair, who serves as the official spokesperson of the Commission. On January 20, 2021, President Biden designated Christopher T. Hanson as Chair of the Commission. Chair Hanson is joined by Commissioners David A. Wright, Annie Caputo, and Bradley R. Crowell. The Commission formulates policies and approves regulations governing nuclear reactor and materials safety, issues certain orders to NRC-regulated entities, and adjudicates legal matters brought before it.



NRC Headquarters  
(Source: NRC)

The Executive Director for Operations carries out the policies and decisions of the Commission and directs the activities of the program offices. The offices reporting to the Executive Director for Operations strive to ensure the safe use of nuclear materials for commercial, medical, industrial, and research applications in the United States. As part of the regulatory process, the NRC's four regional offices conduct inspection, enforcement, and emergency response programs for licensees within their regions or areas of responsibility.

The NRC's FY 2022–2026 Strategic Plan describes the agency's mission, vision, and principles of good regulation, along with strategic goals, objectives, and strategies. The strategic goals of continuing to foster a healthy organization and inspiring stakeholder confidence in the NRC complement



In-situ Uranium Recovery,  
Crow Butte, Nebraska  
(Source: Courtesy of  
Cameco Corp.)

the safety and security strategic goal. The safety and security strategic goal, objectives, and strategies ensure the safe and secure use of radioactive materials.

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, consisting of the Operating Reactors and New Reactors business lines, and Nuclear Materials and Waste Safety, consisting of the Fuel Facilities, Nuclear Materials Users, Decommissioning and Low-Level Waste, Spent Fuel Storage and Transportation, and High-Level Waste business lines. The agency

accomplishes its mission to provide reasonable assurance of adequate protection of public health and safety through regulatory activities such as licensing, oversight, and rulemaking. In addition, the NRC's incident response activities prepare for and respond to emergencies involving radioactive materials.

The NRC's FY 2024 budget request is \$1,006.4 million and includes 2,948.9 full-time equivalents (FTE).

The FY 2024 budget request increased by approximately 6.7 percent over the FY 2023 Enacted

Budget, primarily because of workload changes and adjustments to salaries and benefits.



Observing decommissioning activity at San Onofre Nuclear Generating Station, San Clemente, California (Source: nrc.gov)

### CLOSURE OF OIG AUDIT RECOMMENDATIONS

The NRC satisfactorily closed 27 OIG audit recommendations during FY 2023. Closing a recommendation means the NRC has identified an acceptable course of action to fulfill the intent of the recommendation and has documented its completion of the necessary work. Some of the corrective actions completed by the NRC during FY 2023 also resulted in the final closure of six associated audit reports, among which were:

- *Audit of the NRC's Material Control and Accounting Inspection Program for Special Nuclear Materials (OIG-21-A-04);*
- *Audit of the NRC's Nuclear Power Reactor Inspection Issue Screening (OIG-21-A-07);*
- *Audit of the NRC's Prohibited Security Ownership Process (OIG-21-A-17);* and,
- *Audit of the NRC's Process for Licensing Emerging Medical Technologies (OIG-22-A-07).*

During FY 2023 the NRC has made progress in achieving its safety and security goals through continued oversight of the operation of nuclear power plants and fuel cycle facilities, and of the possession and use of radioactive materials. NRC staff accomplishments continue to move the agency toward the objective of becoming a modern, risk-informed regulator. The management and performance challenges summarized in this report highlight critical areas that demand continued NRC management focus.

### **NRC FY 2024 MANAGEMENT AND PERFORMANCE CHALLENGES**

The OIG has assessed, developed, and described each of the NRC's most serious challenges for FY 2024, noting actions already completed by the agency, and the NRC's continuing work on each challenge. The challenges are not listed in any order of priority, nor do they necessarily equate to problems; rather, they should be considered areas of continuing focus for NRC management and staff.

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

1. Ensuring safety and security through risk-informed regulation of established and new nuclear technologies, as well as cyber and physical security activities impacting the NRC's mission;
2. Overseeing the decommissioning process and the management of decommissioning trust funds;
3. Implementing new legislative requirements related to NRC core mission areas and corporate support;
4. Ensuring the effective acquisition, management, and protection of information technology and data;
5. Hiring and retaining sufficient highly skilled employees to carry out the NRC mission;
6. Overseeing the safe and secure use of nuclear materials and storage and disposal of high- and low-level waste;
7. Managing financial and acquisitions operations to enhance fiscal prudence and transparency of resource management;
8. Maintaining public outreach related to the agency's regulatory process; and,
9. Planning for and assessing the impact of Artificial Intelligence and Machine Learning on nuclear safety and security.

By addressing these challenges, the NRC will strengthen the execution of its mission, achieve its strategic goals, and maintain the highest level of accountability over taxpayer dollars.

**Challenge 1: Ensuring Safety and Security Through Risk-Informed Regulation of Established and New Nuclear Technologies, as well as Cyber and Physical Security Activities Impacting the NRC's Mission**

**WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?**

As the NRC continues to transform into a modern risk-informed regulator, the agency must continue to ensure safety and security through risk-informed regulations for established and new nuclear technologies as well as cyber and physical security activities impacting the NRC's mission. Specifically, the agency must: (1) Ensure risk-informed regulation is consistently applied to its licensing and oversight processes; (2) Be ready to license and regulate established and new reactor technologies; and, (3) Maintain robust and adaptive oversight programs to ensure nuclear power licensees can protect their facilities effectively against evolving cyber and physical threats.

**CHALLENGE SYNOPSIS**

*Ensuring Risk-informed Regulation is Consistently Applied Through Regulatory Activities*

Since 1995, it has been the NRC policy to inform regulatory activities with risk insights. The agency has emphasized this policy in recent years through various risk-informed initiatives such as the BeRiskSMART model, a framework to support consistent guidance and practices to accept well-managed risks in NRC decision-making. Additionally, nuclear power licensees have increasingly used probabilistic risk assessment to support changes to their license requirements.

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

*Readiness to License and Regulate Established and New Reactor Technologies*

With advancements in new reactor technologies, especially small modular reactors, the NRC must be ready to license and regulate new reactor technologies while managing the workload related to the existing nuclear power reactor fleet. The existing workload includes initial and subsequent license

renewal and other licensing reviews (amendments and exemptions) and oversight activities (security, inspections, and operator licensing examinations).

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

### *Maintaining Robust and Adaptive Cyber and Physical Security Oversight Programs*

Federal government policy organizes critical infrastructure into 16 sectors, each with assets, systems, and networks considered vital to the security, economy, and public health and safety of the United States. The Department of Homeland Security's Cybersecurity and Infrastructure Security Agency serves as the Sector Risk Management Agency for the Nuclear Reactors, Materials, and Waste Sector. The NRC regulates these activities in accordance with its statutory mission to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

Cybersecurity presents unique challenges to critical infrastructure protection because information technology and industrial control systems are highly complex, dynamic, technologically diverse, and often geographically dispersed. This complexity increases the difficulty in identifying, managing, and protecting the numerous operating systems, applications, and devices involved.

Further, nuclear power plants must be able to successfully defend against a set of hypothetical threats that the agency refers to as the design-basis threat. These hypothetical threats challenge a plant's physical security, personnel security, and cybersecurity. Therefore, the NRC must ensure its cyber and security oversight programs are robust and adaptive to evolving threats.

### ONGOING ACTIONS

The NRC is updating probabilistic risk assessment models to improve the realism of the NRC's risk models.

The NRC is reviewing research and test reactor construction permits. One application is from Abilene Christian University, which requested permission to build its Molten Salt Research Reactor facility on the university's campus. The other is for the Kairos Hermes 2 non-power test reactor. The NRC is also conducting application reviews of several advanced reactor designs.

The Commission directed NRC staff to publish a proposed rule that includes the revision of the Generic Environmental Impact Statement (GEIS) for license renewal. The GEIS covers environmental topics relevant to all nuclear power plant licensees seeking renewed licenses. The staff updated the GEIS and developed the proposed rule to account for initial license renewal and one term of subsequent license renewal, including which issues must be considered on a site-specific basis.

The NRC continues to be involved in several interagency activities for cyber and physical security with multiple agencies and stakeholders.

The NRC continues to perform the new nuclear power cybersecurity inspection procedure biennially as part of the Reactor Oversight Process.

### COMPLETED ACTIONS

The NRC staff completed the Final Safety Evaluation Report for SHINE Medical Technology LLC's application for a license to operate a medical isotope production facility, concluding there are no safety aspects that would preclude issuing the license for operation of the facility.

To support modernization of its infrastructure for advanced reactor licensing, the NRC staff provided the draft proposed Part 53 rulemaking package and 10 supporting draft guidance documents to the Commission for consideration. The NRC has also issued for public comment draft guidance for risk-informing the content of advanced reactor applications.

In February 2023, the NRC issued Regulatory Guide 5.71, Revision 1, "Cybersecurity Programs for Nuclear Power Reactors."

The NRC authorized Southern Nuclear Operating Company to load fuel and begin operation of Vogtle Unit 4 in Georgia.

The NRC issued the final safety evaluation report and final environmental impact statement for the Kairos Hermes non-power test reactor construction permit application.



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

#### **WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?**

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

#### **CHALLENGE SYNOPSIS**

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

To oversee licensees' decommissioning funding, the NRC requires licensees to provide a decommissioning financial status report biennially, and annually for five years prior to permanent cessation of operations. Prior to or within 2 years after permanent cessation of operations, licensees are required to submit a Post Shut-Down Decommissioning Activities Report that includes a description and schedule for the planned decommissioning activities and a site-specific cost estimate. Licensees in decommissioning must then annually submit decommissioning funding status reports.

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

Key decommissioning challenges include:

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

### ONGOING ACTIONS

The NRC is performing licensing reviews and oversight for 25 power reactors currently in various stages of decommissioning. This includes the review of two license termination plans. The agency anticipates submission of four additional license termination plans in the next year.

As of July 2023, the NRC is reviewing the Decommissioning Funding Status (DFS) reports that were due from decommissioning licensees on March 31, 2023. Following the previous biennial review, NRC staff reported to the Commission in December 2021, that all licensees were in compliance with funding requirements.

The NRC is going through rulemaking to clarify when an exemption is necessary for using the decommissioning trust funds. The rulemaking's estimated completion date is in the first quarter of FY 2025. A Regulatory Guide, RG 1.184, is planned to follow the rulemaking to provide further guidance for NRC staff and licensees.

### COMPLETED ACTIONS

The NRC supported licensing and oversight for decommissioning programs with guidance updates and public outreach activities, including the issuance of NUREG-1757, "Consolidated Decommissioning Guidance," Vol. 2.

The NRC participated in a Congressional field hearing near the Pilgrim Nuclear Power Station site, and conducted two Post-Shutdown Decommissioning Activities Report public meetings.

The NRC improved its tracking of Decommissioning Funding Status reports and updated LIC-205, "Procedures for NRC's Independent Analysis of Decommissioning Funding Assurance for Operating Nuclear Power Reactors and Power Reactors in Decommissioning," to clarify the roles and responsibilities and procedures related to DFS report review.

### Challenge 3: Implementing New Legislative Requirements Related to NRC Core Mission Areas and Corporate Support

#### **WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?**

Recent legislation promotes NRC review and licensing of new nuclear technologies but imposes strict corporate support budget limits.

#### **CHALLENGE SYNOPSIS**

The Nuclear Energy Innovation and Modernization Act of 2019 (Public Law 115-439) (NEIMA) imposed caps on NRC corporate support costs, which include expenditures for acquisitions, administrative services, human resources, financial management, information technology (IT), and training. The NRC has experienced difficulties achieving the corporate support cap and anticipates significant challenges in future years. Notably, the corporate support cap decreases over time, ending at 28% for FY 2025 and beyond. Yet the NRC must still fund fixed costs, meet inflationary cost increases, and comply with other federal mandates, while working to meet the corporate cap requirement percentage to the maximum extent practicable. Additionally, the NRC's FY 2018 Congressional Budget Justification serves as the baseline for corporate support cost reductions, so the NRC is unable to make any adjustments based on benchmarking or operational experience. As a result, the NRC has reduced or postponed critical investments or services solely to meet the corporate support cap and anticipates substantial difficulties in future years with the declining percentage. The NRC also anticipates challenges associated with the cap on operating reactors annual fees and advanced reactors application fees.

Resources requested in the FY 2024 budget for Corporate Support are \$304.0 million and 588.0 FTEs, an increase of \$18.7 million when compared to the FY 2023 Enacted Budget. The FY 2024 budget request supports modernization of the agency's information technology to increase productivity and security, leverage data as a strategic asset, and increase the efficiency and effectiveness of administrative services.

The proposed Accelerating Deployment of Versatile, Advanced Nuclear for Clean Energy (ADVANCE) Act of 2023 could help the NRC mitigate some challenges associated with the NEIMA by fixing the corporate support cost cap at 30 percent of the agency's budget, and by providing funding and other tools to help the NRC hire staff with specific technical skills needed for anticipated advanced reactor licensing activities.

### ONGOING ACTIONS

Ongoing NRC IT modernization efforts are intended to facilitate reductions in costs over time, increase efficiency, allow for better management of major acquisitions, and support effectiveness of administrative services.

The NRC continues to develop the infrastructure for advanced reactors in accordance with the NEIMA and at a rate consistent with the NRC's projections for interest in new technologies and cognizance of prospective applicants' plans.

### COMPLETED ACTIONS

The FY 2024 budget request of \$304 million for corporate support would comprise 30.2 percent of the NRC's total requested budget, which reflects the agency's efforts to comply with the corporate support cap mandated by the NEIMA to the maximum extent practicable.

In January 2023, the NRC staff submitted a paper to the Commission that provided options for licensing and regulating fusion energy systems. Consistent with the NEIMA, the NRC staff presented these options to support the development of a regulatory framework for fusion energy systems by 2027.

### Challenge 4: Ensuring the Effective Acquisition, Management, and Protection of Information Technology and Data

#### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Information technology continues to advance rapidly. The challenge is supporting a future-ready workforce equipped with the modern tools, technologies, skills, and knowledge necessary to meet current and future mission needs.

#### CHALLENGE SYNOPSIS

The NRC must continue to meet the regulatory and statutory federal mandates for Information Technology and Information Management (IT/IM) while remaining within statutory budget limitations for corporate support. The responsibility of the NRC's IT/IM program is to maintain and enhance services and infrastructure to enable accomplishment of the agency's mission. The NRC also faces evolving cyber threats and challenges to the security of data related to its oversight of operating and decommissioning facilities, use of nuclear materials, emergency preparedness, and incident response.

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

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

- Managing ongoing supply chain risks posed to IT and operational infrastructure;
- Managing risk-based security strategies to protect against increasing numbers, types, and sophistication of cyber threats;
- Managing rigorous patching to meet compliance targets in the face of evolving threats and vulnerabilities;
- Aligning agencywide information resource planning to achieve benefits and flexibilities in support of workforce development, recruitment, and retention of critical cyber and IT staff;
- Protecting intellectual property associated with new technologies under development and licensing review;

- Executing the insider threat prevention and detection program to protect classified and safeguards information; and,
- Executing actions required by the FISMA, to strengthen information technology security.

### **ONGOING ACTIONS**

The NRC continues to address FISMA compliance recommendations resulting from the OIG's annual audits.

NRC IT investments include those related to Executive Order 14028, "Improving the Nation's Cybersecurity," and related Cybersecurity and Infrastructure Security Agency and Office of Management and Budget (OMB) mandates, such as OMB M-22-09, "Federal Zero Trust Strategy."

### **COMPLETED ACTIONS**

The NRC has integrated the privacy program with other security areas and business processes as well as embedded the privacy program into daily decision-making to help identify and manage privacy risks.

The NRC has developed a supplemental supply chain risk assessment (SCRA) process that provides a basis for measuring and monitoring metrics to assess risks associated with contractor systems and services.

### Challenge 5: Hiring and Retaining Sufficient Highly Skilled Employees to Carry Out the NRC Mission

#### **WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?**

Increased interest in nuclear power places higher demands on NRC staff to support pre-licensing, licensing, and inspection of new and existing technologies, following a period in which hiring has not kept pace with attrition.

#### **CHALLENGE SYNOPSIS**

Renewed commercial interest in nuclear power—particularly regarding advanced and small modular reactor designs—has increased NRC pre-licensing work involving prospective reactor licensees, as well as a rulemaking to develop regulations for advanced reactor technologies. At the same time, agency personnel continue to perform licensing and inspection work for operating reactors and nuclear materials, while overseeing decommissioning activities for a growing number of reactors that have ceased operations.

External and internal stakeholders have raised questions about the NRC's ability to carry out its mission as the agency's full-time staff declined from approximately 3,780 in FY 2015 to approximately 2,860 in FY 2023. Current agency annual attrition rates under 10 percent are considered manageable; however, NRC officials acknowledge that hiring in recent years has not kept pace with attrition. Accordingly, the agency enhanced its strategic workforce planning process in FY 2022 to forecast future work requirements and hire personnel to meet those demands.

Even as new staff members are recruited, the challenge remains to strengthen organizational culture and maintain a collaborative work environment to retain and develop staff and effectively meet the NRC mission. Knowledge management efforts also support culture, staff development, and mission goals.

### ONGOING ACTIONS

NRC management continues efforts to understand and strengthen organizational culture, while recruiting new staff and operating in a hybrid work environment.

NRC management is working to balance workloads across pre-licensing and licensing of new facilities and technologies, while maintaining licensing and oversight of the existing reactor fleet and licensed users of radioactive materials. Training new employees and developing current ones is necessary to support efficient workload management.

The NRC is evaluating its Strategic Workforce Planning Process and will update associated guidance to provide specific methodologies, detailed instructions, measurement criteria, and scales that can be used to estimate the anticipated level of workload change, rank position risk factors, and prioritize workforce gaps or surpluses.

The NRC is working to address recommendations by the OIG to strengthen the NRC's vacancy announcement process.

### COMPLETED ACTIONS

In FY 2023, NRC staff participated in recruitment events at college campuses and professional conferences, and organized a career exposition where NRC managers held on-the-spot interviews with job applicants.

The NRC staff posted two resume repository announcements for entry level engineers and scientists and advertised NRC employment opportunities on various internet-based job search platforms.

Through expansion of recruitment and targeted outreach efforts to fill current and anticipated vacancies, 197 new external hires have been onboarded as of July 29, 2023.



### Challenge 6: Overseeing the Safe and Secure Use of Nuclear Materials and the Storage and Disposal of High- and Low-Level Waste

#### **WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?**

This challenge involves the NRC's ability to continue its effective oversight of the use of nuclear materials and the storage and disposal of nuclear waste. The NRC must also coordinate with the 39 Agreement States to ensure a consistent understanding and implementation of regulations associated with the oversight of radioactive materials.

#### **CHALLENGE SYNOPSIS**

The Nuclear Materials and Waste Safety Program encompasses the NRC's licensing and oversight of nuclear materials in a manner that adequately protects public health and safety. This program provides assurance of the physical security of materials and waste and protection against radiological sabotage, theft, or diversion of nuclear materials.

Through this program, the NRC regulates uranium processing and fuel facilities; research and pilot facilities; nuclear materials users (medical, industrial, research, and academic); spent fuel storage; decontamination and decommissioning of facilities; and, low-level and high-level radioactive waste. The NRC has sole responsibility for overseeing high-level radioactive waste, the highly radioactive byproduct of the reactions that occur inside nuclear reactors. Spent (used) reactor fuel is one form of high-level waste.

Nuclear materials and waste safety and security oversight also entails coordination and consultation with other governmental entities, including federal agencies, tribal governments, and state governments. In particular, the NRC's regulatory framework includes Agreement States, which are U.S. states that have entered into an agreement with the NRC to regulate certain radioactive materials and limited quantities of special nuclear material.

Combined, the NRC and the Agreement States constitute the National Materials Program. Agreement States must demonstrate that their regulatory programs are adequate to protect public health, safety, and the environment, and are compatible with the NRC's program. There are currently 39 Agreement States; however, Connecticut, Indiana, and West Virginia have submitted letters of intent to also become Agreement States.

### ONGOING ACTIONS

The NRC is completing reviews of approximately 1,480 materials licensing actions (new applications, amendments, renewals, and terminations) and approximately 600 routine health, safety, and security inspections, as well as reciprocity and reactive inspections.

The Office of Nuclear Material Safety and Safeguards will review the existing processes, guidance, and applicable regulations to develop a standardized process related to the handling and processing of irretrievable well logging source abandonments.

### COMPLETED ACTIONS

The NRC issued 10 new inspection procedures under the Materials Inspection Program for the inspection process for approximately 70 percent of the more than 18,000 materials licensees across the National Materials Program.

The NRC issued the 2022 Radiation Source Protection and Security Task Force Report, which is prepared every 4 years and reflects the input of 14 federal agencies and the Organization of Agreement States.

The NRC issued the Final Environmental Impact Statement, and Supplement, related to the Holtec Consolidated Interim Storage Facility in New Mexico.

The NRC licensed a Rare Element Resources Inc. pilot project for the extraction of rare earth elements important to clean energy industries and other advanced technologies. The process will produce waste streams including some radioactive elements, requiring the NRC license.

### Challenge 7: Managing Financial and Acquisitions Operations to Enhance Fiscal Prudence and Transparency of Resource Management

#### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Sound financial management is vital for federal agencies to accomplish their missions effectively and efficiently. A strong acquisitions management process increases the likelihood that the agency awards contracts to the right contractors and monitors contracting actions in accordance with regulations.

#### CHALLENGE SYNOPSIS

To maintain transparency, the NRC must continue to implement robust internal controls over financial management and reporting. A rigorous acquisition process is also an important aspect of NRC operations. The agency has continued to promote sound acquisition practices, improvements in contract management, and timely closeout of contracting actions. In addition, the agency must continue to administer its grants program in accordance with the prescribed federal regulations.

The NEIMA requires the NRC to recover, to the maximum extent practicable, approximately 100 percent of its annual budget, less certain amounts excluded from this fee-recovery requirement. It also requires the NRC to establish a schedule of charges that fairly and equitably assesses the fees to licensees and permit holders. To improve efficiency and accuracy, the NRC is piloting new IT applications to improve its fee billing process.

Key financial and acquisition concerns include the following:

- Developing and implementing the agency's budget in accordance with federal laws, regulations, and guidance;
- Maintaining a fee structure in accordance with laws and regulations that is fair to all types of entities regulated by the agency;
- Managing space planning, maintenance, remodeling, and restacking of the NRC headquarters and regional facilities;
- Continuing the effective management of appropriations; and,
- Exploring ways to improve the award, management, and timely closeout of acquisition actions.

### **ONGOING ACTIONS**

The NRC has implemented the G-Invoicing system which is required for new orders for federal program agencies.

The NRC continues to address recommendations made by the OIG in separate audits of the NRC's property management program and its enterprise risk management program.

### **COMPLETED ACTIONS**

In November 2022 the NRC achieved an unmodified opinion on its FY 2022 financial statements and internal controls over financial reporting and complied with laws and regulations.

An independent audit organization concluded in May 2023 that the NRC complied with the requirements of the Payment Integrity Information Act of 2019 for FY 2022.

Fee billing improvements resulted in 100 percent invoice timeliness for FY 2023.

### Challenge 8: Maintaining Public Outreach Related to the Agency's Regulatory Process

#### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

It is the NRC's policy to provide the public with opportunities for meaningful participation in NRC processes. The pace of regulatory work increases the need for outreach activities, and new technologies open possibilities to enhance outreach efforts.

#### CHALLENGE SYNOPSIS

The NRC has a long history of, and commitment to, public participation and collaboration in agency regulatory activities. The NRC has had a formal policy regarding open meetings since 1978. In March 2021, the Commission published its most recent update to the policy statement, *Enhancing Public Participation in NRC Meetings*. It reiterated the NRC policy "to open meetings between the agency staff and one or more outside persons to observation and participation to the extent possible," and "to balance openness and transparency with the need to exercise regulatory and safety responsibilities without undue administrative burden." In addition, the NRC Strategic Plan for Fiscal Years 2022–2026 emphasizes the public participation policy through the goal of inspiring stakeholder confidence in the NRC. One objective in this goal is to communicate in clear and accessible ways with diverse stakeholders.

Between October 1, 2022, and July 31, 2023, the NRC held more than 575 public meetings. Public meetings and opportunities for comment may occur as part of numerous NRC activities, ranging from rulemaking and guidance development to some licensing processes, certain oversight activities and performance assessments, and symposia regarding regulatory research.

In the recent policy statement update, the Commission committed the NRC to making efforts to find new and innovative ways to interact with individuals, including exploring varied meeting formats and other ways to incorporate technologies that allow participation from locations other than a meeting room.

Key public outreach challenges include the following:

- Communicating risk and the NRC's regulatory processes;
- Considering environmental justice in decision-making;
- Sharing information transparently; and,
- Enhancing stakeholder confidence in the NRC's technical decision-making.

### ONGOING ACTIONS

The NRC continues to implement strategic multilateral and bilateral cooperation on new reactor design and commissioning, as well as supporting International Atomic Energy Agency and Nuclear Energy Agency activities, such as those related to generic small modular development, standards development, and new reactor design. These interactions allow the NRC to communicate its regulatory positions, receive feedback from international regulators, and share operating experience for operating reactors.

The NRC implements its Tribal Policy Statement through outreach, guidance development, and staff training; coordination with other federal agencies on Tribal matters and NRC projects involving Tribal consideration; and, updating Tribal contact databases and mapping tools.

From October 2022 through March 2023, the NRC processed 89 Freedom of Information Act requests and received an additional 89 requests during the reporting period.

### COMPLETED ACTIONS

The NRC developed and shared preliminary proposed rule language and guidance and held multiple public meetings regarding the draft safety and security requirements for the 10 C.F.R. Part 53, "Licensing and regulation of advanced nuclear reactors," rulemaking on a risk-informed, performance-based, and technology-inclusive regulatory framework for advanced reactors.

The NRC held its first offsite Commission meetings in over 40 years in New Mexico. The meetings provided the Commission with an overview of the interagency actions to address the impacts of uranium contamination on the Navajo Nation, and updates on, and lessons learned from, remediation activities at former uranium mill sites throughout the West. The Commission also received a first-hand account from the members of the Red Water Pond Road community on the impacts of uranium contamination on the Navajo Nation.

The NRC supported licensing and oversight for decommissioning programs with guidance updates and public outreach activities, including the issuance of NUREG-1757 "Consolidated Decommissioning Guidance," Vol. 2; NRC participation in a Congressional field hearing near the Pilgrim Nuclear Power Station site; and, conducting two Post-Shutdown Decommissioning Activities Report public meetings.

## Challenge 9: Planning for and Assessing the Impact of Artificial Intelligence and Machine Learning on Nuclear Safety and Security

### WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

As a modern, risk-informed regulator, the NRC must be prepared to review and evaluate the use of Artificial Intelligence (AI) and Machine Learning in NRC-regulated activities.

### CHALLENGE SYNOPSIS

The NRC held three public workshops in 2021, and another in September 2023, to provide a forum for the NRC, the nuclear industry, and stakeholders to discuss the state of knowledge and research activities related to data science and AI and their application in the nuclear industry. The NRC must be prepared to review and evaluate the use of AI and Machine Learning in NRC-regulated activities, particularly since the nuclear industry is determining how best to deploy AI applications in its operations.

The NRC also needs to identify how AI can support decision-making across the agency, considering the intentions of Executive Orders 13859, “Maintaining American Leadership in Artificial Intelligence,” and 13960, “Promoting the Use of Trustworthy Artificial Intelligence in the Federal Government.” Moreover, the NRC must cultivate an AI-proficient workforce, keep pace with AI technological innovations, and ensure the safe and secure use of AI in NRC-regulated activities.

### ONGOING ACTIONS

To build an AI-skilled workforce, the NRC is developing qualifications and specific training in areas such as data analysis and visualization, and machine learning and natural language processing.

The NRC is developing evaluation methodologies to review licensee applications of AI and related new technologies.

The NRC continues to collaborate with other federal partners on AI applications in nuclear fields.

### COMPLETED ACTIONS

The NRC issued NUREG/CR-7294, “Exploring Advanced Computational Tools and Techniques with Artificial Intelligence and Machine Learning in Operating Nuclear Plants.”

In May 2023, the NRC published NUREG-2261, “Artificial Intelligence Strategic Plan: Fiscal Years 2023-2027.” The plan’s purpose is to ensure the staff’s readiness to review the use of AI in NRC-regulated activities.

---

### TO REPORT FRAUD, WASTE, OR ABUSE

---

#### Please Contact:

Online: [Online Form](#)  
Telephone: 1.800.233.3497  
TTY/TDD: 7-1-1, or 1.800.201.7165  
Address: U.S. Nuclear Regulatory Commission  
Office of the Inspector General  
Hotline Program  
Mail Stop O12-A12  
11555 Rockville Pike  
Rockville, Maryland 20852

---

### COMMENTS AND SUGGESTIONS

---

If you wish to provide comments on this report, please email the OIG using this [link](#).

In addition, if you have suggestions for future OIG audits, please provide them using this [link](#).

---

### NOTICE TO NON-GOVERNMENTAL ORGANIZATIONS AND BUSINESS ENTITIES SPECIFICALLY MENTIONED IN THIS REPORT

---

Section 5274 of the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023, Pub. L. No. 117-263, amended the Inspector General Act of 1978 to require OIGs to notify certain entities of OIG reports. In particular, section 5274 requires that, if an OIG specifically identifies any non-governmental organization (NGO) or business entity (BE) in an audit or other non-investigative report, the OIG must notify the NGO or BE that it has 30 days from the date of the report's publication to review the report and, if it chooses, submit a written response that clarifies or provides additional context for each instance within the report in which the NGO or BE is specifically identified.

If you are an NGO or BE that has been specifically identified in this report and you believe you have not been otherwise notified of the report's availability, please be aware that under section 5274 such an NGO or BE may provide a written response to this report no later than 30 days from the report's publication date. Any response you provide will be appended to the published report as it appears on our public website, assuming your response is within the scope of section 5274. Please note, however, that the OIG may decline to append to the report any response, or portion of a response, that goes beyond the scope of the response provided for by section 5274. Additionally, the OIG will review each response to determine whether it should be redacted in accordance with applicable laws, rules, and policies before we post the response to our public website. Please send any response via email using this [link](#). Questions regarding the opportunity to respond should also be directed to this same address.



## Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit for FY 2023						
Audit Opinion	Unmodified					
Restatement	No					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance	
Management Controls over Financial Reporting	0	0	0	0	0	
Total Material Weaknesses	0	0	0	0	0	
Summary of Management Assurances for FY 2023						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal systems conform to financial management system requirements					
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None	0	0	0	0	0	0
Total Non-conformances	0	0	0	0	0	0
Compliance with Section 803 (a) of the <i>Federal Financial Management Improvement Act</i> (FFMIA)						
	Agency			Auditor		
1. Federal Financial Management Systems Requirements	No Lack of Compliance Noted			No Lack of Compliance Noted		
2. Applicable Federal Accounting Standards	No Lack of Compliance Noted			No Lack of Compliance Noted		
3. United States Standard General Ledger at the Transaction Level	No Lack of Compliance Noted			No Lack of Compliance Noted		



### Payment Integrity

#### Risk Assessment

The NRC is required to complete risk assessments to determine whether any programs were susceptible to making significant improper payments in accordance with the Payment Information Integrity Act of 2019 (PIIA). At this time, only intragovernmental transactions are exempt from PIIA requirements.

The NRC performed a risk assessment as of September 30, 2023. Management identified commercial payments, grant payments, employee reimbursements, payroll, and Government charge cards as potential areas to include in the PIIA risk assessment. In FY 2023, the NRC reviewed FY 2022 disbursements of selected programs to determine the appropriate threshold to conduct a risk assessment and possible testing. For FY 2022, total commercial payments were \$181.4 million; total grants payments were \$12.3 million; total employee reimbursements were \$10.5 million; total payroll payments were \$442.7 million; total Government charge cards were \$1.6 million.

For the programs selected for testing, as part of the qualitative and quantitative risk assessment, the NRC used its best judgment to select samples from each program under review, based on the universe of payments, which were reconciled to the general ledger. This sample was not meant to be statistically valid, as testing was performed to support the risk assessment process versus conducting full improper payment testing for high-risk programs. The testing was further refined through the identification of select attributes for each program to determine whether the right recipient received the right payment amount for the right goods or services at the right time.

The results of the FY 2023 risk assessment did not identify any programs that were susceptible to making significant improper payments. Although the results of the FY 2023 risk assessment identified programs as low risk, the NRC continues to monitor its payment processes, in addition to conducting periodic reviews of key controls for PIIA programs identified by management. The NRC will continue to conduct risk assessments on a triennial basis, in accordance with the PIIA, as well as OMB guidance. The next PIIA risk assessment will take place in FY 2026. In addition, the NRC will conduct risk assessments, as needed, if there are material changes in the way programs operate or if the agency establishes new programs. More detailed information on improper payments can be found at <https://paymentaccuracy.gov>.

#### Recapture of Improper Payments Reporting

As noted above, the NRC conducted a risk assessment in FY 2023 and discovered no significant improper payments. Based on no significant improper payments at the NRC, and the substantial cost of conducting recapture audits, the agency determined that recovery or recapture audits are not cost effective. The NRC conducts risk assessments every 3 years as required by PIIA.

### Agency Improvement of Payment Accuracy with the Do Not Pay Initiative

The NRC uses the Treasury's Do Not Pay automated tools to monitor and reduce improper payments. This process has not resulted in the capture of any improper payments. Instead, the NRC captures improper payments through the agency's internal controls. The NRC uses the Federal Awardees Performance and Integrity Information System and other data systems such as the System for Award Management and financial reports to establish whether a contractor has the integrity and business ethics to receive a Federal contract and is otherwise responsible, which is consistent with applicable statutes and regulations.

To date, the NRC awards grants only to educational institutions and other entities, not individuals. The NRC uses the System for Award Management and other data systems to ensure that only responsible and otherwise eligible applicants receive the NRC grants. The agency uses the same monitoring practices for both grantees and commercial vendors. The NRC reviews for debarments and suspensions as part of the pre-award risk review for eligibility and takes appropriate action internally to debar and suspend grant recipients, as appropriate. The NRC continues to follow the lead of the Office of Federal Procurement Policy on award recipients and continues to implement any changes directed by the policy. The NRC will also continue to use Do Not Pay to review and monitor improper payments.

### Real Property

The NRC does not own or lease real property. Each of the agency's occupancies are through agreements with the General Services Administration (GSA). At the end of fiscal year (FY) 2023, NRC's real property portfolio totaled approximately 837,730 usable square feet (USF), which represents a reduction of approximately 59,060 USF (by releasing two floors in Two White Flint North back to GSA) from the portfolio compared to the end of FY 2022. The agency planned to release another 29,083 USF square in June 2023 under a new lease for our Region 3 (Lisle, IL) location, however; the project was delayed due to a protest of GSA's lease award. NRC and GSA now anticipate the new space and associated reduction to be complete in late FY 2024. In FY 2025, the agency plans to release 78,000 USF by releasing an additional floor in TWFN, and reducing Region 2's (Atlanta, GA) space by half as a result of a new lease.

NRC's strategy is well underway to release a total of approximately 260,000 USF of office space between FY 2021 through FY 2025. The strategy is updated at least annually and reflects a total portfolio reduction from 0.991M USF at the beginning of FY 2021 to approximately 0.731M USF through FY 2025. This represents a reduction of 26% of the agency's real property portfolio over the five-year period of FY 2021 through FY 2025, and a 32% reduction of NRC's space as compared to FY 2020. Once complete, the reductions are projected to save the agency over \$12M million in annual rent and related costs.

Reference: Federal Real Property Public Data Set at <https://www.gsa.gov/policy-regulations/policy/real-property-policy/asset-management/federal-real-property-profile-frpp/federal-real-property-public-data-set>

## Civil Monetary Penalty Adjustment for Inflation

On November 2, 2015, the *Federal Civil Penalties Inflation Adjustment Act of 1990* was amended by the *Federal Civil Penalties Inflation Adjustment and Improvements Act of 2015* (Sec.701, Pub.L.114-74, 129 Stat.599). This act requires that the head of each agency annually adjust for inflation the amounts of any civil monetary penalties assessed under statutes enforced by that agency.

As displayed below, the NRC annually adjusts two civil penalty amounts for inflation, most recently on January 13, 2023. With respect to civil penalties for violations of the *Atomic Energy Act of 1954*, as amended, the NRC codifies the maximum civil penalty amount at 10 CFR 2.205, “Civil Penalties,” although individual penalties are assessed based on the class of licensee and severity of violation in accordance with the NRC Enforcement Policy (available at <https://www.nrc.gov/docs/ML2233/ML22336A179.pdf>). With respect to monetary penalties under the *Program Fraud Civil Remedies Act*, the NRC codifies the maximum penalty amount at 10 CFR 13.3, “Basis for Civil Penalties and Assessments.”

Penalty (Name of Penalty)	Statutory Authority	Year Enacted	Date of Current Adjustment	Current Penalty Level	Location for Penalty Update Details
Maximum civil penalty for violations of the <i>Atomic Energy Act</i>	<i>Atomic Energy Act of 1954</i> , as amended (42 U.S.C. 2282)	1980	January 2023	\$351,424	<i>Federal Register</i> ; 88 FR 2188 (January 13, 2023)
Fraudulent false claims and statements	<i>Program Fraud Civil Remedies Act</i> (31 U.S.C. 3802)	1986	January 2023	\$13,508	<i>Federal Register</i> ; 88 FR 2188 (January 13, 2023)

## Grants Oversight and New Efficiency Act Requirements

Category	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with <b>Zero Dollar Balances</b>	24	8	13
Number of Grants/Cooperative Agreements with Undisbursed Dollar Balances	33	23	13
Total Amount of Undisbursed Balances	\$473,784.41	\$781,283.32	\$75,974.72

While the number of open grants has increased slightly from FY22, the value of the unliquidated obligations has decreased by approximately \$785,000. NRC will continue to prioritize the closeout of grants to reduce the number of prior year open grants.

## Climate-Related Financial Risk

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

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

The latest NRC Sustainability Report and Implementation Plan can be found at:  
<https://adamsxt.nrc.gov/navigator/AdamsXT/content/downloadContent.faces?objectStoreName=MainLibrary&ForceBrowserDownloadMgrPrompt=false&vsld=%7b2CF91716-6991-CD14-86E0-894574A00000%7d>



## Acronyms and Abbreviations

Acronym	Full Title
<b>3WFN</b>	Three White Flint North
<b>10 CFR</b>	Title 10 of <i>the Code of Federal Regulations</i>
<b>AFR</b>	Agency Financial Report
<b>AO</b>	abnormal occurrence
<b>BCC</b>	Broker Commission Credits
<b>CARS</b>	Central Accounting Reporting System
<b>CFO</b>	Chief Financial Officer
<b>Charge Card Act</b>	Government Charge Card Abuse Prevention Act of 2012
<b>CSRS</b>	Civil Service Retirement System
<b>Data Act</b>	Digital Accountability and Transparency Act of 2014
<b>DM&amp;R</b>	Deferred maintenance and repairs
<b>DNFSB</b>	Defense Nuclear Facilities Safety Board
<b>DOL</b>	U.S. Department of Labor
<b>ECERM</b>	Executive Committee on Enterprise Risk Management
<b>ERM</b>	Enterprise Risk Management
<b>FAIMIS</b>	Financial Accounting and Integrated Management Information System
<b>FASAB</b>	Federal Accounting Standards Advisory Board
<b>FDA</b>	U.S. Food and Drug Administration
<b>FECA</b>	Federal Employees Compensation Act of 1993
<b>FERS</b>	Federal Employees Retirement System
<b>FERS-FRAE</b>	Federal Employees Retirement System-Further Revised Annuity Employees
<b>FERS-RAE</b>	Federal Employees Retirement System-Revised Annuity Employees
<b>FFMIA</b>	Federal Financial Management Improvement Act of 1996
<b>FMFIA</b>	Federal Managers' Financial Integrity Act of 1982
<b>FR</b>	<i>Federal Register</i>
<b>FTE</b>	full-time equivalent
<b>FY</b>	fiscal year
<b>GAAP</b>	generally accepted accounting principles
<b>GAO</b>	U.S. Government Accountability Office
<b>GSA</b>	U.S. General Services Administration
<b>GTAS</b>	Governmentwide Treasury Account Symbol Adjusted Trial Balance System
<b>IT</b>	information technology



## Chapter 3 • Other Information

Acronym	Full Title
<b>M&amp;R</b>	maintenance and repairs
<b>NEIMA</b>	Nuclear Energy Innovation and Modernization Act
<b>NIH</b>	National Institutes of Health
<b>NRC</b>	U.S. Nuclear Regulatory Commission
<b>NUREG</b>	Nuclear Regulatory Commission document identifier
<b>NWF</b>	Nuclear Waste Fund
<b>OCFO</b>	Office of the Chief Financial Officer
<b>OIG</b>	Office of the Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OPM</b>	Office of Personnel Management
<b>PIIA</b>	Payment Integrity Information Act of 2020
<b>PP&amp;E</b>	property, plant, and equipment
<b>SAT</b>	Senior Assessment Team
<b>SBR</b>	Statement of Budgetary Resources
<b>SFFAS</b>	Statement of Federal Financial Accounting Standards
<b>Treasury</b>	U.S. Department of the Treasury
<b>TTC</b>	Technical Training Center
<b>UF<sub>6</sub></b>	uranium hexafluoride
<b>UO<sub>2</sub></b>	uranium oxide
<b>U.S.C.</b>	United States Code
<b>USF</b>	usable square feet



<p><b>NRC FORM 335</b> (12-2010) NRCMD 3. 7</p> <p style="text-align: center;">U.S. NUCLEAR REGULATORY COMMISSION</p> <p style="text-align: center;"><b>BIBLIOGRAPHIC DATA SHEET</b> <i>(See instructions on the reverse)</i></p>	<p>1. REPORT NUMBER (Assigned by NRC, Add Vol., Supp., Rev., and Addendum Numbers, if any.)</p> <p style="text-align: center;"><b>NUREG-2220</b> <b>Volume 7</b></p>
<p>2. TITLE AND SUBTITLE</p> <p><b>U.S Nuclear Regulatory Commission</b> <b>Fiscal Year 2023</b> <b>Agency Financial Report</b></p>	<p>3. DATE REPORT PUBLISHED MONTH YEAR</p> <p style="text-align: center;"><b>November 2023</b></p> <p>4. FIN OR GRANT NUMBER</p>
<p>5. AUTHOR(S)</p> <p><b>James Ekechuku, Rosalyn Jones, Susan Jones, et al</b></p>	<p>6. TYPE OF REPORT</p> <p style="text-align: center;"><b>Annual</b></p> <p>7. PERIOD COVERED (Inclusive Dates)</p> <p style="text-align: center;"><b>Fiscal Year 2023</b></p>
<p>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.)</p> <p><b>Division of the Comptroller</b> <b>Office of the Chief Financial Officer</b> <b>U.S Nuclear Regulatory Commission</b> <b>Washington, DC 20555-0001</b></p>	
<p>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.)</p> <p><b>Same as above</b></p>	
<p>10. SUPPLEMENTARY NOTES</p>	
<p>11. ABSTRACT (200 words or less)</p> <p>The Fiscal Year 2023 Agency Financial Report (AFR) presents the agency's financial results of operations which includes the audited annual financial statements of the NRC. The AFR also provides a summary of NRC program performance and cost. The information is presented in accordance with applicable statutes and OMB requirements in OMB Circular A-136, Financial Reporting Requirements.</p>	
<p>12. KEY WORDS/DESCRIPTORS (List words or phrases that will assist researchers in locating the report.)</p> <p><b>Agency Financial Report (AFR) Fiscal Year 2023</b></p>	<p>13. AVAILABILITY STATEMENT <b>unlimited</b></p> <p>14. SECURITY CLASSIFICATION (This Page) <b>unclassified</b> (This Report) <b>unclassified</b></p> <p>15. NUMBER OF PAGES</p> <p>16. PRICE</p>



United States  
Nuclear Regulatory Commission  
NUREG-2220, Volume 7  
November 2023

