DEFENSE NUCLEAR FACILITIES SAFETY BOARD
WASHINGTON, D.C. 20004-2901

OFFICE OF THE INSPECTOR GENERAL

December 21, 2020

MEMORANDUM TO: Acting Chairman Thomas A. Summers

FROM: Robert J. Feitel
Inspector General

Robert J. Feitel

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Date: 2020.12.21 15:41:32 -05'00'

SUBJECT: RESULTS OF THE AUDIT OF THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD'S FINANCIAL STATEMENTS FOR FISCAL YEAR 2020 (DNFSB-21-A-03)

The Accountability for Tax Dollars Act of 2002 (ATDA) requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the Defense Nuclear Facilities Safety Board's (DNFSB) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) retained CliftonLarsonAllen (CLA) to conduct this annual audit. Transmitted with this memorandum is CLA's audit report. CLA examined DNFSB's Fiscal Year (FY) 2020 Agency Financial Report, which includes financial statements for FY 2020. CLA's audit report contains the following reports:

- Opinion on the Financial Statements.
- Opinion on Internal Control over Financial Reporting.
- Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements.

Objective of a Financial Statement Audit

The objective of a financial statement audit is to determine whether the audited entity's financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

CLA's audit included, among other things, obtaining an understanding of DNFSB and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; and testing relevant internal

controls over financial reporting. Because of inherent limitations in internal controls, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of any internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

FY 2020 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion.

Internal Control over Financial Reporting

- Unmodified opinion with significant deficiency

Compliance with Laws and Regulations

- No instances of noncompliance noted.

OIG Oversight of CLA's Performance

To fulfill our responsibilities under the *CFO Act* and related legislation for ensuring the quality of the audit work performed, we monitored CLA's audit of DNFSB's FY 2020 financial statements by:

- Reviewing CLA's audit approach and planning.
- Evaluating the qualifications and independence of CLA's auditors.
- Monitoring audit progress at key points.
- Examining the working papers related to planning and performing the audit and assessing DNFSB's internal controls.
- Reviewing CLA's audit report to ensure compliance with Government Auditing Standards and Office of Management and Budget Bulletin No. 19-03.
- Coordinating the issuance of the audit report.
- Performing other procedures deemed necessary.

CLA is responsible for the attached auditor's report, dated December 16, 2020, and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight,

as differentiated from an audit in conformance with Government Auditing Standards, was not intended to enable us to express an opinion, and accordingly we do not express an opinion on:

- DNFSB's financial statements.
- Effectiveness of DNFSB's internal control over financial reporting.
- DNFSB's compliance with laws, regulations, contracts, and grant agreements.

However, our monitoring review, as described above, disclosed no instances where CLA did not comply, in all material respects, with applicable auditing standards.

Meeting with the Chief Financial Officer

At the exit conference on December 17, 2020, representatives of the Office of the Chief Financial Officer, OIG, and CLA discussed the results of the audit.

Comments of the Chief Financial Officer

In his response, the General Manager agreed with the report. The full text of his response follows this report.

We appreciate the DNFSB staff's cooperation.

Attachment: As stated

cc: Board Member Roberson
Board Member Connery
G. Sklar, General Manager
T. Reddish, Deputy General Manager

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

To: Inspector General
United States Nuclear Regulatory Commission

Acting Chairman
Defense Nuclear Facilities Safety Board

In our audit of the fiscal years (FYs) 2020 and 2019 financial statements of the Defense Nuclear Facilities Safety Board (DNFSB), we found:

- DNFSB's financial statements as of and for the fiscal years ended September 30, 2020 and 2019, are presented fairly, in all material respects, in accordance with United States of America (U.S.) generally accepted accounting principles;
- Although internal controls could be improved, DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020; and
- No reportable noncompliance for FY 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested and no other matters.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, required supplementary information (RSI)[1], and other information (OI)[2] included in the financial statements; (2) our report on compliance with laws, regulations, contracts, and grant agreements and other matters; and (3) DNFSB management's response to the findings and recommendations.

Report on the Financial Statements and on Internal Control over Financial Reporting

In accordance with our contract with NRC's Office of Inspector General, we have audited DNFSB's financial statements in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-03). DNFSB's financial statements comprise the balance sheets as of September 30, 2020, and 2019; the related statements of net cost, changes in net position, and budgetary resources for the years then ended; and the related notes to the financial statements. We also have audited DNFSB's internal control over financial reporting as of September 30, 2020, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA). We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

[1] The RSI consists of Management's Discussion and Analysis (MD&A), which is included with the financial statements.
[2] Other Information consists of all the other information included in the DNFSB agency financial report except for the financial statements, the auditors' report, and the RSI.

Management's Responsibility

DNFSB management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditors' report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of 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) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA; and (6) its assessment included in the MD&A about the effectiveness of internal control over financial reporting as of September 30, 2020.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on DNFSB's internal control over financial reporting based on our audits. *Government Auditing Standards* require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures to RSI and OI included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the auditors' assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgement, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also includes obtaining an understanding of internal control over financial reporting and evaluating and testing the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered DNFSB's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We did not evaluate all internal controls relevant to operating objectives as broadly established under FMFIA, such as those controls relevant to preparing performance information and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. Our internal control testing was for the purpose of expressing an opinion on whether effective internal control over financial reporting was maintained, in all material respects. Consequently, our audit may not identify all deficiencies in internal control over financial reporting.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Definition and Inherent Limitations of Internal Control over Financial Reporting

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

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

Opinion on Financial Statements

In our opinion, DNFSB's financial statements present fairly, in all material respects, DNFSB's financial position as of September 30, 2020 and 2019, and its net cost of operations, changes in net position, and budgetary resources for the FYs then ended in accordance with U.S. generally accepted accounting principles.

However, misstatements may nevertheless occur in unaudited financial information reported internally or externally by the DNFSB as a result of the internal control deficiencies described in this report.

Opinion on Internal Control over Financial Reporting

In our opinion, although certain internal controls could be improved, DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2020, based on criteria established under FMFIA.

As discussed below and in more detail in Exhibit A, our 2020 audit identified a significant deficiency in DNFSB's internal control over financial reporting[3]. We considered this significant deficiency in determining the nature, timing, and extent of our audit procedures on DNFSB's FY 2020 financial statements.

[3] 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

Although the significant deficiency in internal control did not affect our opinion on DNFSB's FY 2020 financial statements, misstatements may occur in unaudited financial information reported internally and externally by DNFSB because of this significant deficiency.

During our FY 2020 audits, we also identified other deficiencies in DNFSB's internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant DNFSB management's attention. We have communicated these matters to DNFSB management and, where appropriate, will report on them separately.

Other Matters

Required Supplementary Information

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

Other Information

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. In addition, management has included references to information on websites or other data outside of the Annual Management Report. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on DNFSB's financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

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

In connection with our audit of DNFSB's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditors' responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with *Government Auditing Standards*. However, providing an opinion on compliance was not an objective of our audit, and accordingly, we do not express such an opinion.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to DNFSB that have a direct effect on the determination of material amounts and disclosures in DNFSB's financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to DNFSB.

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters for FY 2020 that would be reportable under *Government Auditing Standards*. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to DNFSB. Accordingly, we do not express such an opinion.

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

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

DNFSB Management's Response to the Findings and Recommendations

DNFSB's response to the finding and recommendations identified in our report is included in Exhibit C. In their response DNFSB concurs with the deficiencies in financial reporting. We did not audit NRC's response, and accordingly, we express no opinion on it.

Status of Prior Year's Control Deficiency

We have reviewed the status of DNFSB's corrective actions with respect to the finding and recommendation included in the prior year's Independent Auditors' Report, dated December 17, 2019. The status of the prior year finding is presented in Exhibit B.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
December 16, 2020

Independent Auditors' Report (Continued)
Exhibit A
Significant Deficiency

Improve Controls over Financial Reporting

Criteria

1. OMB Circular A-136, *Financial Reporting Requirements*, revised on August 27, 2020, Section I.5, Submission Deadlines, states the following:

   > Interim Financial Statements. Agencies must submit unaudited interim financial statements 21 business days after the end of the third quarter of the fiscal year and unaudited interim notes 45 business days after the end of the third quarter.

2. Government Accountability Office's (GAO's) Standard for Internal Control in the Federal Government (Green Book), section 0V4.08, Documentation Requirements, states, in part:

   > Documentation is a necessary part of an effective internal control system…Documentation is required for the effective design, implementation, and operating effectiveness of an entity's internal control system…

3. GAO's Standard for Internal Control in the Federal Government (Green Book), section 10.10, Design of Appropriate Types of Control Activities, states, in part:

   > Transaction control activities are actions built directly into operational processes to support the entity in achieving its objectives and addressing related risks. 'Transactions' tends to be associated with financial processes (e.g., payable transactions), while 'activities' is more generally applied to operational or compliance processes. For the purposes of this standards, "transactions" covers both definitions. Management may design a variety of transaction control activities for operational processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities.

Condition

Review and reconciliation controls and tasks over financial reporting were deficient resulting in financial statements and notes not completed accurately and timely. We noted the following:

1. Notes to the financial statements were not prepared as part of the June 30, 2020 (interim) reporting.
2. The June 30, 2020 Fund Balance with Treasury Governmentwide Accounting (GWA) to general ledger reconciliation was not prepared.
3. The June 30, 2020 capitalized assets to general ledger reconciliation was not performed adequately as it was missing the FY 2019 and FY 2020 Property Plant and Equipment (PP&E) additions.
4. The September 30, 2020 capitalized assets to general ledger reconciliation included all PP&E additions but did not include depreciation expense or accumulated depreciation for FY20 additions.
5. A significant reconciling item on the September 30, 2020 unfunded leave liability reconciliation was not resolved on a timely basis. DNFSB did not request a detailed leave accrual list from the Department of Agriculture National Finance Center service provider as of September 30, 2020 and as a result the leave accrual was estimated to meet the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) reporting deadline and finish the financial statements. The estimate was determined to be significantly understated when the detail list was later provided and a top side entry was

required to properly state unfunded leave liability and expense when CLA brought the significance of the amount to DNFSB management's attention.

6. The September 30, 2020 financial statements and notes provided by DNFSB were not adequately reviewed by DNFSB on a timely basis as the financial statements did not properly account for prior year audit adjustments, had footing and rounding errors, and other errors which CLA communicated to DNFSB and DNFSB corrected. Furthermore, there were multiple versions of the financials provided and the agency financial report (AFR) was not provided until December 2, 2020 which delayed the audit.

Cause

Some critical financial reporting tasks and reconciliation controls were not completed accurately or timely due to personnel resource challenges and employee turnover.

Effect

The risk of material misstatement of the financial statements is increased when key reconciliation controls are not performed on a monthly basis and financial statements and related notes are not properly reviewed. The review process surrounding the reconciliations of Fund Balance with Treasury, capitalized assets, and unfunded leave liability, as well as, the preparation of financial statements and notes were inadequate as the controls were not performed sufficiently and errors were not detected and corrected timely. FY 2020 expense was understated and unexpended appropriations-cumulative was overstated by $30 thousand because DNFSB did not properly account for a FY 2019 prior year on top adjustment in the general ledger until CLA brought the issue to management's attention. Additionally, unfunded leave liability for FY 2020 was understated by approximately $260 thousand based on the reconciliation of the detail list of accrued leave and the general ledger balance and was not adjusted until CLA brought the significance of the amount to DNFSB management's attention.

Recommendations

CLA recommends that the DNFSB:

1. Develop a plan to improve the financial reporting controls and process, including identifying and training back up staff, so that financial statements and the related notes are properly prepared and reviewed at interim and year-end on a timely basis; and
2. Prepare and review all key financial statement reconciliations and resolve significant reconciling items on a monthly basis.

Independent Auditors' Report (Continued)
Exhibit B
Status of Prior Year Finding

Prior Finding	Recommendation	Current Status
Deobligate Aged Undelivered Orders on a Timely Basis (Significant Deficiency)	1. Develop a plan to ensure funds are de-obligated timely.	Progress was made and the finding was classified as a management letter comment in FY 2020.

Independent Auditors' Report (Continued)
Exhibit C
Management's Response to Findings and Recommendations

DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Washington, DC 20004-2901

December 16, 2020

MEMORANDUM TO: Brett M. Baker
Assistant Inspector General for Audits
Office of the Inspector General
Nuclear Regulatory Commission

FROM: Glenn Sklar *Glenn Sklar*
General Manager

SUBJECT: Audit of the Fiscal Years' 2020 and 2019 Financial Statements

This memorandum responds to the audit report of the Defense Nuclear Facilities Safety Board's (DNFSB) fiscal years' 2020 and 2019 financial statements, provided on December 16, 2020.

DNFSB concurs with the findings and we are working to implement the recommendations.

We appreciate the work of the auditors, CliftonLarsonAllan LLP (CLA), who worked under contract to the Nuclear Regulatory Commission's Office of Inspector General.

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

GENERAL FUND

FINANCIAL STATEMENTS

As Of And For The Years Ended September 30, 2020 and 2019

Defense Nuclear Facilities Safety Board

BALANCE SHEET

As Of September 30, 2020 and 2019

		2020	2019
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	$ 18,053,089.07	$ 20,290,799.53
Total Intragovernmental		18,053,089.07	20,290,799.53
Accounts Receivable, net	(Note 3)	65,716.00	21,117.22
General Property, Plant and Equipment, Net	(Note 4)	269,665.42	109,496.90
Total Assets		$ 18,388,470.49	$ 20,421,413.65
Liabilities:	(Note 5)		
Intragovernmental:			
Accounts Payable		$ 187,991.10	$ 457,972.49
Other:	(Note 8)		
Employer Contributions and Payroll Taxes Payable		200,665.79	136,147.94
Total Intragovernmental		388,656.89	594,120.43
Accounts Payable		459,098.22	558,575.17
Other:	(Note 8)		
Accrued Funded Payroll and Leave		725,858.94	534,616.92
Employer Contributions and Payroll Taxes Payable		34,384.64	25,569.01
Unfunded Leave		1,555,960.49	1,153,649.53
Total Liabilities		$ 3,163,959.18	$ 2,866,531.06
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		16,506,626.38	18,577,918.00
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		$ (1,282,115.07)	$ (1,023,035.41)
Total Net Position - All Other Funds (Consolidated Totals)		15,224,511.31	17,554,882.59
Total Net Position		$ 15,224,511.31	$ 17,554,882.59
Total Liabilities and Net Position		$ 18,388,470.49	$ 20,421,413.65

The accompanying notes are an integral part of these statements.

Defense Nuclear Facilities Safety Board
STATEMENT OF NET COST

As Of And For The Years Ended September 30, 2020 and 2019

		2020	2019
Program Costs:			
DNFSB:			
Gross Costs		$ 31,061,671.12	$ 26,853,936.69
Net Program Costs	(Note 11)	31,061,671.12	26,853,936.69
Net Cost of Operations		$ 31,061,671.12	$ 26,853,936.69

The accompanying notes are an integral part of these statements.

Defense Nuclear Facilities Safety Board

STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2020 and 2019

FY 2020 (Current Year)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance		$ 18,577,918.00		$ 18,577,918.00
Beginning balance, as adjusted		18,577,918.00		18,577,918.00
Budgetary Financing Sources:				
Appropriations received		31,000,000.00		31,000,000.00
Other Adjustments (+/-)		(3,245,975.12)		(3,245,975.12)
Appropriations used		(29,825,316.50)		(29,825,316.50)
Total Budgetary Financing Sources		(2,071,291.62)		(2,071,291.62)
Total Unexpended Appropriations		16,506,626.38		16,506,626.38
Cumulative Results from Operations				
Beginning Balances		$ (1,023,035.41)		$ (1,023,035.41)
Beginning balances, as adjusted		(1,023,035.41)		(1,023,035.41)
Budgetary Financing Sources:				
Appropriations used		29,825,316.50		29,825,316.50
Other Financing Sources (Nonexchange):				
Imputed Financing		977,274.96		977,274.96
Total Financing Sources		30,802,591.46		30,802,591.46
Net Cost of Operations		31,061,671.12		31,061,671.12
Net Change		(259,079.66)		(259,079.66)
Cumulative Results of Operations		(1,282,115.07)		(1,282,115.07)
Net Position		$ 15,224,511.31		$ 15,224,511.31

The accompanying notes are an integral part of these statements.

Defense Nuclear Facilities Safety Board

STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2020 and 2019

FY 2019 (Prior Year)

	Funds From Dedicated Collections (Consolidated Totals)	All Other Funds (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance		$ 13,561,932.50		$ 13,561,932.50
Beginning balance, as adjusted		13,561,932.50		13,561,932.50
Budgetary Financing Sources:				
Appropriations received		31,000,000.00		31,000,000.00
Other Adjustments (+/-)		(118,188.55)		(118,188.55)
Appropriations used		(25,865,825.95)		(25,865,825.95)
Total Budgetary Financing Sources		5,015,985.50		5,015,985.50
Total Unexpended Appropriations		18,577,918.00		18,577,918.00
Cumulative Results from Operations				
Beginning Balances		$ (971,750.39)		$ (971,750.39)
Beginning balances, as adjusted		(971,750.39)		(971,750.39)
Budgetary Financing Sources:				
Appropriations used		25,865,825.95		25,865,825.95
Other Financing Sources (Nonexchange):				
Imputed Financing		936,825.72		936,825.72
Total Financing Sources		26,802,651.67		26,802,651.67
Net Cost of Operations		26,853,936.69		26,853,936.69
Net Change		(51,285.02)		(51,285.02)
Cumulative Results of Operations		(1,023,035.41)		(1,023,035.41)
Net Position		$ 17,554,882.59		$ 17,554,882.59

The accompanying notes are an integral part of these statements.

Defense Nuclear Facilities Safety Board
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2020 and 2019

		2020 Budgetary	2019 Budgetary
Budgetary resources:			
Unobligated balance from prior year budget authority, net (discretionary and mandatory)		$ 10,297,820.84	$ 9,986,424.38
Appropriations (discrectionary and mandatory)		31,000,000.00	31,000,000.00
Total budgetary resources		$ 41,297,820.84	$ 40,986,424.38
Status of budgetary resources:			
New obligations and upward adjustments (total)	(Note 12)	27,332,198.95	$ 28,408,803.95
Unobligated balance, end of year:			
Apportioned, unexpired account		12,423,989.82	7,996,075.65
Unapportioned, unexpired accounts		212,484.58	343,252.58
Unexpired unobligated balance, end of year		12,636,474.40	8,339,328.23
Expired unobligated balance, end of year		1,329,147.49	4,238,292.20
Unobligated balance, end of year (total)		13,965,621.89	12,577,620.43
Total budgetary resources		$ 41,297,820.84	$ 40,986,424.38
Outlay, net:			
Outlays, net (total) (discretionary and mandatory)		$ 29,991,735.34	$ 25,959,009.37
Agency outlays, net (discretionary and mandatory)		$ 29,991,735.34	$ 25,959,009.37

The accompanying notes are an integral part of these statements.

Financial Statement Notes

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

GENERAL FUND

Note 1 – Significant Accounting Policies

(a) Reporting Entity

The Board is an independent Federal government agency with responsibility for the oversight of DOE's defense nuclear facilities located throughout the United States. The Board is directed by a Chairman and four other members appointed by the President. The Board's mission as described by the Atomic Energy Act of 1954, as amended, is to "provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of the Secretary as operator and regulator of the defense nuclear facilities of the Department of Energy (DOE), in providing adequate protection of public health and safety at such defense nuclear facilities."

(b) Basis of Presentation

These financial statements have been prepared from the accounting records of the Board in accordance with generally accepted accounting principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board (FASAB) and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. GAAP for Federal entities is the hierarchy of accounting principles prescribed in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards No. 91, *Federal GAAP Hierarchy*.

Circular A-136 requires agencies to prepare principal statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2020, amounts of future economic benefits owned or managed by the Board (assets), amounts owed by the Board (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the Board's operations and the Statement of Budgetary Resources reports Board's budgetary activity.

(c) Basis of Accounting

Transactions are recorded on the accrual accounting basis in accordance with OMB Circular A-136. Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(d) Revenues and Other Financing Sources

The Board receives its funding needed to support its activities through annual congressional appropriations. FY 2020 and FY 2019 appropriated funds are available for obligation until September 30, 2021 and September 30, 2020, respectively (i.e., two year funds). None of the appropriations is a "funds from dedicated collections" fund. An imputed financing source is recognized to offset costs incurred by the Board and funded by another Federal source (see Notes 1(i), 7 and 8).

(e) Assets and Liabilities

Intra-governmental assets and liabilities arise from transactions between the Board and other Federal entities.

Funds with the U.S. Treasury compose the majority of assets on the Board's balance sheet. All other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by the Board as a result of transactions that have already occurred. The accounts payable portion of liabilities consist of amounts owed to federal agencies and commercial vendors for goods, services, and other expenses received but not yet paid.

Liabilities covered by budgetary or other resources are those liabilities of the Board for which Congress has appropriated funds, or funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts. The liquidation of liabilities not covered by budgetary or other resources is dependent on future congressional appropriations or other funding.

(f) Fund Balance with the U.S. Treasury

The U.S. Treasury processes the Board's receipts and disbursements. Funds with the U.S. Treasury are cash balances from appropriations as of the fiscal year-end from which the Board is authorized to make expenditures and pay liabilities resulting from operational activity.

(g) Property, Plant, and Equipment (PPE)

PPE consists of capitalized equipment, furniture and fixtures, and software. There are no restrictions on the use or convertibility of property, plant, or equipment.

The Board capitalizes PPE with a useful life of at least two years and individually costing more than $10,000 ($25,000 for leasehold improvements). Bulk purchases of lesser value items are capitalized when the cost is $25,000 or greater.

Assets are depreciated on a straight-line basis over the estimated used life of the property. Information Technology (IT) equipment and software is depreciated over a useful life of three years. All other equipment is depreciated over a five year useful life. Furniture and fixtures are depreciated over a five year useful life and leasehold improvements over a ten year useful life.

The Board owns no land and leases its office space via the General Services Administration (GSA). The lease costs approximate commercial lease rates for similar properties.

(h) Annual, Sick, and Other Leave

Annual leave is recognized as an expense and a liability as it is earned; the liability is reduced as leave is taken. The accrued leave liability is principally long-term in nature. Sick leave and other types of leave are expensed as leave is taken.

(i) Federal Employee Benefits

The Board recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render service to the Board. The pension expense recognized in the financial statement equals the current service cost for the Board's employees for the accounting period less the amount contributed by the employees. The Office of Personnel Management (OPM), the administrator of the plan, supplies the Board with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense represents the amount being financed directly by OPM. This amount is considered imputed financing to the Board (see Note 7).

The Board recognizes a current-period expense for the future cost of post-retirement health benefits and life insurance for its employees while they are still working. The Board accounts for and reports this expense in a manner similar to that used for pensions, with the exception that employees and the Board do not make current contributions to fund these future benefits.

Federal employee benefit costs paid by OPM and imputed to the Board are reported as a resource on the Statement of Changes in Net Position.

(j) Contingencies

The Board has no material pending claims or lawsuits against it. Management believes that losses from other claims or lawsuits, not yet known to management, are possible, but would not likely be material to the fair presentation of the Board's financial statements. Thus, there is no provision for such losses in its statements. The Board has not entered into any contractual arrangements which may require future financial obligations.

Note 2 – Funds Balance with the U.S. Treasury

The Board's funds with the U.S. Treasury consist only of appropriated funds. The status of these funds as of September 30, 2020 and 2019 are as follows:

A. Fund Balance with Treasury	2020		2019
General Fund	$ 18,053,089.07		$ 20,290,799.53
B. Status of Fund Balance with Treasury			
1) Unobligated Balance			
a) Available	$ 12,423,989.82		$ 7,996,075.65
b) Unavailable	$ 1,541,632.07		$ 4,581,544.78
2) Obligated Balance not yet disbursed	$ 4,087,467.18		$ 7,713,179.10
Total	$ 18,053,089.07		$ 20,290,799.53

Note 3 – Accounts Receivable, Net

The direct write-off method is used for uncollectible receivables.

	2020	2019
Accounts Receivable	$ 65,716.00	$21,117.22

Note 4 - General Property, Plant and Equipment, Net

The Board's total cost, accumulated depreciation, and net book value for PPE for the years ending September 30, 2020 and 2019 are as follows.

2020	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	$1,226,563.41	$ 116,832.25	$ 356,658.21	$ -	$ 1,700,053.87
Accum. Depr.	$ (967,459.49)	$(106,270.75)	$(356,658.21)	$ -	$(1,430,388.45)
Net Book Value	$ 259,103.92	$ 10,561.50	$ -	$ -	$ 269,665.42

2019	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	$ 944,744.61	$ 116,832.25	$ 356,658.21	$ -	$ 1,418,235.07
Accum. Depr.	$ (871,408.45)	$ (80,671.51)	$(356,658.21)	$ -	$(1,308,738.17)
Net Book Value	$ 73,336.16	$ 36,160.74	$ -	$ -	$ 109,496.90

Note 5 – Liabilities Not Covered by Budgetary Resources

The liabilities on the Board's Balance Sheets as of September 30, 2020 and 2019 include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of liabilities not covered by budgetary resources as of September 30, 2020 and 2019 is as follows:

	2020		2019
Intragovernmental			
Accounts Payable	$ 187,991.10		$ 457,972.49
Employer Contributions and Payroll Taxes Payable	$ 200,665.79		$ 136,147.94
Total Intragovernmental	$ 388,656.89		$ 594,120.43
With the Public			
Accounts Payable	$ 459,098.22		$ 558,575.17
Accrued Funded Payroll and Leave	$ 725,858.94		$ 534,616.92
Employer Contributions and Payroll Taxes Payable	$ 34,384.64		$ 25,569.01
Unfunded Leave	$ 1,555,960.49		$ 1,153,649.53
Total With the Public	$ 2,775,302.29		$ 2,272,410.63
Total Liabilities	$ 3,163,959.18		$ 2,866,531.06
Total Liabilities not covered by budgetary resources	$ 1,555,960.49		$ 1,153,649.53
Total Liabilities covered by budgetary resources	$ 1,607,998.69		$ 1,712,881.53
Total Liabilities	$ 3,163,959.18		$ 2,866,531.06

Note 6 - Intragovernmental Liabilities

Intragovernmental liabilities arise from transactions with other federal entities. As of September 30, 2020, the Board had accounts payable intragovernmental liabilities of $187,991.10: With GSA ($34,582.41), the Department of Homeland Security ($135,508.69), and DOD ($17,900.00). As of September 30, 2019, the Board had accounts payable intragovernmental liabilities $457,972.49: With the Department of Agriculture ($52,851.73), GSA ($189,113.74), Federal Mediation and Conciliation Service ($15,000.00) and the Department of Homeland Security ($201,007.02). Employee benefits are the amounts owed to OPM and Treasury as of September 30, 2020 and 2019 for Federal Employees Health Benefits Program (FEHBP), Federal Employees' Group Life Insurance Program (FEGLIP), Federal Insurance Contributions Act (FICA), Federal Employees Retirement System (FERS), and Civil Service Retirement System (CSRS) contributions (reference Note 7).

Note 7 – Federal Employee Benefits

All permanent employees participate in the contributory CSRS or FERS. FERS employees are covered under FICA. To the extent that employees are covered by FICA, the taxes they pay to the program and the benefits they will eventually receive are not recognized by the Board's financial statements. The Board makes contributions to CSRS, FERS, and FICA and matches certain employee contributions to the thrift savings component of FERS. All of these payments are recognized as operating expenses.

In addition, all permanent employees are eligible to participate in the contributory FEHBP and FEGLIP and may continue to participate after retirement. The Board makes contributions through OPM to FEHBP and FEGLIP for active employees to pay for current benefits; these contributions are recognized as operating expenses. The Board does not report on its financial statements these programs' assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of OPM; however, the financing of these costs by OPM and imputed to the Board are reported on the Statement of Changes in Net Position.

Employee benefits liabilities are current (versus non-current liabilities).

Note 8– Other Liabilities

Other liabilities with the public for the years ended September 30, 2020 and 2019 consist of Accrued Funded Payroll and Leave, Employer Contributions and Payroll Taxes Payable, and Unfunded Leave in the amounts shown below. Other Intragovernmental liabilities consist of Employer Contributions and Payroll Taxes Payable and Worker's Compensation Liability.

	FY 2020		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	$ -	$200,665.79	$ 200,665.79
Total Intragovernmental	$ -	$200,665.79	$ 200,665.79
Liabilities with the Public			
Accrued Funded Payroll & Leave	$ -	$725,858.91	$ 725,858.91
Employer Contributions and Payroll Taxes Payable	$ -	$ 34,384.64	$ 34,384.64
Unfunded Leave	$ 1,555,960.49	$ -	$ 1,555,960.49
Total Liabilities with the Public	$ 1,555,960.49	$760,243.55	$ 2,316,204.04
Total Other Liabilities	$ 1,555,960.49	$960,909.34	$ 2,516,869.83

	FY 2019		
	Non-Current	Current	Total
Intragovernmental			
Employer Contributions and Payroll Taxes Payable	$ -	$136,147.94	$ 136,147.94
Total Intragovernmental	$ -	$136,147.94	$ 136,147.94
Liabilities with the Public			
Accrued Funded Payroll & Leave	$ -	$534,616.92	$ 534,616.92
Employer Contributions and Payroll Taxes Payable	$ -	$ 25,569.01	$ 25,569.01
Unfunded Leave	$ 1,153,649.53	$ -	$ 1,153,649.53
Total Liabilities with the Public	$ 1,153,649.53	$560,185.93	$ 1,713,835.46
Total Other Liabilities	$ 1,153,649.53	$696,333.87	$ 1,849,983.40

Note 9 – Workers' Compensation

The Federal Employees' Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational

disease. Claims incurred for benefits for Board employees under FECA are administered by the Department of Labor and are paid, ultimately, by the Board.

The Board recorded an estimated liability for claims incurred, but not paid as of September 30, 2020, and 2019, respectively, as follows:

	FY 2020	FY 2019
Worker's Compensation	$0.00	$0.00

Note 10 – Leases

The Board has not entered into any existing capital leases and thus has incurred no liability resulting from such leases. The Board has also not directly entered into any operating leases, but does have an occupancy agreement with GSA for its headquarters space (GSA has an operating lease with the building owner, the costs of which are billed to the Board). Annual lease costs for office space for FY 2020 and FY 2019 amounted to $2,923,380.02, and $2,951,294.92, respectively. The Board entered into a new ten year occupancy agreement effective March 8, 2016 which is due to expire on March 7, 2026. Estimated future lease payments under the terms of the occupancy agreement are as follows:

Fiscal Year Ending September 30	Payment
2021	$ 3,189,085.00
2022	$ 3,236,889.00
2023	$ 3,286,123.00
2024	$ 3,336,831.00
2025	$ 3,389,056.00
2026 until March 7, 2026	$ 1,328,624.00
Total Estimated Future Lease Payments	$ 17,766,608.00

Note 11 – Costs and Exchange Revenue

The portion of the Board's program costs (note as the Board earns no revenue from its operations, gross and net costs are identical) related to Intragovernmental Costs and Costs with the Public are shown as follows. Intragovernmental Costs are costs incurred from exchange transactions with other federal entities (e.g., building lease payments to GSA). Costs with the Public are incurred from exchanged transactions with non-federal entities (i.e., all other program costs).

	Intragovernmental Costs	Costs with the Public	Total Program Costs
FY 2020	$9,146,338.18	$21,915,332.94	$31,061,671.12
FY 2019	$8,135,888.58	$18,718,048.11	$26,853,936.69

The Board's program costs/net cost of operations by OMB Object Class (OC) are as follows:

OC	Description	FY 2020	FY 2019
11	Personnel Compensation	$13,963,643.90	$12,545,197.00
12	Personnel Benefits	$5,975,214.90	$4,112,090.98
21	Travel & Transportation of Persons	$303,495.86	$705,482.80
22	Transportation of Things	$26,100.66	$28,591.74
23	Rent, Communications, & Utilities	$3,299,313.48	$3,988,075.18
24	Printing & Reproduction	$8,852.85	$22,895.40
25	Other Contractual Services	$6,672,875.39	$5,136,227.72
26	Supplies & Materials	$210,744.50	$210,278.62
31	Acquisition of Assets	$601,429.58	$105,097.25
	Total	$31,061,671.12	$26,853,936.69

Note 12 – Apportionment Categories of New Obligations and Upward Adjustments: Direct vs. Reimbursable Obligations

The Board is subject to apportionment. All obligations are incurred against Category A (budgetary resources are distributed by fiscal year quarter) amounts apportioned on the latest Standard Form (SF)-132, *Apportionment and Reapportionment Schedule*.

	FY 2020	FY 2019
Direct		
Category A	$ 27,332,198.95	$ 28,408,803.95

Note 13 – Undelivered Orders at the End of the Period

The amount of DNFSB's undelivered orders was $2,479,468.49 and $5,969,529.57 as of September 30, 2020 and 2019, respectively.

	Unpaid Undelivered Orders	Paid Undelivered Orders	Total Undelivered Orders
FY 2020	$ 2,479,468.49	$ -	$ 2,479,468.49
FY 2019	$ 5,969,529.57	$ -	$ 5,969,529.57

Note 14 – Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires an explanation of material differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources to the related actual balances published in the *Budget of the United States Government* (Budget). The Budget that will include FY 2020 actual budgetary execution information is scheduled for publication in February 2021, which will be available through OMB's website at https://www.whitehouse.gov/omb/appendix/ under the "Other Independent Agencies" link. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

Balances reported in the FY 2019 SBR and the related President's Budget reflected the following:

FY 2019	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
Statement of Budgetary Resources	$ 40,986,424.38	$ 28,408,803.95		$ 25,959,009.37
Expired Unobligated Balances	$ (4,248,292.20)			
Budget of the U.S. Government	*$ 36,000,000.00*	*$ 28,000,000.00*		*$ 26,000,000.00*
Difference	$ 738,132.18	$ 408,803.95	$ -	$ (40,990.63)

The difference between the Statement of Budgetary Resources and the *Budget of the United States Government* for budgetary resources, obligations incurred and net outlays are primarily due to rounding.

Note 15 – Reconciliation of Net Cost to Outlays

The Board has reconciled its budgetary obligations and non-budgetary resources available to its net cost of operations.

	Intragovernmental	With the Public	Total
Net Operating Cost (SNC)	$ 9,146,338.18	$ 21,915,332.94	**$ 31,061,671.12**
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation		$ (121,650.28)	$ (121,650.28)
Increase/(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable	$ -	$ 44,598.78	$ 44,598.78
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	$ 269,981.39	$ 99,476.95	$ 369,458.34
Salaries and benefits	$ (64,517.85)	$ (200,057.65)	$ (264,575.50)
Other liabilities (Unfunded leave, unfunded FECA, actuarial FECA)		$ (402,310.96)	$ (402,310.96)
Other financing sources			
Federal employee retirement benefit costs	$ (977,274.96)		$ (977,274.96)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$ (771,811.42)**	**$ (579,943.16)**	**$ (1,351,754.58)**
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Acquisition of capital assets	$ -	$ 281,818.80	$ 281,818.80
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	$ -	**$ 281,818.80**	**$ 281,818.80**
Net Outlays (Calculated Total)	**$ 8,374,526.76**	**$ 21,617,208.58**	**$ 29,991,735.34**
Related Amounts on the Statement of Budgetary Resources			
Outlays, net (SBR Line 4190)			$ 29,991,735.34
Agency Outlays, Net (SBR Line 4210)			**$ 29,991,735.34**