U.S.NRC

United States Nuclear Regulatory Commission

Protecting People and the Environment

FISCAL YEAR 2010
NRC SUMMARY OF PERFORMANCE AND FINANCIAL INFORMATION

McGuire Nuclear Power Plant, Mecklenburg County, NC

MISSION

License and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

Cover photo courtesy of NRC Photo Library

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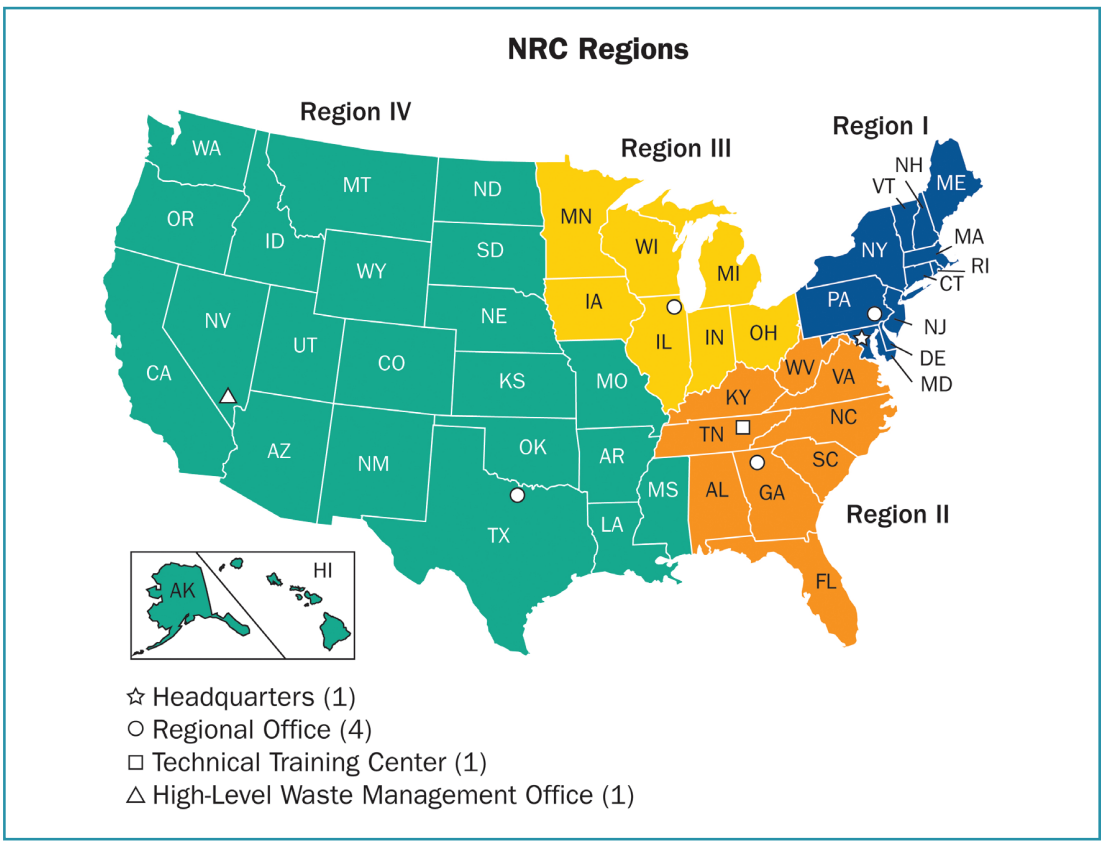
This report is a summary of the U.S. Nuclear Regulatory Commission's (NRC's) Fiscal Year (FY) 2010 Performance and Accountability Report (PAR), published on November 15, 2010. This report is in an easy to read format and is available on the NRC Web site at http://www.nrc.gov. In addition, a full copy of the PAR is available on the disk located on the back inside cover.

Photo Courtesy of NRC Photo Library

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



A Message from the Chairman

I am pleased to present the U.S. Nuclear Regulatory Commission (NRC) Summary of Performance and Financial Information for Fiscal Year (FY) 2010. The report provides key financial and performance information to Congress and the American people. The NRC received the Certificate of Excellence in Accountability Reporting from the Association of Government Accountants for the ninth year in a row for our FY 2009 Performance and Accountability Report. The receipt of this prestigious award demonstrates our commitment to accountability and the high quality reporting of performance and financial information.

We also received an unqualified opinion on the agency's financial statements for the seventh consecutive year. The unqualified opinion attests to NRC's sound financial performance over the past year in support of our mission of protecting public health and safety, promoting common defense and security, and protecting the environment in the civilian use of nuclear materials. This report highlights our achievements and challenges in meeting our mission through the agency's two strategic goals of safety and security, while adhering to the principles of good regulation—independence, openness, efficiency, clarity, and reliability.

In FY 2010, while the NRC maintained effective and efficient oversight of 104 nuclear power plants through emphasis on strengthening the interrelationship among safety, security, and emergency preparedness, the agency also reviewed the critical safety aspects of new reactor designs, environmental siting and combined license applications for the construction of new nuclear power plants. The NRC remained focused on the safe and secure use of nuclear materials through effective oversight of fuel facilities, uranium recovery sites, decommissioning sites, and nuclear material user licensees. In addition, the agency completed significant fuel cycle and materials users licensing reviews and continued reviews of applications for uranium enrichment facilities and uranium recovery to ensure protection of public health and safety and the environment.

Commensurate with NRC's achievements and challenges, the NRC is committed to prudently managing the resources entrusted to it by the American people. The NRC continues to evaluate, test, and strengthen its internal controls, including those related to financial reporting and financial management systems, as required by the Federal Managers' Financial Integrity Act (FMFIA). Based on the FMFIA assessments, I have concluded that there is reasonable assurance that the NRC is in substantial compliance with FMFIA, and the financial and performance data published in this report is accurate, reliable, and timely. Additionally, I have determined that the agency is in substantial compliance with the Federal Financial Management Improvement Act (FFMIA), based on NRC's application of the FFMIA risk model.

Assuring the public of the agency's commitment to safety and security through openness and transparency is an ongoing challenge. The NRC's Open Government Plan, developed and published in FY 2010, demonstrates the agency's commitment to increasing transparency with the public. The coming year also brings an unprecedented challenge as the agency's operating reactors programs will be subject to peer review by the International Atomic Energy Agency.

The NRC is proud of this year's performance of its 3,981 employees in achieving the agency's safety and security goals and looks forward to continuing its high-quality service to the American people in FY 2011 and beyond.

Gregory B. Jaczko
Chairman
November 12, 2010

Introduction

The U.S. Nuclear Regulatory Commission (NRC) Summary of Performance and Financial Information presents an overview of the agency's program performance and financial management information for fiscal year (FY) 2010. The summary report provides an opportunity for the public to assess how effectively the NRC uses its funds to achieve results.

When preparing this report, the NRC staff followed the guidance of the Office of Management and Budget (OMB) Circular A-136, "Financial Reporting Requirements." The summarized financial statement data are based on the same underlying data as the financial statements presented in the FY 2010 Performance and Accountability Report (PAR). This Summary of Performance and Financial Information covers activities from October 1, 2009, to September 30, 2010.

The NRC emphasizes keeping the public informed of its activities. Enclosed in the back of this report is a CD of the full version of the NRC's FY 2010 PAR. Please visit our Web site at http://www.nrc.gov to access this report and to learn more about who we are and what we do to serve the American public.

About the NRC

The NRC began operations on January 19, 1975, as an independent Federal agency to regulate the commercial and institutional uses of nuclear materials. The Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, as amended, define the NRC's purpose. These acts provide the foundation for the NRC's mission to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, to promote the common defense and security, and to protect the environment.

The agency regulates civilian nuclear power plants, other nuclear facilities, and 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.

To fulfill its responsibility to protect public health and safety, the NRC performs the following three principal regulatory functions:

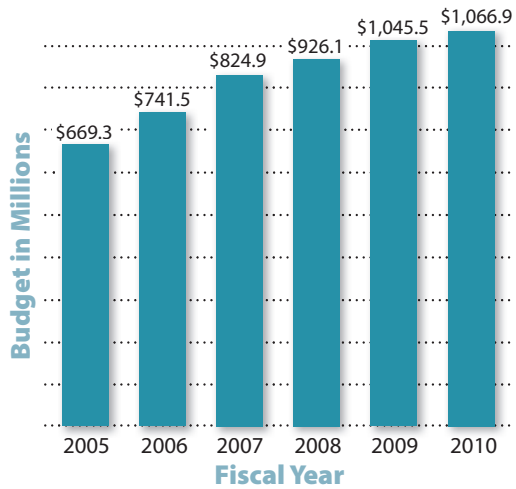
1. establishes standards and regulations;
2. issues licenses for nuclear facilities and users of nuclear materials;
3. inspects facilities and users of nuclear materials to ensure compliance with regulatory requirements.

Organization

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

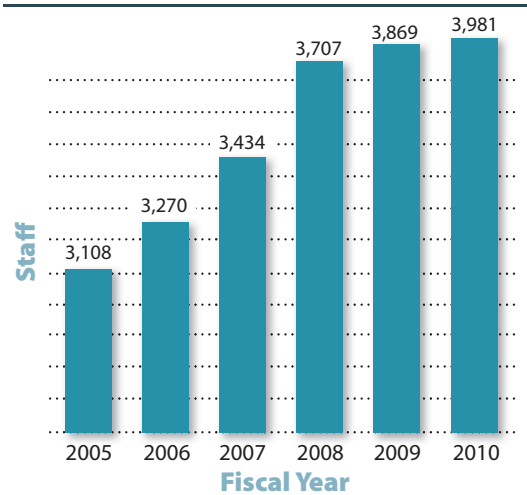
The NRC's Headquarters is located in Rockville, MD. Four regional offices are located in King of Prussia, PA; Atlanta, GA; Lisle, IL; and Arlington, TX. In addition, the NRC's technical training center is located in Chattanooga, TN. The NRC also employs at least two resident inspectors at

Figure 1
NRC BUDGETARY AUTHORITY, FY 2005–2010



Source: NRC Performance Budget Fiscal Year 2011

Figure 2
NRC PERSONNEL CEILING, FY 2005–2010



Source: NRC Performance Budget Fiscal Year 2011

each of the Nation's 104 nuclear power reactor sites. The NRC's Operations Center, located at NRC Headquarters, is the focal point for the agency's communications with its licensees, State agencies, and other Federal agencies about operating events in the commercial nuclear sector. NRC operations officers staff the Operations Center 24 hours a day, 7 days a week.

The NRC's budget for FY 2010 was $1,066.9 million (see Figure 1) with 3,981 full-time equivalent staff (see Figure 2). The NRC recovers approximately 90% of its appropriations from fees paid by NRC licensees and applicants for a license.

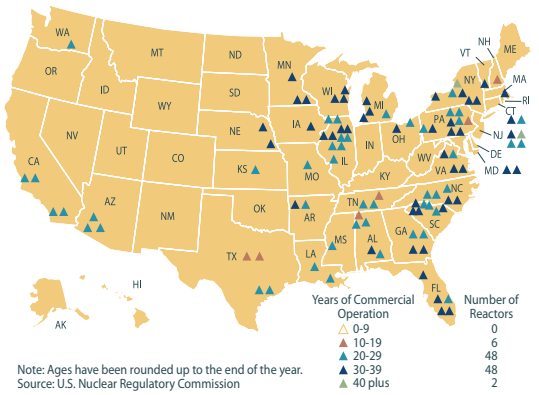
The Nuclear Industry

The NRC regulates the commercial use of radioactive materials. The nuclear material cycle begins with the mining and production of nuclear fuel, continues with the use of nuclear fuel to power the Nation's 104 nuclear power plants (see Figure 3, page 4), and ends with the safe transportation and storage of spent nuclear fuel and other nuclear waste. The NRC's regulatory programs ensure that radioactive materials are used safely and securely at every stage in the nuclear material cycle. The NRC oversees 3,000 licenses for medical, academic, industrial, and general uses of nuclear materials. The agency conducts approximately 1,200 health and safety inspections of its nuclear materials licensees annually.

Under the NRC's Agreement State program, 37 States assume primary regulatory responsibility over the industrial, medical, and other nuclear materials in their States. The NRC works closely with these States to ensure that they maintain public safety consistent with NRC standards. The Agreement States oversee 19,600 licenses (see Figure 4, page 4). The NRC, the Agreement States, and their licensees share a common responsibility to protect public health and safety, security, and the environment.

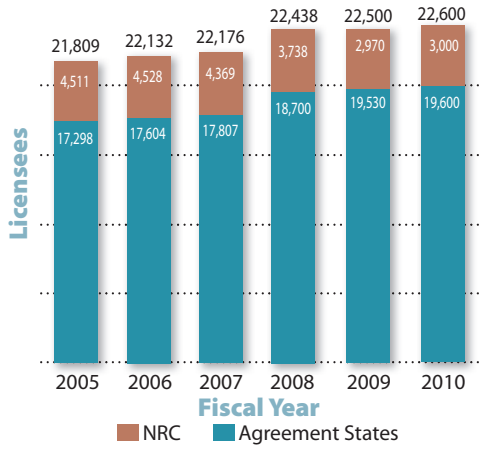
To address safety and security issues, the NRC developed regulatory practices, knowledge, and expertise specific to each activity in the nuclear material cycle. Approximately 20 percent of the Nation's electricity is generated by the 104 NRC-licensed commercial nuclear reactors.

Figure 3
U.S. COMMERCIAL NUCLEAR POWER REACTORS



Note: Ages have been rounded up to the end of the year.
Source: U.S. Nuclear Regulatory Commission

Figure 4
U.S. MATERIALS LICENSEES



Fuel Facilities

The production of nuclear fuel begins at uranium mines where milled uranium ore is used to produce a uranium concentrate called "yellow cake." At a special facility, the yellow cake is converted into uranium hexafluoride gas and loaded into cylinders. The cylinders are sent to a gaseous diffusion plant, where uranium is enriched for use as reactor fuel. The enriched uranium is then converted into oxide powder, fabricated into fuel pellets (each about the size of a fingertip), loaded into metal fuel rods about 3.5 meters long, and bundled into reactor fuel assemblies at a fuel fabrication facility. Assemblies are then transported to nuclear power plants, nonpower research reactor facilities, and naval propulsion reactors for use as fuel. The NRC licenses six operational fuel fabrication and production facilities and three operational enrichment facilities in the United States. Because they handle extremely hazardous material, owners of these facilities take special precautions to prevent theft, diversion by terrorists, and dangerous exposures to workers and the public from this nuclear material.

Reactors

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. A nuclear power plant converts heat 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 and there is no burning of fuel in the usual sense. Rather, energy is given off by the nuclear fuel as certain types of atoms split in a process called nuclear fission. This energy is in the form of fast-moving particles and invisible radiation. As the particles and radiation move through the fuel and surrounding water, the energy is converted into heat. The radiation energy can be hazardous, and facilities take special precautions to protect people and the environment from these hazards.

Because the fission reaction produces potentially hazardous radioactive materials, nuclear power plants are equipped with safety systems to protect workers, the public, and the environment. Radioactive materials require careful use because they produce radiation, a form of energy that can damage human cells. Depending on the amount and duration of the exposure, radiation can potentially cause cancer. In a nuclear reactor, most hazardous radioactive substances, called fission

byproducts, are trapped in the fuel pellets or in the sealed metal tubes holding the fuel. However, small amounts of these radioactive fission byproducts, principally gases, become mixed with the water passing through the reactor. Other impurities in the water also become radioactive as they pass through the reactor. The facility processes and filters the water to remove these radioactive impurities and then returns the water to the reactor cooling system.

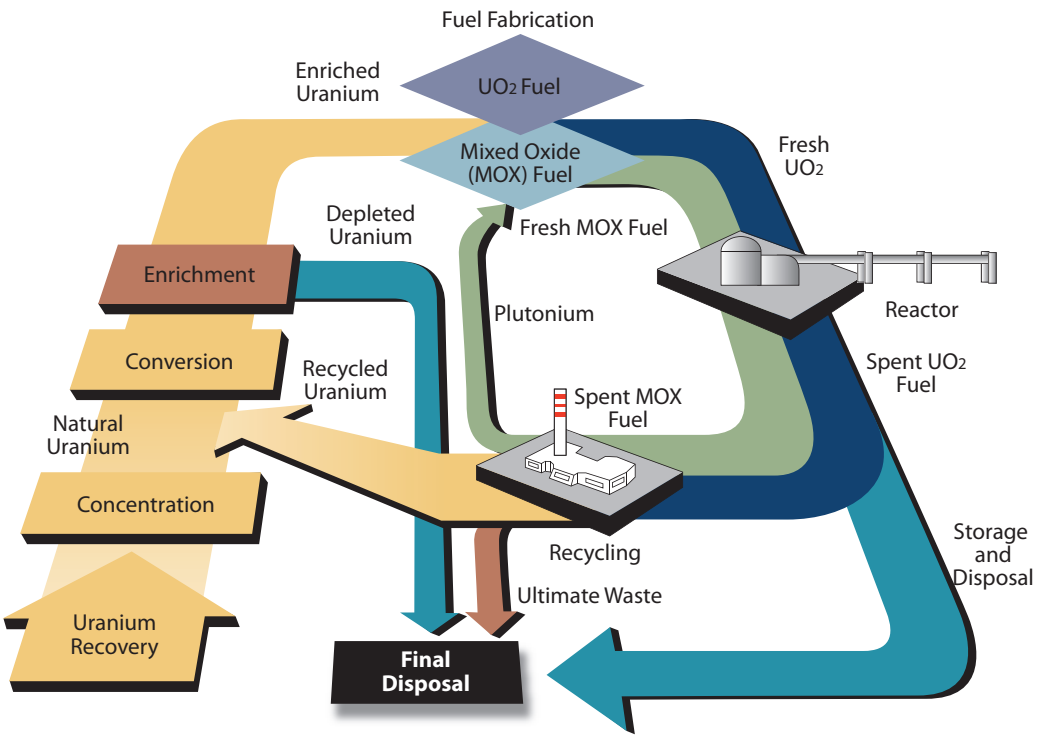
Materials Users

The medical, academic, and industrial fields all use nuclear materials. For example, about one-third of all patients admitted to U.S. hospitals are diagnosed or treated using radioisotopes. Most major hospitals have specific departments dedicated to nuclear medicine. In all, about 112 million nuclear medicine or radiation therapy procedures are performed annually, with the vast majority used in diagnoses. Radioactive materials used as diagnostic tools 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

Figure 5

SCHEMATIC OF THE NUCLEAR FUEL CYCLE



The Mixed Oxide (MOX) fuel is a blend of Plutonium Dioxide and depleted Uranium Dioxide (UO2) that is used as fuel in commercial nuclear power plants.

Source: U.S. Nuclear Regulatory Commission

or damaged. Doctors can selectively expose cancerous cells (cells that are dividing uncontrollably) to radiation to either destroy these cells or damage them so they can no longer reproduce.

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

Waste Disposal

During normal operations, a nuclear power plant generates the following two types of radioactive waste: high-level waste, which consists of used fuel (usually called spent fuel), and low-level 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 highly radioactive fission byproducts created while the reactor was operating. Typically, the spent fuel from nuclear power plants is stored in water-filled pools at each reactor site or at a storage facility in Illinois. The water in the spent fuel storage pool provides cooling and adequately shields and protects workers from the radiation. Several nuclear power plants have also begun using dry casks to store spent fuel. These heavy metal or concrete casks rest on concrete pads adjacent to the reactor facility. The thick layers of concrete and steel in these casks shield workers and the public from radiation.

Currently, most spent fuel in the United States remains stored at individual plants. Permanent disposal of spent fuel from nuclear power plants requires disposal processes and infrastructure that can provide reasonable assurance that the waste will remain isolated for thousands of years. The U.S. Department of Energy (DOE) submitted an application for a permanent spent fuel disposal facility at Yucca Mountain, NV, which was docketed in FY 2008. DOE filed a motion to withdraw its license application with prejudice in FY 2010. The Licensing Board denied DOE's motion. The Commission invited briefing by the parties. The briefing was completed in July 2010, and the case is pending before the Commission.

Licensees often store low-level waste onsite until its radioactivity has diminished 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 requirements for each of the following general classes of waste: Class A, Class B, and Class C. Generally, Class A waste contains lower concentrations of radioactive material than Class B and Class C wastes. There are two low-level disposal facilities that accept a broad range of low-level wastes, located in Barnwell, SC, and Richland, WA.

Program Performance Overview

The NRC's FY 2008-2013 Strategic Plan presents the agency's long-term goals and strategic direction. The agency has two strategic goals: safety and security. To achieve its goals, the agency is organized into two major programs: the Nuclear Reactor Safety Program, and the Nuclear Materials and Waste Safety Program. The Strategic Plan is located on the NRC Web site at http://www.nrc.gov.

Nuclear Reactor Safety Program

The Nuclear Reactor Safety Program encompasses all 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 the public health and safety, preserves the environment, and protects against radiological sabotage and theft or diversion of special nuclear materials.

Nuclear Materials and Waste Safety Program

The Nuclear Materials and Waste Safety Program focuses on the safe and secure use of remaining radioactive materials. The Nuclear Materials and Waste Safety Program regulates fuel facilities, medical and industrial nuclear materials users, the disposal of both high-level and low-level waste, the decommissioning of power plants, and the storage and transportation of spent nuclear fuel.

Program Performance Results

Strategic Goal 1: Safety
Ensure Adequate Protection of Public Health and Safety and the Environment

Safety is the primary goal of the NRC. The agency achieves this goal by ensuring that the performance of licensees is at or above acceptable safety levels. The NRC safety programs work in conjunction with agency licensees in a partnership. The NRC licensees are responsible for designing, constructing, and operating nuclear facilities safely. The NRC is responsible for regulatory oversight of the licensees. The NRC safety goal activities are designed to achieve the strategic outcomes given below.

Strategic Outcomes

- Prevent the occurrence of any nuclear reactor accidents.
- Prevent the occurrence of any inadvertent criticality events.
- Prevent the occurrence of any acute radiation exposures resulting in fatalities.
- Prevent the occurrence of any releases of radioactive materials that result in significant radiation exposures.
- Prevent the occurrence of any releases of radioactive materials that cause significant adverse environmental impacts.

FY 2010 Results

In FY 2010, the NRC achieved all five of its strategic outcomes. The NRC also uses six performance measures to determine whether it has met its safety goal. The agency met all six performance measure targets in FY 2010.

The first three performance measures focus on performance at individual nuclear power plants. Inspection results show that all of the nuclear power plants are operating safely. The fourth measure tracks the trends of several key indicators of nuclear power plant safety. This measure is the broadest measure of the safety of nuclear power plants, incorporating the performance results from all plants to determine industry average results. It shows that there were no statistically significant adverse trends in any of the indicators in FY 2010. The last two safety performance measures track harmful radiation exposures to the public and occupational workers, as well as radiation exposures that harm the environment. There were no harmful human or environmental exposures in FY 2010.

Safety Goal Strategies

The agency uses the following strategies to guide its activities and achieve its safety goal:

(1) Develop, implement, and maintain licensing and regulatory programs for reactors, fuel facilities, materials users, spent fuel management, uranium recovery, and decommissioning activities to ensure the adequate protection of public health, safety, and the environment.

(2) Continue to oversee the safe operation of existing power plants while preparing for and managing the review of applications for new power reactors.

(3) Conduct NRC safety, security, and emergency preparedness programs.

(4) Improve the NRC's regulatory programs and apply safety-focused research to anticipate and resolve safety issues.

(5) Use sound science and state-of-the-art methods to establish, where appropriate, risk informed and performance-based regulations.

(6) Promote attention to safety matters and individual accountability for those engaged in regulated activities.

(7) Use domestic and international operating experience to inform decisionmaking.

(8) Oversee licensee safety performance through inspections, investigations, enforcement, and performance assessment activities.

(9) Respond effectively to events at NRC licensed facilities and other events of national interest, including maintaining and enhancing the NRC's critical incident response and communication capabilities.

Safety Performance Measures	2005	2006	2007	2008	2009	2010
1. Number of new conditions evaluated as red by the Reactor Oversight Process is ≤3.	0	0	0	0	0	0
2. Number of significant accident sequence precursors of a nuclear reactor accident is zero.	0	0	0	0	0	0
3. Number of operating reactors with integrated performance that entered the Manual Chapter 0350 process, the multiple/repetitive degraded cornerstone column, or the unacceptable performance column of the Reactor Oversight Process Action Matrix, with no performance exceeding Abnormal Occurrence Criterion I.D.4, is ≤3.	0	0	1	0	0	0
4. Number of significant adverse trends in industry safety performance, with no trend exceeding Abnormal Occurrence Criterion I.D.4, is ≤1.	0	0	0	0	0	0
5. Number of events with radiation exposures to the public and occupational workers that exceed Abnormal Occurrence Criterion I.A is:						
Reactors: 0.	0	0	0	0	0	0
Materials: ≤2.	1	0	0	0	0	0
Waste: 0.	0	0	0	0	0	0
6. Number of radiological releases to the environment that exceed applicable regulatory limits is:						
Reactor: ≤0.	0	0	0	0	0	0
Materials: ≤2.	0	0	0	0	0	0
Waste: 0.	0	0	0	0	0	0

Security Performance Measures	2005	2006	2007	2008	2009	2010
1. Number of unrecovered losses or thefts of risk-significant radioactive sources is zero.	0	0	0	0	0	0
2. Number of substantiated cases of theft or diversion of licensed, risk-significant radioactive sources or formula quantities of special nuclear material or number of attacks that result in radiological sabotage, is zero.	0	0	0	0	0	0
3. Number of substantiated losses of formula quantities of special nuclear material or substantiated inventory discrepancies of formula quantities of special nuclear material that are caused by theft or diversion or by substantial breakdown of the accountability system is zero.	0	0	0	0	0	0
4. Number of substantial breakdowns of physical security or material control that significantly weaken the protection against theft, diversion, or sabotage is ≤1.	0	0	0	0	0	0
5. Number of significant, unauthorized disclosures of classified and/or safeguards information is zero.	0	0	0	0	0	0

Strategic Goal 2: Security
Ensure Adequate Protection in the Secure Use and Management of Radioactive Materials

The NRC must remain vigilant in ensuring the security of nuclear facilities and materials in an elevated threat environment. The agency achieves its common defense and security goal using licensing and oversight programs similar to those employed in achieving its safety goal. The NRC's security activities are designed to achieve the strategic outcome stated below.

Strategic Outcome

- Prevent any instances where licensed radioactive materials are used domestically in a manner hostile to the security of the United States.

FY 2010 Results

In FY 2010, the NRC achieved its security goal strategic outcome. The NRC also uses five security performance measures to determine whether the agency has met its security goal. The agency met all five performance measure targets in FY 2010. The first performance measure tracks unrecovered losses or thefts of risk significant radioactive sources. The measure ensures that those radioactive sources that the agency has determined to be risk significant to the public health and safety are accounted for at all times. The ability to account for these sources is critical to secure the Nation from "dirty bomb" attacks or other means of radiation dispersal.

The second, third, and fourth performance measures evaluate the number of significant security events and incidents that occur at NRC-licensed facilities. These measures determine whether nuclear facilities maintain adequate protective forces to prevent theft or diversion of nuclear material or sabotage; whether systems in place at licensee plants accurately account for the type and amount of materials processed, used, or stored and whether the facilities account for special nuclear material at all times with no losses of this material. No events met the conditions for any of these measures in FY 2010.

The last security measure tracks significant unauthorized disclosures of classified or safeguards information that may cause damage to national security or public safety. This measure focuses on whether classified information or safeguards information is stored and used in such a way as to prevent its disclosure to terrorist organizations, other nations, personnel without a need to know, or the public. Unauthorized disclosures can harm national security or compromise public health and safety. This measure also focuses on whether controls are in place to maintain and secure the various devices and systems (electronic or paperbased) that the agency and its licensees use to store, transmit, and use this information. There were no documented disclosures of this type of information during FY 2010.

Security Goal Strategies

The agency uses the following strategies to guide its activities and achieve its security goal:

(1) Use relevant intelligence information and security assessments to maintain realistic and effective security requirements and mitigation measures.

(2) Share security information with appropriate stakeholders and international partners.

(3) Oversee licensee security performance through inspections and force-on-force exercises.

(4) Control the handling and storage of sensitive security information, and the communication of information to licensees and Federal, State, and local partners.

(5) Support Federal response plans that employ an approach to the security of nuclear facilities and radioactive material that integrates the efforts of licensees and Federal, State, local, and Tribal governments.

(6) Use a risk informed approach to implement appropriate regulatory controls for the possession, handling, import, export, and transshipment of radioactive materials.

(7) Enhance the programs for control of the security of radioactive sources and strategic special nuclear material commensurate with their risk, including enhancements required by the Energy Policy Act of 2005.

(8) Promote U.S. national security interests and nuclear nonproliferation policy objectives for NRC-licensed imports and exports of source and special nuclear materials and nuclear equipment.

Data Completeness and Reliability

The NRC considers the data contained in this report to be complete, reliable, and relevant. The data are complete because the agency reports actual performance data for every performance goal and indicator in the report. The agency considers the data in this report to be reliable and relevant, because they have been validated and verified. A report entitled, "Verification and Validation of the NRC's Measures and Metrics" is available on the NRC's Web site at http://www.nrc.gov.

Future Challenges

The NRC ensures that the health and safety of the American public and the environment are adequately protected from any harmful effects of using nuclear materials. The nuclear industry has experienced a substantial improvement in safety at nuclear power plants over the past 35 years as both the nuclear industry and the NRC have gained substantial experience in the operation and maintenance of nuclear power facilities. Despite this excellent safety and security record, the agency cannot rest on its achievements.

The primary challenges the NRC faces are the large number of new nuclear power plants that have applied for licenses, the safe disposal of high-level nuclear waste, and the need to ensure security at nuclear facilities.

New Nuclear Power Plants

With increased concerns about the continued availability and cost of oil, as well as concerns over the environmental damage caused by coal-burning electrical plants, the amount of electricity supplied by nuclear power is likely to increase substantially in the future. The NRC last issued a nuclear power plant construction permit in 1977. Since 2007, the agency has received 18 Combined Operating License applications for sites across the country. The agency's primary challenge is to license new reactors to ensure that they will operate safely as they provide electricity required by the Nation for

economic growth. However, before licensing any new nuclear reactor, the agency requires a detailed analysis of new reactor designs. This analysis includes a study of the reactor's vulnerability to accidents and security compromises. It also includes the development of inspection procedures, tests, analyses, and acceptable criteria for construction. The NRC also evaluates commercial gas centrifuge facilities that use new methods of enriching nuclear fuel for reactors.

Safe Disposal of High-Level Waste

Safely disposing of the waste from nuclear power plants is vital to protecting public health and the environment. In FY 2008, DOE filed a license application to establish the Nation's first repository for high-level radioactive waste at Yucca Mountain, NV. The NRC staff accepted and docketed the application. On March 3, 2010, DOE filed a motion seeking to withdraw its license application, with prejudice. On June 29, 2010, the Licensing Board denied DOE's motion. The Commission invited briefing by the parties. The briefing was completed in June 2010 and the case is pending before the Commission. The NRC continued to conduct a technical review of the application during FY 2010 and published the first volume of the Yucca Mountain Safety Evaluation Report.

Most nuclear waste is now safely and securely stored at reactor sites. In addition to the storage of nuclear waste, safely transporting spent nuclear fuel is a significant issue for the public and the agency. More than 1,300 spent fuel shipments regulated by the NRC have been safely transported in the United States in the past 25 years. The agency must be able to assure the public that all movements of nuclear waste will be safe and secure.

Security at Nuclear Facilities

In addition to safety, the security of nuclear materials and facilities is of paramount importance to the Nation. Nuclear facilities are among the most secure facilities in the United States. The NRC, in concert with other Federal agencies, constantly monitors intelligence to determine the level of threat faced by nuclear facilities. The agency continues to improve regulatory requirements to better ensure the security of nuclear materials and facilities. The threat faced by the Nation from those seeking to steal classified information has become more urgent in recent years. Nuclear facilities have implemented more and enhanced security measures, including force-on-force training exercises, to help ensure protection of this vital national infrastructure.

The NRC is collaborating with both the Federal Energy Regulatory Commission and the North American Electric Reliability Corporation to ensure that nuclear safety and security are maintained at nuclear facilities while trying to optimize bulk power system reliability. The NRC has also implemented a process to inform licensees of emergent cyber security issues by posting U.S. Department of Homeland Security cyber security bulletins, alerts, reports, and advisories to its protected Web server.

A Message from the Chief Financial Officer

I am pleased to present the condensed financial statements for the U.S. Nuclear Regulatory Commission (NRC) Fiscal Year (FY) 2010 Summary of Performance and Financial Information extracted from the complete financial statements presented in the FY 2010 Performance and Accountability Report. For the seventh consecutive year, an independent auditor has rendered an unqualified opinion on the NRC financial statements. The auditor also rendered an unqualified opinion on our internal controls concluding that the NRC had no reportable conditions or significant deficiencies.

In FY 2010, the NRC completed the necessary development, testing, and training to successfully transition to a new core financial system at the beginning of FY 2011. The NRC's new core financial system replaces five standalone financial systems with nine subsystems. In our continuing efforts to improve budget execution, the NRC recovered over $20 million of unused funds from completed contracts during the past year. The agency also completed a major budget restructuring to better align funding with agency strategies. This new system and revised budget structure will play an integral role in making the NRC's financial management more transparent, efficient, and effective in the future.

In FY 2011, the NRC will continue to refine its processes to enhance its financial operations using the advancements implemented in recent years. We will also begin additional modifications to our core financial system to seamlessly align the agency's acquisition function with budget development and execution. The NRC also plans to modernize its Time and Attendance System to improve its usability. We will also update the agency's Strategic Plan to set clear, high level direction and goals for the agency. The new Strategic Plan will provide an improved basis for determining the activities and resources needed in our performance budget.

The NRC is committed to ensuring the safety and security of the Nation's civilian use of nuclear materials and facilities in the most effective and efficient manner. The regulation of the Nation's expanding nuclear industry requires even more vigorous stewardship of limited taxpayer resources and demands superior financial performance. I am proud of the progress we have made in the past year to promote sound business practices in the conduct of our regulatory mission and am confident that the NRC will continue to make future improvements.

J.E. Dyer
Chief Financial Officer
November 12, 2010

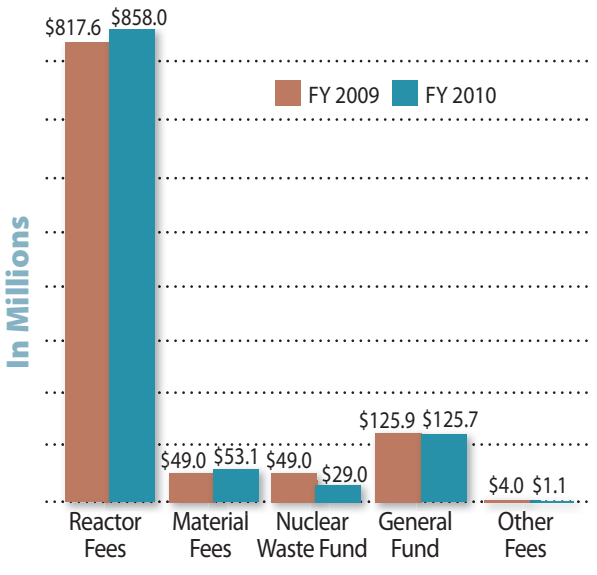
Financial Performance Overview

As of September 30, 2010, the financial condition of the NRC was sound with respect to having sufficient funds to meet program needs and adequate control of these funds in place to ensure that obligations did not exceed budget authority. The NRC prepared its financial statements in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards and OMB Circular A-136, "Financial Reporting Requirements."

Sources of Funds

The NRC has two appropriations: Salaries and Expenses and the Office of the Inspector General. Funds for both appropriations are available until expended. The NRC's total new FY 2010 budget authority was $1,066.9 million (see Figure 6). Of this amount, $1,056.0 million was for the Salaries and Expenses appropriation and $10.9 million was for the Office of the Inspector General appropriation. This represents an increase in new budget authority of $21.4 million over FY 2009 ($21.4 million for the Salaries and Expenses appropriation, including a decrease of $20.0 million for the Nuclear Waste Fund, and no change for the Office of the Inspector General appropriation). In addition, $76.0 million from prior-year appropriations (net of the $18.0 million rescission of prior year funds), $9.6 million from prior-year reimbursable work, and $11.3 million for new reimbursable work to be performed for others was available to obligate in FY 2010. The sum of all funds available to obligate for FY 2010 was $1,163.8 million, which was a $1.4 million decrease from the FY 2009 amount of $1,165.2 million.

Figure 6
SOURCES OF FUNDS (Projected)



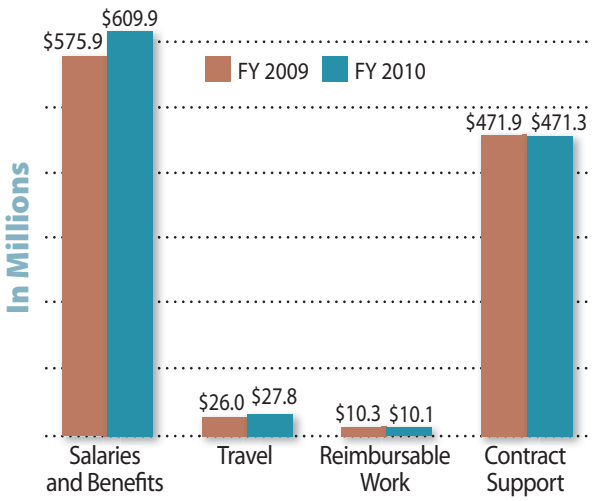
The Omnibus Budget Reconciliation Act of 1990 (OBRA-90), as amended, requires the NRC to collect fees to offset approximately 90 percent of its new budget authority, less the amount appropriated to the NRC from the Nuclear Waste Fund, and amounts appropriated for waste incidental to reprocessing and generic homeland security for FY 2010. The projected amount to be received from reactor and material fees in FY 2010 was $911.1 million after accounting for billing adjustments. The NRC collected $909.5 million of the required $912.2 million in fees for the year, which was 99.7 percent of the 90 percent fee recovery requirement.

Uses of Funds by Function

The NRC incurred obligations of $1,119.1 million in FY 2010, which was an increase of $35.0 million over FY 2009 (see Figure 7). Approximately 54 percent of obligations were used for salaries and benefits. The remaining 46 percent was used to obtain technical assistance for the NRC's principal regulatory programs, to conduct confirmatory safety research, and to cover operating expenses (e.g., building rentals, transportation, printing, security services, supplies, office automation, training), staff travel, and reimbursable work. The unobligated budget authority available at the end of FY 2010 was $44.7 million, a $36.4 million decrease compared to the FY 2009 amount of $81.1 million. Of the $44.7 million, $10.9 million is for reimbursable work and $33.8 million is available to fund critical NRC needs in FY 2011.

Figure 7

USES OF FUNDS BY FUNCTION



Audit Results

The NRC received an unqualified audit opinion on its FY 2010 financial statements and internal controls. The auditors found no instances of noncompliance or substantial noncompliance with laws and regulations during the FY 2010 audit. The Summary of the Financial Statement Audit and Management Assurances is included on page 27 of this report.

Limitations of the Financial Statements

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

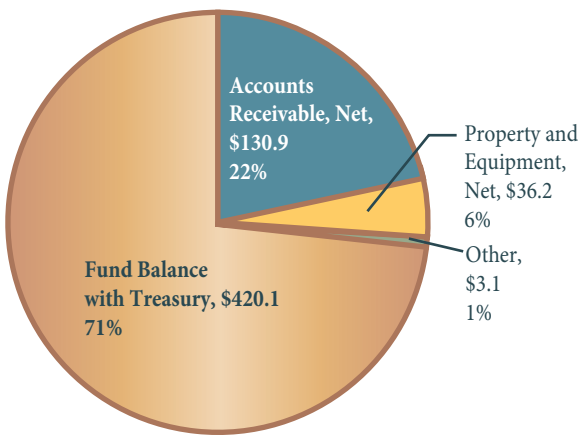
Financial Statement Highlights

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

Analysis of the Balance Sheet

The NRC's assets (see Figure 8) were $590.3 million as of September 30, 2010, a decrease of $21.5 million from the end of FY 2009. The decrease primarily results from the Fund Balance with Treasury decreasing by $28.5 million. The assets reported in the NRC's Balance Sheet are summarized in the Condensed Balance Sheet on page 26.

Figure 8
ASSET SUMMARY (In Millions)

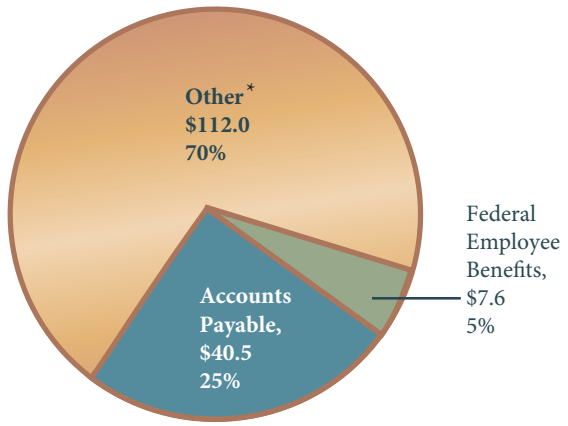


The Fund Balance with Treasury was $420.1 million at September 30, 2010, accounting for 71 percent of total assets. This account represents appropriated funds, collected license fees, and other funds maintained at the U.S. Department of Treasury (Treasury) to pay current liabilities and to finance authorized purchase commitments. The $28.5 million decrease in the fund balance is primarily the result of increases of $47.3 million in general disbursements, $30.9 million in salaries and benefits, and $11.4 million in grant disbursements which decreased the fund balance; offset by a $55.2 million beginning balance increase over the prior year. The fund balance had a net increase of $3.4 million resulting from an increase in appropriated funds of $21.4 million over FY 2009 as a result of new budget authority (including a decrease of $20.0 million for the Nuclear Waste Fund) reduced by an $18.0 million rescission of prior year unobligated funds returned to Treasury. During the year, fees collected, and then transferred to Treasury, increased $51.7 million over FY 2009 having a net offsetting effect on the fund balance. The revenue generated by fees assessed to licensees as required by law is sent to Treasury to offset approximately 90 percent of the NRC's appropriations received during the year.

Accounts receivable consists of amounts owed to the NRC by other Federal agencies and the public. Accounts Receivable, Net, as of September 30, 2010, was $130.9 million, which includes an offsetting allowance for doubtful accounts of $2.9 million. The 2 percent increase from the FY 2009

year-end Accounts Receivable, Net, balance of $128.2 million is primarily the result of intragovernmental fee receivables and reimbursements.

Figure 9
LIABILITIES SUMMARY (In Millions)



*Other Liabilities: $50.4 Accrued Annual Leave, $26.6 Accrued Salaries and Benefits, $11.8 Contingent Liabilities, $9.9 Grants Payable, $13.3 Other.

Total liabilities (see Figure 9) were $160.1 million as of September 30, 2010, an increase of $15.3 million from the FY 2009 year-end balance of $144.8 million. The change in Total Liabilities results from an increase in Other Liabilities of $25.8 million, which is comprised of a new contingent liability recorded in FY 2010 of $11.8 million for the probable likelihood of an adverse outcome of legal claims, and increases over FY 2009 of $6.8 million for grants payable due to a rise in the number and dollar volume of the NRC's grant programs, $3.1 million in accrued annual leave, and $3.5 million in accrued funded salaries and benefits. This was offset by a decrease in Accounts Payable of $10.5 million resulting from a decrease of the accounts payable accrual and early payment of invoices scheduled to be paid in the first month of FY 2011 to prepare for the implementation of the new integrated financial management system, which was effective at the beginning of FY 2011.

Of the agency's liabilities, $71.5 million were not covered by budgetary resources, a 26 percent increase over the balance of $56.6 million as of September 30, 2009. The increase of $14.9 million is primarily due to the contingent liability in FY 2010 of $11.8 million and an increase in unfunded accrued annual leave of $3.1 million. The liabilities not covered by budgetary resources at September 30, 2010, include $50.4 million in unfunded accrued annual leave for the amount of leave earned but not yet taken, $11.8 million for contingent liabilities, and $9.3 million in accrued and future workers' compensation.

Total Net Position, which is the difference between Total Assets and Total Liabilities, was $430.2 million as of September 30, 2010, a decrease of $36.8 million from the FY 2009 year-end balance. Net Position is comprised of two components: Unexpended Appropriations and Cumulative Results of Operations. Unexpended Appropriations is the amount of spending authority granted by Congress that remains unused by the agency. The decrease in FY 2010 for Unexpended Appropriations is $26.7 million. Cumulative Results of Operations, which represents the cumulative excess of financing sources over expenses, decreased $10.1 million.

Analysis of the Statement of Net Cost

Net costs are gross costs offset by earned revenue. The Statement of Net Cost presents the net cost of the NRC's two programs. 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, 2010, was $217.0 million, which is an increase of $46.6 million over the FY 2009 net cost of $170.4 million. Net costs by program are shown in the Statement of Net Cost on page 26.

The NRC's total gross costs (see Figure 10) increased $97.6 million. Gross costs increased $85.7 million in the Nuclear Reactor Safety and Security Program primarily because of increases of $24.0 million

in salaries and benefits and $70.2 million in contractor support. These increases were primarily for new reactor activities, existing licensing and oversight activities, and international activities. The Nuclear Materials & Waste Safety and Security program gross costs increased $11.9 million primarily because of increases in activities for nuclear materials licensing, fuel facilities, and spent fuel storage and transportation and were offset by a decrease in costs for high level waste activities.

Figure 10
GROSS COSTS (In Millions)

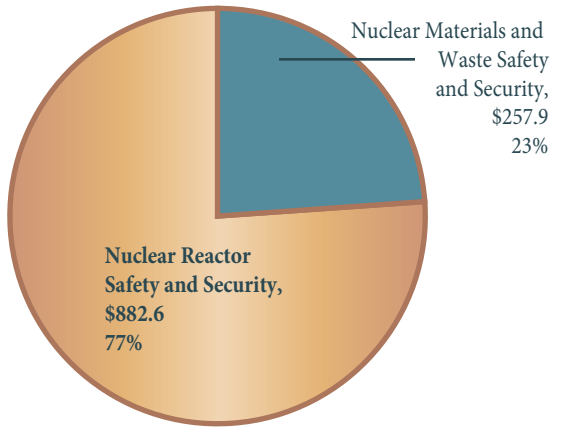
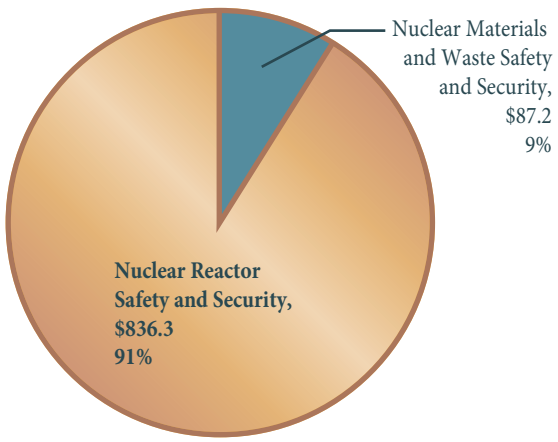


Figure 11
EARNED REVENUE (In Millions)



Total earned revenue (see Figure 11) increased $51.0 million from $872.5 million for the year ended September 30, 2009, to $923.5 million on September 30, 2010. Earned revenue increased for the Nuclear Reactor Safety and Security Program by $42.3 million and for the Nuclear Materials & Waste Safety and Security Program by $8.7 million. The increases are primarily because of increases in fees collected resulting from the increase in appropriations for NRC activities, of which the NRC is required to collect approximately 90 percent through fee billing. Fees for reactor and materials licensing and inspections are collected 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," and 10 CFR Part 171, "Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Material Licenses, Including Holders of Certificates of Compliance, Registrations, and Quality Assurance Program Approvals and Government Agencies Licensed by the NRC."

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the change in net position during the reporting period. Net position is affected by changes in its two components—Cumulative Results of Operations and Unexpended Appropriations. The decrease in Net Position of $36.8 million from FY 2009 to FY 2010 is the result of decreases of $10.1 million in Cumulative Results of Operations and $26.7 million in Unexpended Appropriations.

A change in Cumulative Results of Operations results from changes in the beginning balance, financing sources, and the net cost of operations. The decrease of $10.1 million is primarily due to the change of $46.5 million in the net cost of operations exceeding the increase in financing sources of $36.4 million. The financing sources primarily included increases of $47.8 million in appropriations used and $8.6 million in imputed financing from costs absorbed by others, including imputed costs for retirement and health benefits; offset by a decrease in the Nuclear Waste Fund transfer of $20.0 million.

A change in unexpended appropriations primarily results from appropriations received and adjustments (e.g., rescissions) being more, or less, than appropriations used during the fiscal year. In FY 2010, appropriations received of $128.4 million consisted of NRC's total appropriation of $1,066.9 million, reduced by $909.5 million in fee collections returned to Treasury and $29.0 million for the Nuclear Waste Fund transfer. A rescission of $18.0 million of prior year unobligated funds reduced unexpended appropriations. Appropriations used in FY 2010 totaled $137.1 million and consisted of funds used of $1,079.7 million reduced by collection from fees assessed of $909.5 million and Nuclear Waste Fund expenses of $33.1 million. The Condensed Statement of Changes in Net Position is presented on page 27.

U.S. NUCLEAR REGULATORY COMMISSION
FISCAL YEAR 2010
FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT STATEMENT

The U.S. Nuclear Regulatory Commission (NRC) managers are responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (Integrity Act). The NRC conducted its assessment of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations, and in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, the NRC can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2010, was operating effectively and no material weaknesses were found in the design or operation of internal control.

In addition, NRC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of the evaluation, NRC can provide reasonable assurance that NRC's internal control over financial reporting as of June 30, 2010, was operating effectively, and no material weaknesses were found in the design or operation of the internal control over financial reporting.

The NRC can also provide reasonable assurance that its financial systems comply with the requirements of the Integrity Act and with the component requirements of the Federal Financial Management Improvement Act.

Gregory B. Jaczko
Chairman
U.S. Nuclear Regulatory Commission
November 1, 2010

Systems, Controls, and Legal Compliance

Management Assurances

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

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 (Integrity Act) mandates that agencies establish internal control to provide reasonable assurance that the agency complies with applicable laws and regulations; safeguards assets against waste, loss, unauthorized use, or misappropriation; and properly accounts for and records revenues and expenditures. The Integrity Act encompasses program, operational, and administrative areas, as well as accounting and financial management. It also requires the Chairman to provide an assurance statement on the adequacy of internal controls and on the conformance of financial systems to Governmentwide standards.

Internal Control Program

Internal controls are the organization, policies, and procedures to help program and financial managers achieve results and safeguard the integrity of their programs. NRC managers are responsible for designing and implementing effective internal controls in their areas of responsibility. Each office director and regional administrator prepares an annual assurance certification that identifies any control weaknesses requiring the attention of the NRC Executive Committee on Internal Control (ECIC). These certifications are based on internal control activities, such as risk assessments, and on other activities, such as program evaluations, management reviews, self-assessments, senior leadership meetings, agency lessons learned review board meetings, agency action review meetings, audits of financial statements, reviews of financial statements, Inspector General and U.S. Government Accountability Office audits and reports, and other information provided by the congressional committees of jurisdiction.

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

The ECIC meets and reviews the reasonable assurance certifications provided by the offices and regions. The ECIC then informs the Chairman as to whether the NRC has any internal control deficiencies serious enough to require reporting as a weakness or noncompliance.

The NRC's internal control program requires that internal control deficiencies be documented and reported in office and regional internal control plans and operating plans. The internal control plans provide for annual updates, and the operating plan provides for quarterly updates. Both ensure that key issues receive senior management attention. Combined with the individual assurance statements discussed previously, the internal control information in these plans provides the framework for monitoring and improving the agency's internal control on an ongoing basis.

FY 2010 Integrity Act Results

The NRC evaluated its internal control systems for the fiscal year ending September 30, 2010. Based on this evaluation, the NRC is able to provide a statement of assurance that the internal controls and financial systems meet the objectives of the Integrity Act. The NRC has reasonable assurance that its internal controls are effective and that its financial management systems conform to Governmentwide standards.

Office of Management and Budget Circular A-123, "Management's Responsibility for Internal Control," including Appendix A, "Internal Control over Financial Reporting"

In FY 2006, the NRC implemented the requirements of the revised OMB Circular A-123, which defined and strengthened management's responsibility for internal control in Federal agencies. The revised circular included updated internal control standards. Appendix A requires Federal agencies to assess the effectiveness of internal controls over financial reporting and to prepare a separate annual statement of assurance as of June 30, 2010.

In FY 2007, the NRC adopted a 3-year rotational testing plan. The agency determined that three of the original nine key processes were significant enough to include in the testing each year of the 3-year cycle. The remaining six key processes were to be tested once in the 3-year cycle, two each year. In FY 2010, the NRC continued its assessment of internal control over financial reporting. The agency reevaluated its scope of financial reports, materiality values, risk assessments, key processes, and key controls. Based on the results of this evaluation, the NRC can provide reasonable assurance that its internal control over financial reporting was operating effectively as of June 30, 2010, and that the evaluation found no material weakness in the design or operation of the internal controls over financial reporting.

Federal Financial Management Improvement Act

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

Financial Management Systems Strategies

The NRC has started a business transformation initiative to develop an enterprisewide financial system. The NRC plans to complete its business transformation in four distinct phases (or implementations). The four phases will cover the agency's core financial, acquisition, time and labor, and budget formulation functions respectively. The objective is to consolidate and automate data and processes within a single business solution to make the NRC a more transparent, efficient, and effective organization.

During FY 2010, the first phase of our transformation was completed and five standalone legacy core financial systems were consolidated with nine subsystems into a new commercial-off-the-shelf core financial system (CFS). In FY 2013, the second phase of our transformation will be completed by

integrating the agency's acquisition function with the CFS. After FY 2013, the plan is to complete our objective for an integrated and consolidated enterprise financial and acquisitions management system by consolidating the agency's time and labor and budget formulation functions with the core financial and acquisitions functions within a single business solution.

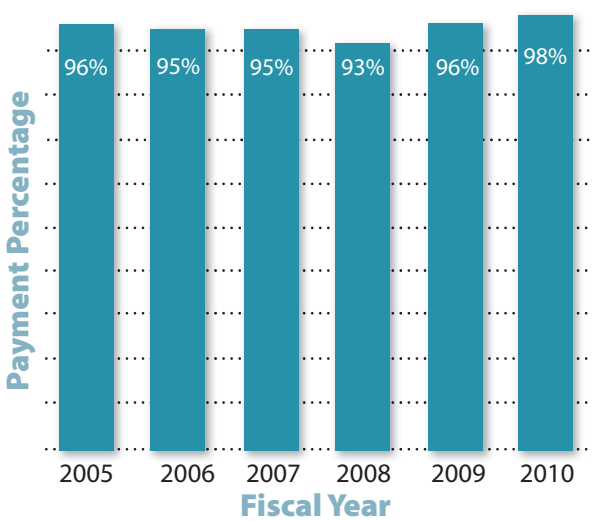
FY 2010 Improvement Act Results

As of September 30, 2010, the NRC evaluated its financial systems to determine whether they complied with applicable Federal requirements and accounting standards required by the Improvement Act. The NRC evaluated eight systems: e-Travel, Federal Financial System, Federal Personnel Payroll System, Human Resources Management System, Cost Accounting System, Capitalized Property System, Fee Billing System, and Budget Formulation System. As of September 30, 2010, the agency's financial management systems were in compliance with the Improvement Act. In making this determination, the NRC considered all available information, including the report from the ECIC on the effectiveness of internal controls, the Office of the Inspector General audit reports, and the results of the agency's financial management system reviews. The agency also relied on the U.S. Department of the Interior National Business Center (DOI-NBC) annual reasonable assurance statement, which concluded that, for FY 2010, the cross-serviced financial systems were in substantial compliance with Federal financial management system requirements.

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 2010, the NRC paid 98 percent of the 13,372 invoices subject to the Prompt Payment Act of 1982 on time (see Figure 12). The NRC incurred $3,143 in interest penalties during FY 2010.

Figure 12
PROMPT PAYMENT



Improper Payments

The NRC remains at low risk of making improper payments. At the present time, the NRC's payments consist of commercial vendor, interagency, and travel reimbursements. The NRC monitors and reports improper payments within its programs and continues to evaluate internal controls guarding against improper payments. The NRC continues to perform annual risk assessments for each of these areas. Based on the FY 2010 risk assessments, the number and amount of improper payments fall below the external reporting requirement established by OMB guidance on what is considered a significant risk. The NRC awards less than $500 million in annual contracts and, therefore, is not subject to annual reporting under the Recovery Auditing Act.

The DOI-NBC's Federal Personnel/Payroll System, as the system of record for payroll disbursements, is responsible for monitoring and reporting on any improper payroll-related payments.

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 continues to meet this goal and, at the end of FY 2010, delinquent debt was $2.5 million (see Figure 13). The NRC continues to pursue the collection of delinquent debt and refers all eligible debt over 180 days delinquent to the U.S. Department of the Treasury for collection.

Figure 13
DELINQUENT DEBT

Biennial Review of User Fees

The Chief Financial Officers Act requires agencies to conduct a biennial review of fees, royalties, rents, and other charges imposed by agencies, and make revisions to cover program and administrative costs incurred. Each year, the NRC revises the hourly rates for license and inspection fees and adjusts the annual fees to meet the fee collection requirements of OBRA-90, as amended. The most recent changes to the license, inspection, and annual fees are described in Volume 75, page 34219, of the *Federal Register* dated June 16, 2010.

The fees and charges for the Criminal History Program and the Freedom of Information Act requests were also revised to more appropriately recognize actual costs. No other reviews were completed this year.

Inspector General Act

The NRC has established and continues to maintain an excellent record in resolving and implementing Office of the Inspector General open audit recommendations. The NRC's Fiscal Year 2010 PAR includes this information beginning on page 127 of the report. The report is available on the NRC Web site at http://www.nrc.gov.

Inspector General's Transmittal Letter

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

OFFICE OF THE
INSPECTOR GENERAL

February 4, 2011

MEMORANDUM TO: Chairman Jaczko

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

SUBJECT: TRANSMITTAL OF THE INDEPENDENT AUDITOR'S REPORT ON THE CONDENSED FINANCIAL STATEMENTS (OIG-11-A-06)

Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements*, Revised, September 29, 2010, requires all entities covered under *The Chief Financial Officer's Act of 1990* to prepare a Summary of Performance and Financial Information which summarizes performance and accountability results for the fiscal year. The Summary Report should include the most important performance and financial information contained in the Performance and Accountability Report in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The purpose of this memorandum is to transmit Urbach Kahn & Werlin, LLP (UKW) Auditor's Report on the Condensed Financial Statements included in the Summary Report.

UKW is responsible for the attached unqualified auditor's opinion, dated November 7, 2010. The Office of the Inspector General (OIG) is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight of UKW's work, as differentiated from an audit in conformance with *Government Auditing Standards*, was not intended to enable us to express, and accordingly we do not express, an opinion on the condensed financial statements included in the Summary Report. However, OIG's oversight of UKW's work disclosed no instances where UKW did not comply with applicable auditing standards.

We appreciate the cooperation provided by NRC staff.

Attachment: As stated

cc: Commissioner Svinicki
Commissioner Apostolakis
Commissioner Magwood
Commissioner Ostendorff
M. Muessle, OEDO
J. Andersen, OEDO

Independent Auditor's Report on the Condensed Financial Statements

UK &W Urbach Kahn & Werlin LLP
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE CONDENSED FINANCIAL STATEMENTS

Hubert T. Bell
Inspector General
United States Nuclear Regulatory Commission

The Honorable Gregory B. Jaczko
Chairman
United States Nuclear Regulatory Commission

We have audited the balance sheets of the United States Nuclear Regulatory Commission (NRC) as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (Principal Statements) for the fiscal years then ended. Our audits were performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. In our report dated November 7, 2010, we expressed an unqualified opinion on those Principal Statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated in all material respects in relation to the Principal Statements referred to above from which it has been derived.

In accordance with *Government Auditing Standards*, our report on the Principal Statements referred to above includes an opinion on the effectiveness of internal control over financial reporting and a report on compliance with laws and regulations for the fiscal years ended September 30, 2010 and 2009. Those reports are integral parts of a financial statement audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 7, 2010

UK &W

Condensed Financial Statements

CONDENSED BALANCE SHEET* (In Thousands)

As of September 30,	2010	2009
Assets		
Fund balance with Treasury	**$ 420,080**	$ 448,632
Accounts receivable, net	**130,916**	128,124
Property and equipment, net	**36,231**	31,624
Other	**3,098**	3,372
Total Assets	**$ 590,325**	$ 611,752
Liabilities		
Accounts payable	**$ 40,542**	$ 51,000
Federal employee benefits	**7,575**	7,628
Other	**112,027**	86,128
Total Liabilities	**160,144**	144,756
Net Position		
Unexpended appropriations	**311,869**	338,637
Cumulative results of operations	**118,312**	128,359
Total Net Position	**430,181**	466,996
Total Liabilities and Net Position	**$ 590,325**	$ 611,752

STATEMENT OF NET COST* (In Thousands)

For the years ended September 30,	2010	2009
Nuclear Reactor Safety and Security		
Gross costs	**$ 882,591**	$ 796,898
Less: Earned revenue	**(836,303)**	(794,007)
Total Net Cost of Nuclear Reactor Safety and Security	**46,288**	2,891
Nuclear Materials and Waste Safety and Security		
Gross costs	**257,862**	245,961
Less: Earned revenue	**(87,178)**	(78,460)
Total Net Cost of Nuclear Materials and Waste Safety and Security	**170,684**	167,501
Net Cost of Operations	**$ 216,972**	$ 170,392

* For a complete set of financial statements and notes, see Chapter 3, "Financial Statements and Auditors' Report," beginning on page 61 of the Fiscal Year 2010 Performance and Accountability Report. This report can be accessed at http://www.nrc.gov.

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

For the years ended September 30,	2010	2009
Cumulative Results of Operations		
Beginning Balance	**$ 128,359**	$ 128,235
Budgetary Financing Sources	**166,113**	138,309
Other Financing Sources	**40,812**	32,207
Net Cost of Operations	**(216,972)**	(170,392)
Net Change	**(10,047)**	124
Cumulative Results of Operations	**$ 118,312**	$ 128,359
Unexpended Appropriations		
Beginning Balance	**$ 338,637**	$ 289,269
Budgetary Financing Sources	**(26,768)**	49,368
Total Unexpended Appropriations	**311,869**	338,637
Net Position	**$ 430,181**	$ 466,996

* For a complete set of financial statements and notes, see Chapter 3, "Financial Statements and Auditor's Report," beginning on page 61 of the Fiscal Year 2010 Performance and Accountability Report. This report can be accessed at http://www.nrc.gov.

Summary of Financial Statement Audit and Management Assurances**

SUMMARY OF FINANCIAL STATEMENT AUDIT		
Audit Opinion—Unqualified	Restatement—No	Material Weaknesses—No
SUMMARY OF MANAGEMENT ASSURANCES		
Effectiveness of Internal Control over Financial Reporting and Operations (FMFIA § 2)		
Statement of Assurance—Unqualified		Material Weaknesses—No
Conformance with Financial Management System Requirements (FMFIA § 4)		
Statement of Assurance—Systems Conform to Requirements		Nonconformance—No
Compliance with Federal Financial Management Improvement Act (FFMIA)		
Overall Substantial Compliance	Agency – Yes	Auditor – Yes

** For the complete Summary of Financial Statement Audit and Management Assurances see page 159 of the FY 2010 Performance and Accountability Report. This report can be accessed at http://www.nrc.gov.

NRC FORM 335 (9-2004) NRCMD 3.7

U.S. NUCLEAR REGULATORY COMMISSION

BIBLIOGRAPHIC DATA SHEET

(See instructions on the reverse)

1. REPORT NUMBER (Assigned by NRC, Add Vol., Supp., Rev., and Addendum Numbers, if any.)
NUREG-1542, Vol. 16, Supp. 1

2. TITLE AND SUBTITLE
NRC Summary of Performance and Financial Information
Fiscal Year 2010

3. DATE REPORT PUBLISHED
MONTH: February
YEAR: 2011

4. FIN OR GRANT NUMBER
n/a

5. AUTHOR(S)
David Holley, et al.

6. TYPE OF REPORT
Annual

7. PERIOD COVERED *(Inclusive Dates)*
FY 2010

8. PERFORMING ORGANIZATION - NAME AND ADDRESS *(If NRC, provide Division, Office or Region, U.S. Nuclear Regulatory Commission, and mailing address; if contractor, provide name and mailing address.)*
Division of Planning and Budget
Office of the Chief Financial Officer
U.S. Nuclear Regulatory Commission
Washington, DC 20555-0001

9. SPONSORING ORGANIZATION - NAME AND ADDRESS *(If NRC, type "Same as above"; if contractor, provide NRC Division, Office or Region, U.S. Nuclear Regulatory Commission, and mailing address.)*
Same as 8, above

10. SUPPLEMENTARY NOTES

11. ABSTRACT *(200 words or less)*
Fiscal Year 2010 NRC Summary of Performance and Financial Information provides performance results and audited financial statements that enable Congress, the President, and the public to assess the performance of the agency in achieving its mission and stewardship of its resources.

12. KEY WORDS/DESCRIPTORS *(List words or phrases that will assist researchers in locating the report.)*
Performance and Accountability Report
FY 2010
PAR

13. AVAILABILITY STATEMENT
unlimited

14. SECURITY CLASSIFICATION
(This Page)
unclassified
(This Report)
unclassified

15. NUMBER OF PAGES

16. PRICE

NRC FORM 335 (9-2004)

PRINTED ON RECYCLED PAPER

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U.S.NRC
UNITED STATES NUCLEAR REGULATORY COMMISSION
Protecting People and the Environment
NUREG-1542,
Volume 16
November 2010
McGuire Nuclear Power Plant,
Mecklenburg County, NC

U. S. Nuclear Regulatory Commission
Washington, DC 20555-0001

http://www.nrc.gov

NUREG-1542, Vol. 16, Supp. 1
February 2011