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## INDEPENDENT AUDITORS' REPORT

Inspector General  
Defense Nuclear Facilities Safety Board

Chair  
Defense Nuclear Facilities Safety Board

In our audit of the fiscal year 2024 financial statements of the Defense Nuclear Facilities Safety Board (DNFSB), we found:

- The financial statements as of and for the fiscal year ended September 30, 2024, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- The DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024; and,
- No reportable noncompliance for fiscal year 2024 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections contain:

1. Our report on the DNFSB's financial statements and on internal control over financial reporting, including an other-matter paragraph related to the prior-period financial statements having been audited by a predecessor auditor, required supplementary information (RSI), and other information included with the financial statements; and,
2. Other reporting required by *Government Auditing Standards*, which is our report on the DNFSB's compliance and other matters. This section also includes a summary of the DNFSB's comments on our report.

### REPORT ON THE AUDITS OF THE FINANCIAL STATEMENTS AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

#### Opinion on the Financial Statements

We have audited the financial statements of the DNFSB, which comprise the balance sheet as of September 30, 2024, and the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements (collectively, the basic financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the DNFSB as of September 30, 2024, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended, in accordance with accounting principles generally accepted in the United States of America.



### **Opinion on Internal Control over Financial Reporting**

We also have audited the DNFSB's internal control over financial reporting as of September 30, 2024, 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 DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, based on criteria established under the FMFIA.

During our fiscal year 2024 audit, we identified deficiencies in the DNFSB's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies.<sup>1</sup> Nonetheless, these deficiencies warrant the DNFSB management's attention. We have communicated these matters to the DNFSB management and, where appropriate, will report on them separately.

### **Basis for Opinions**

We conducted our audits in accordance with Generally Accepted Auditing Standards (GAAS) in the United States of America; standards applicable to financial statement audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States; and guidance contained in Office of Management and Budget (OMB) Bulletin 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin 24-02 are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting* subsection of our report. We are required to be independent of the DNFSB 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.

### **Other Matter**

The DNFSB's financial statements and internal control over financial reporting as of and for the year ended September 30, 2023, were audited by other auditors, whose Independent Auditors' Report thereon dated November 30, 2023, expressed an unmodified opinion on those financial statements and internal control over financial reporting. We were not engaged to audit, review, or apply any procedures to the DNFSB's fiscal year 2023 financial statements and internal control over financial reporting and, accordingly, we do not express an opinion or any other form of assurance on the fiscal year 2023 financial statements and internal control over financial reporting.

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

Management is responsible for the (1) preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles; (2) preparation, measurement, and presentation of the RSI in accordance with U.S. generally accepted accounting principles; (3) preparation and presentation of other information included in the DNFSB's Agency Financial Report (AFR), and ensuring the consistency of that information with the audited financial statements and the RSI; (4) design, implementation, and maintenance of effective internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (5) assessment of the effectiveness of internal control over financial reporting based on the criteria established under the FMFIA; and, (6) assessment of the effectiveness of internal control over financial

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<sup>1</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 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.



reporting as of September 30, 2024, FMFIA 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 (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) 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 the financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS, GAGAS, and OMB guidance 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 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgments 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 GAAS, GAGAS, and OMB guidance, 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 in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions.
- 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 DNFSB's process for evaluating and reporting on internal control over financial reporting based on criteria established under the FMFIA. We did not evaluate all internal controls relevant to operating objectives as broadly established under the 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.
- 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 audits, significant audit findings, and certain internal control-related matters that we identified during the audits.



### **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 internal control over financial reporting are to provide reasonable assurance that:

- Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- 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. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America and OMB Circular No. A-136, *Financial Reporting Requirements*, require that the MD&A and other RSI be presented to supplement the basic financial statements. Such RSI is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) and OMB, who consider it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, and historical context.

We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America. These procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit, and we do not express an opinion or provide any assurance on the information because the limited procedures we applied do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

The DNFSB'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. Management is responsible for the other information included in the DNFSB's AFR. The other information comprises the *Summary of Financial Statement Audit and Management Assurances*, *Payment Integrity Information Act Reporting*, and the *Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the DNFSB*, but does not include the financial statements and our *Report on the Audits of the Financial Statements and on Internal Control Over Financial Reporting*. 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.



## **OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

### **Report on Compliance and Other Matters**

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for fiscal year 2024 that would be reportable under GAGAS. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the DNFSB. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements  
We performed our tests of compliance in accordance with GAGAS.

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

The DNFSB management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the DNFSB.

#### Auditors' Responsibilities for Tests of 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 that have a direct effect on the determination of material amounts and disclosures in the DNFSB's financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the DNFSB. We caution that noncompliance may occur and not be detected by these tests.

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

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 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 GAGAS in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements and other matters is not suitable for any other purpose.

### **DNFSB's Comments**

The DNFSB's comments on this report are included in Attachment A. The DNFSB concurred with our report.

*SiKich CPA LLC*

Alexandria, VA  
December 6, 2024

**DEFENSE NUCLEAR FACILITIES  
SAFETY BOARD**

Washington, DC 20004-2901



November 22, 2024

Hruta Virkar, CPA  
Assistant Inspector General for Audits and Evaluations  
Office of the Inspector General  
U.S. Nuclear Regulatory Commission

RE: Defense Nuclear Facilities Safety Board Comments on the Reports on the Audits of the  
Financial Statements and on Internal Control over Financial Reporting

Dear Ms. Virkar,

The DNFSB appreciates you and your team's efforts in conducting the FY 2024 Defense Nuclear  
Facilities Safety Board (DNFSB) Financial Statements and Internal Control over Financial  
Reporting audits.

DNFSB management concurs with the results of the audit and is pleased with the unmodified  
audit opinion with no material weaknesses or significant deficiencies and no material non-  
compliance with laws and regulations. This result reflects DNFSB's commitment to sound  
financial management and accountability and to delivering accurate, high-quality financial  
information to the American taxpayer.

We appreciate the collaborative approach taken by the Office of the Inspector General (OIG)  
audit team throughout the process and the diligence of the OIG in conducting its audit.

Sincerely,

Mary J. Buhler  
Executive Director of Operations