

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

FY 2015 PERFORMANCE AND ACCOUNTABILITY REPORT

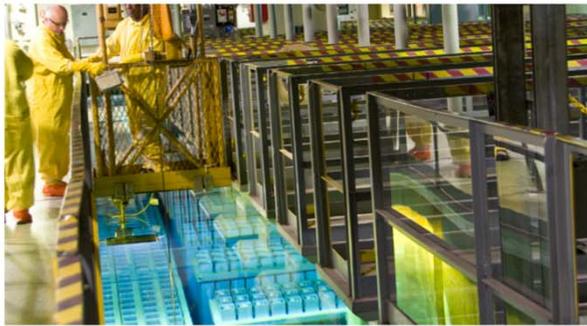


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Chairman's Message

On behalf of the Members and staff of the Defense Nuclear Facilities Safety Board (Board), I am pleased to submit the Board's Performance and Accountability Report (PAR) for Fiscal Year (FY) 2015.

The Board's mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in his role as operator and regulator of Department of Energy (DOE) defense nuclear facilities, in providing adequate protection of public health and safety at such defense nuclear facilities. The Board ensures adequate protection of public health and safety by ensuring the implementation and adequacy of safety standards at DOE defense nuclear facilities and operations. In addition, the Board is obligated by law to conduct reviews of new DOE defense nuclear facilities during both design and construction. Currently, DOE and the National Nuclear Security Administration (NNSA) are pursuing more than a dozen new defense nuclear projects with an estimated value of more than \$20 billion, such as the multi-billion dollar Hanford Waste Treatment and Immobilization Plant (WTP). The design and construction reviews conducted by the Board of DOE facilities are resource intensive and time consuming, but such time-sensitive safety reviews help identify potential safety flaws in design and construction.

The Board also provides a key oversight component of the disassembly, evaluation, maintenance, reassembly, and ultimate dismantlement of nuclear weapons and components. The Board's oversight of those activities is important for preventing the occurrence of serious safety vulnerabilities and tragic accidents in very complex and dangerous DOE defense nuclear facilities that could adversely impact the assurance of adequate protection, as well as our Nation's nuclear deterrent capability.

During FY 2015, the Board continued to make significant progress in ensuring the safety of the public and the workers at or near DOE defense nuclear facilities. For example, the Board held a public hearing and meeting on Safety Culture and Board Recommendation 2011-1 on October 7, 2014 in Washington, DC. This public hearing and meeting marked the third on the topic of Safety Culture and Board Recommendation 2011-1, during which the Board received testimony from DOE Secretary Moniz and other senior DOE officials on the role of DOE leaders in establishing and maintaining a strong safety culture.

The Board held a public hearing and meeting regarding recovery and resumption of operations at the Waste Isolation Pilot Plant (WIPP) on April 29, 2015, in Carlsbad, New Mexico. At the hearing the Board received testimony from 1) senior DOE officials regarding their actions to safely recover the WIPP underground facility from events following a salt haul truck fire and a separate radiological release in February, 2014; 2) testimony from Board staff concerning actions taken by the Board before and after the two accidents along with an update of staff oversight activities; and 3) senior DOE and contractor officials on actions planned, and taken, in the WIPP recovery plan, as well as actions to correct deficiencies in key safety management programs and DOE's strategy for improving the effectiveness of federal oversight of contractor activities. Finally, the Board heard from its staff on proposed Board oversight actions, and then conducted deliberations on those proposed actions.

The Board held another FY 2015 public hearing on August 26, 2015, in Kennewick, WA, on improving safety culture at WTP. The Board received testimony from DOE senior officials regarding the current status of DOE efforts to improve safety culture at WTP, and then received testimony from a senior Board technical staff employee concerning the Board staff's perspective on the status of DOE's execution of the Implementation Plan for Board Recommendation 2011-1, corrective actions taken in response to Board Recommendation 2011-1 at WTP, and the results from the extent of condition reviews conducted by DOE.

FY 2015
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Performance and Accountability Report

The Board is committed to ensuring that public resources in its trust are used wisely. I am very pleased to report that FY 2015 marked the ninth consecutive year that the Board's unmodified (i.e., "clean") opinion on its financial statements was coupled with no instances of non-compliance with laws and regulations and no financial material internal control weaknesses. Office of Management and Budget (OMB) Circular A-136 requires an assessment of the completeness and reliability of the program performance and financial data contained in this report. I conclude that the financial data is complete and reliable. I also conclude that the program performance data is complete and provides accurate information. In addition, the Federal Managers Financial Integrity Act (FMFIA) requires an assessment of internal controls. This assessment, which can be found on page 16 of this report, provides reasonable assurance that internal controls are operating effectively.

The future holds many challenges for the Board, both in terms of technically complex health and safety issues involving nuclear weapons operations; the stabilization and clean-up work at many defense nuclear sites; high-visibility decommissioning activities; as well the review of new DOE defense nuclear facilities in the critical design and construction phases.

The Board remains committed to improving DOE's management of safety at our country's most sensitive defense nuclear facilities where our nuclear arsenal is maintained and where hazardous nuclear materials and components must be stored in secure and stable configurations. Our standard of excellence in carrying out this important mission will mirror the best of American excellence, values, and ideals. Our nation deserves nothing less.


Joyce L. Connery
Chairman
November 25, 2015

Chapter 1 Management's Discussion and Analysis

INTRODUCTION

This Performance and Accountability Report (PAR) summarizes the Board's oversight activities and associated resource expenditures for the period from October 1, 2014 through September 30, 2015 (FY 2015). This report was prepared pursuant to the requirements of the Accountability of Tax Dollars Act of 2002 and OMB Circular A-136, which provides instructions on the preparation of a PAR. FY 2015 is the 12th year that the Board has prepared and published a PAR.

The Government Performance and Results Act of 1993 (GPRA) and the GPRA Modernization Act of 2010 require each agency to prepare and submit a strategic plan establishing long-term programmatic, policy, and management goals. The Board's Strategic Plan for FY 2014-2018 is available on the Internet at www.dnfsb.gov. Agencies are also required to develop a performance budget with annual performance objectives that indicate the progress toward achievement of the strategic plan's goals and objectives. The Board's performance objectives for FY 2016 and FY 2017, as well as accomplishments for FY 2012 through 2015, will be included in its FY 2017 Budget Request to the Congress in accordance with the requirements of OMB Circular A-11. For FY 2015, the GPRA requirement to submit an annual performance report is satisfied by this PAR. The Board also published its "Twenty-Fifth Annual Report to Congress" on March 11, 2015, which highlighted achievements of the Board from Calendar Year 2014.

Chapter 1, *Management's Discussion and Analysis*, provides an overview of Board operations and is divided into five sections: *About the Defense Nuclear Facilities Safety Board* describes the agency's mission and organizational structure; *Future Challenges* includes a review of upcoming issues; *Program Performance Overview* discusses the Board's success in accomplishing its performance goals; *Financial Performance Overview* provides highlights of the Board's financial position and audit results; and *Systems, Controls, and Legal Compliance* describes the agency's compliance with key legal requirements such as the FMFIA and the Inspector General Act of 1978.

ABOUT THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD

The Board is an independent executive branch agency whose mission is to:

Provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in his/her role as operator and regulator of DOE defense nuclear facilities, in providing adequate protection of public health and safety at such defense nuclear facilities.

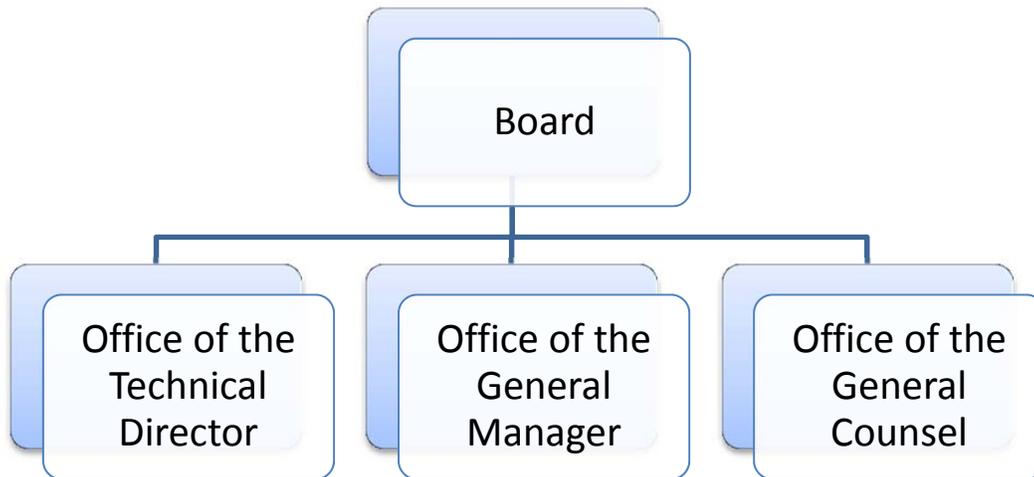
Congress established the Board in September 1988 in response to growing concerns about the level of health and safety protection that DOE was providing the public and workers at defense nuclear facilities. Congress sought to provide the public with added assurance that the defense nuclear facilities required to maintain the Nation's nuclear weapons stockpile are being safely designed, constructed, operated, and decommissioned. Since DOE is a self-regulating entity, the Board performs the only independent technical safety oversight of operations at DOE's defense nuclear facilities. The Board commenced operations in October 1989 with the Senate confirmation of the first five Board Members. Under its legislative mandate, the Board plays a key role in maintaining the future viability of the Nation's nuclear deterrent capability by:

- Ensuring that the health and safety of the public and workers¹ at DOE defense nuclear facilities are adequately protected, as DOE supports the readiness of the nuclear arsenal, dismantles surplus weapons, disposes of excess radioactive materials, cleans up surplus defense nuclear facilities, and constructs new defense nuclear facilities;
- Enhancing the safety and security of the Nation’s most sensitive defense nuclear facilities when hazardous nuclear materials and components are placed in more secure and stable storage; and
- Providing for the early identification of health and safety vulnerabilities, and allowing the Secretary of Energy to address issues before they become major problems.

Organization

The Board is composed of five full-time Board Members who, by statute, must be respected experts in the field of nuclear safety with a demonstrated competence and knowledge relative to independent investigations and oversight. Two Members of the Board are designated by the President to serve as Chairman and Vice Chairman. Each Board Member is appointed by the President, with the advice and consent of the Senate, and serves a term of five years. The Chairman serves as the Chief Executive Officer of the Board.

The Board’s health and safety oversight activities are funded exclusively from a direct appropriation included in the annual Energy and Water Development Appropriations Act. The Board is composed of a budgeted staff of 115 positions (excluding the five Board members) arranged in a relatively flat management structure.



More than 80 FTEs are assigned to the Office of the Technical Director (OTD), where they directly carry out the mission of the Board, supported by the Office of the General Manager (OGM) and the Office of the General Counsel (OGC). The Board maintains on-site safety oversight of defense nuclear facilities by

¹ The Board’s 1991 Annual Report to Congress states the following: “The various provisions of the statute and their attendant legislative history indicate that Congress generally intended the phrase ‘public health and safety’ to be construed broadly. For example, both Congress and the Board have interpreted the public to include workers at defense nuclear facilities.”

assigning experienced technical staff members to full-time duty at priority DOE defense nuclear sites. As of September 30, 2015, nine full-time site representatives were stationed at the following DOE sites:

- Hanford Site (2)
- Los Alamos National Laboratory (LANL) (2)
- Pantex Plant (1)
- Savannah River Site (SRS) (2)
- Y-12 National Security Complex (2)

The Site Representative Program provides a cost-effective means for the Board to closely monitor DOE activities, and to identify health and safety concerns promptly by having on-site staff conducting firsthand assessments of nuclear safety management at the priority sites to which they have been assigned. Site representatives regularly interact with the public, union members, congressional staff members, and public officials from federal, state, local, and tribal governments.

FUTURE CHALLENGES

The Board is facing a number of significant challenges that impact the accomplishment of its independent health and safety oversight mission. First, the Board issued Recommendation 2014-1, *Emergency Preparedness and Response*, on September 3, 2014. This recommendation identified problems with emergency preparedness and response of DOE sites with defense nuclear facilities and made recommendations on DOE actions to address weaknesses in its oversight capabilities and its directives. DOE accepted the recommendation and issued an implementation plan on April 24, 2015. The Board will be monitoring actions taken as part of the implementation plan and performing focused reviews at major DOE defense nuclear sites.

Second, the Board needs to continue its oversight of operations throughout the DOE defense nuclear complex to ensure operations are conducted safely. These operations include assembly and disassembly of nuclear weapons, fabrication of plutonium pits and weapon secondaries, production and recycling of tritium, criticality experiments, subcritical experiments, and a host of maintenance and other activities to address the radioactive legacy of more than 70 years of these operations. Continued effective oversight of the conduct of operations is the only way the Board may ascertain whether operations are being conducted with the appropriate formality, identify potential safety problems promptly, and advise the Secretary of Energy in order to ensure adequate protection of public and worker safety at DOE defense nuclear facilities. The February 2014 underground truck fire and radioactive release event at WIPP demonstrated that even activities that appear comparatively benign and well-controlled involve serious risks when radioactive materials are involved.

Third, many aging DOE facilities are unsound, and the transition to new facilities will take decades. For example, the Chemical and Metallurgy Research Facility at Los Alamos National Laboratory and the 9212 Complex at the Y-12 National Security Complex are of particular concern because of their deficient structures and advanced age. The Board will need to evaluate the rigor and maintenance of a robust safety posture in such facilities and inform the Secretary of potential threats to public health and safety.

Fourth, in addition to conducting nuclear safety oversight of hundreds of existing defense nuclear operations, the Board is obligated by law to conduct in-depth reviews of new defense nuclear facilities during design and construction to ensure the safety of the public and workers is addressed timely in the design process. DOE has more than a dozen major design and construction projects currently underway or planned for the near future. The Board will continue to expend considerable resources to review the ongoing design effort as well as the construction activities at new DOE defense nuclear facilities, concentrating its oversight attention on the projects with high risk, significance, and complexity. For

example, the Hanford WTP is a complex multi-billion dollar project that has changing design and construction parameters. The reviews conducted by the Board on WTP and other new DOE facilities are resource intensive and time consuming.

Fifth, a 2013 DOE/Inspector General (IG) Audit Report (DOE-IG-0881, February 2013) entitled *National Nuclear Security Administration Contractor Governance*, reviewed the effectiveness of a 2007 NNSA requirement for contractors to implement self-assessment systems to measure performance and ensure effective and efficient mission accomplishment. The Audit Report notes that, despite five years of effort, NNSA and its support offices and site contractors had not yet implemented fully functional and effective contractor assurance systems. Particularly troubling was the recognition that contractor self-assessments were not effective in identifying safety weaknesses subsequently identified by independent reviews, and that federal site-level officials felt the contractor governance approach prohibited them from intervening in contractor activities. The U.S. Government Accountability Office (GAO) issued its own report in 2015 (GAO-15-216, May 22, 2015) that documented continued problems in NNSA's governance approach, including a lack of fully established policies or guidance and unresolved questions regarding the adequacy of federal staffing. DOE identified weaknesses in contractor assurance systems and federal oversight as root causes of (1) the fire and radiation contamination event at WIPP which have shut down waste disposal operations since February 2014 and (2) the deficiencies in nuclear criticality safety and conduct of operations at Los Alamos National Laboratory which led to a prolonged suspension of fissile materials operations at the laboratory's Plutonium Facility. The Board's independent oversight remains essential in light of these weaknesses in contractor assurance systems and federal oversight.

Sixth, on September 25, 2014, the Secretary of Energy tasked the Office of Environmental Management (EM) to assume responsibility for legacy transuranic waste operations at LANL. On March 10, 2015, EM declared its local Field Office operational and started working with the NNSA Field Office and LANL contractor to establish a separate regime for contractual and oversight functions. Near term challenges include the adequacy of federal staffing and the coordination between the EM and NNSA Field Offices on the resolution of significant safety basis issues at Area G. In addition, the EM and NNSA Field Offices will need to closely coordinate efforts to ensure continued functioning of the laboratory's transuranic waste management system to enable essential risk reduction activities at the Plutonium Facility, Chemistry and Metallurgy Research building, and the Weapons Engineering Tritium Facility.

The Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Board, included as Appendix A, discussed other challenges facing the Board.

PROGRAM PERFORMANCE OVERVIEW

The Board's Strategic Plan, located at www.dnfsb.gov, includes the following strategic goals and strategic objectives to achieve its mission:

- **Strategic Goal 1, Improve Safety of Operations:** Perform independent oversight of operational safety of DOE's defense nuclear facilities to develop analysis, advice, and recommendations that will inform the Secretary of Energy in providing adequate protection of public health and safety at such defense nuclear facilities.
 - Strategic Objective 1.1-Accomplish independent and timely oversight to strengthen safety of operations involved in the maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.
 - Strategic Objective 1.2-Accomplish independent and timely oversight to strengthen safety of operations in cleanup of legacy defense nuclear wastes and facilities.

- **Strategic Goal 2, Strengthen Safety Standards:** Recommend and promote effective safety standards for the Secretary of Energy to apply in providing adequate protection of public health and safety at such defense nuclear facilities.
 - Strategic Objective 2.1-Accomplish independent oversight to strengthen the development, implementation, and maintenance of DOE regulations, requirements, and guidance for providing adequate protection of public health and safety at defense nuclear facilities.
 - Strategic Objective 2.2-Accomplish independent oversight to improve the establishment and implementation of safety programs at defense nuclear facilities.
- **Strategic Goal 3, Strengthen Safety in Design:** Recommend and promote safety in design for new and modified defense nuclear facilities.
 - Strategic Objective 3.1-Accomplish independent oversight to strengthen the use of approved nuclear standards in the design and construction of defense nuclear facilities and major modifications to existing facilities.
 - Strategic Objective 3.2-Accomplish independent safety oversight to enhance the clear and deliberate implementation of the principles and core functions of integrated safety management in the design, construction, and upkeep of safety systems in defense nuclear facilities.
- **Strategic Goal 4, Achieve Excellence in Management and Communication with Stakeholders:** Operate in a manner that is accountable to the public and achieves the mission efficiently and effectively.
 - Strategic Objective 4.1-Improve management controls to achieve the Board’s mission efficiently and effectively.
 - Strategic Objective 4.2-Improve the alignment of human capital strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.
 - Strategic Objective 4.3-Improve and sustain effective, transparent two-way communications between the Board and its stakeholders on safety issues in DOE’s defense nuclear complex and on the Board’s operations.

Interrelationship of the Strategic Objectives

The interrelationship of these four strategic goals and their associated objectives must be understood to appreciate the efficiency of the Board’s operating plan and corresponding organizational alignment. The “lessons learned” from the Board’s health and safety oversight activities cut across each of these four areas. For example, in order to oversee safety at the Savannah River Site the Board must assess the safety of nuclear material processing and stabilization activities such as disposing of high-level waste and the safety of nuclear weapon support activities involving tritium operations (Strategic Goal 1), including the adequacy of standards (Strategic Goal 2), while also assessing the construction of new defense nuclear facilities such as the Salt Waste Processing Facility (Strategic Goal 3). Performing these assessments

requires effective management controls, the recruitment and retention of scientific and technical staff members with outstanding qualifications, and effective and transparent communication with stakeholders (Strategic Goal 4).

Regular information sharing among the Board’s matrixed technical staff supports the interrelationship of all four strategic goals. The Board’s technical staff has been organized specifically to achieve the agency’s performance goals and to execute its Strategic Plan and Annual Performance Plans. Using a matrix form of organization, the Board gains management flexibility and avoids the need to establish layers of middle management that divert staff resources from performing health and safety reviews. The Board utilizes five interrelated technical groups staffed with technical specialists having both the education and work experience commensurate with their designated oversight assignments. Depending on the urgency of an issue, the Board’s flexibility enables reassignment of resources among these groups as necessary.

The FY 2015 performance goals and accomplishments associated with each of these strategic objectives, as well as prior-year data, are shown in full in Chapter 2 of this report. A summary is as follows:

Strategic Goal 1

Strategic Objective 1.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
1.1.1	Conduct effective oversight through formal, well-planned safety reviews of the NNSA’s defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.	Complete 10 reviews	Achieved 10 Reviews
1.1.2	Conduct effective oversight through formal, well-planned reviews of NNSA’s nuclear explosive safety activities.	Complete 3 reviews	Achieved 3 Reviews
1.1.3	Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.	85% of letters result in positive NNSA response	Achieved 100% of letters
1.1.4	Maintain a near-continuous oversight presence at each of the following sites: LANL, Y-12 National Security Complex (Y-12), and Pantex.	220 days	Not Achieved Coverage at Pantex less than 220 days

The Board achieved its first three goals related to safety of operations involved in the maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. Goal 1.1.4 was not achieved as there was fewer than 220 days of oversight presence at Pantex. The Board began FY 2015 with only one site representative at Pantex, who subsequently left the Board for another employment opportunity. The technical staff immediately implemented a rotation to provide oversight at Pantex on a week-to-week basis by dispatching headquarters staff from Washington DC to Pantex, before assigning a permanent site representative in August. However, even with the rotation compensatory measure, the Board was unable to meet its performance goal at Pantex.

Strategic Objective 1.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
1.2.1	Conduct effective oversight through formal, well-planned safety reviews at DOE-Office of Environmental Management operating defense nuclear facilities and facilities undergoing decommissioning and decontamination.	Complete 10 reviews	Achieved 10 Reviews
1.2.2	Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.	85% of letters result in positive DOE response	Achieved 100% of letters
1.2.3	Maintain a near-continuous oversight presence at the Hanford Site and SRS.	220 days	Achieved Coverage exceeded

The Board achieved its three goals related to safety of operations involved in the cleanup of legacy defense nuclear wastes and facilities. Goal 1.2.3 was achieved by ensuring coverage from headquarters staff when the permanent site representatives at the locations were away due to leave, travel, etc.

Strategic Goal 2

Strategic Objective 2.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2.1.1	Strengthen DOE's Directives by providing timely oversight and comments to improve revised and newly issued DOE Directives (as noted on the list of "Orders of Interest to the Board").	95%	Achieved 100%
2.1.2	Conduct effective oversight of the implementation of DOE Directives (as noted on the list of "Orders of Interest to the Board") through formal, well-planned safety reviews of DOE defense nuclear facilities.	Complete 3 reviews	Achieved 3 Reviews

The Board achieved its two goals related strengthening the development and implementation of DOE Directives, reviewing 100% of Directives within the Review Date Deadline, versus the goal of 95 percent, and completing three reviews of DOE's implementation of Directives.

Strategic Objective 2.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2.2.1	Conduct effective oversight through formal, well-planned reviews of DOE's establishment and implementation of safety programs at defense nuclear facilities.	Complete 4 reviews	Achieved 4 Reviews

2.2.2	Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities.	85% of letters result in positive DOE response	Achieved 100% of letters resulted in positive
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The Board achieved its goal of conducting effective oversight of DOE’s establishment and implementation of safety programs at defense nuclear facilities by completing four reviews. The Board exceeded its goal for notifying DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities, as 100 percent of Board letters (for which a DOE response was received in FY 2015) resulted in a positive DOE response.

Strategic Goal 3

Strategic Objective 3.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
3.1.1	Promote and strengthen the early integration of safety into the design and construction of DOE’s defense nuclear facilities by reviewing the adequacy of safety design basis documents at major project Critical Decision milestones.	100%	Achieved 100% Complete
3.1.2	Provide early notification to DOE of safety issues at DOE design and construction projects by issuing project letters within 60 days of major Critical Decision milestones to document the Board’s assessment of the project’s safety strategy and readiness to proceed with the next project stage.	100%	Not Achieved 66% Complete

For goal 3.1.1, the Board achieved its goal by documenting in a staff report a review of the associated safety design basis document for 100 percent of significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4). For goal 3.1.2, the Board did not achieve its goal as a project letter to DOE in advance of the Critical Decision milestone (for significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4)) was provided only 66 percent of the time.

Strategic Objective 3.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
3.2.1	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE’s defense nuclear facilities.	Complete 10 reviews	Achieved 10 Reviews
3.2.2	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities.	85% of letters result in positive DOE response	Achieved 100% of letters resulted in positive

The Board achieved its two goals under this strategic objective. In fact, the Board exceeded its goal under 3.2.2, as 100 percent of Board letters notifying DOE of potential safety issues regarding design and construction projects resulted in a positive DOE response.

Strategic Goal 4

Strategic Objective 4.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
4.1.1	Within OTD, develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities.	100% complete for Phase 1 procedures 50% complete for Phase 2 procedures	Achieved 100% Complete for Phase 1 procedures 50% complete for
4.1.2	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	50% Complete	Achieved 60% Complete
4.1.3	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	33% Complete	Achieved 36% Complete

The Board achieved its three goals under this strategic objective related to improving its internal control procedures across the three Board offices.

Strategic Objective 4.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
4.2.1	Achieve a more results-oriented performance culture.	(1) Implement a Senior Executive Service (SES) performance appraisal system that achieves certification by the Office of Personnel Management (OPM) by September 30, 2015; (2) Implement a revised General Schedule (GS) performance management system that supports a results-oriented performance culture at the Board.	Not Achieved

4.2.2	Address human capital gaps identified in critical mission functions.	Develop a useful and flexible workforce management plan to address human capital gaps in the mission critical positions identified by Board's Office Directors for FY 2015 execution.	Achieved
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The Board achieved its goal for 4.2.2 by developing a workforce management plan, and made progress against its goal for 4.2.1, but did not complete the work necessary to request certification of its SES performance appraisal system, or implement a revised GS performance management plan, by the end of the fiscal year. Enough progress was made that both are scheduled to be completed by the 1st quarter of FY 2016.

Strategic Objective 4.3

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
4.3.1	Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE's nuclear weapons sites.	85%	Achieved 88.5% posted within 35 days
4.3.2	Inform the Congress and other stakeholders of potential safety issues early in the design and construction phases of DOE defense nuclear facilities.	1 report	Achieved 1 report submitted to Congress
4.3.3	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC.	3 public hearings	Achieved 3 public hearings

Goal 4.3.1 was achieved as 232 of the 260 (88%) *Site Representative Weekly* reports documenting direct oversight of nuclear facilities at DOE's nuclear weapons sites were posted to the Board's public webpage within 35 days. Goal 4.3.2 was also achieved the Board published its 25th Annual Report to Congress on March 11, 2015, and this report included a section titled, *Status of Significant Unresolved Technical Differences between the Board and the Department of Energy on Issues Concerning the Design and Construction of DOE's Defense Nuclear Facilities*, which satisfied the performance goal. Goal 4.3.3 was also achieved as the Board held three public hearings in FY 2015.

All performance goals were established in FY 2014, and the two-year trend data is shown in Chapter 2.

The Board tracks progress toward meeting its technical performance goals on a quarterly basis by evaluating its progress toward the target for each goal. For example, for Performance Goal 1.2.1, the Nuclear Materials Processing and Stabilization Group Lead determined the number of reviews completed in accordance with the Board's new internal procedures on a quarterly basis. Each group lead completes records of accomplishment to verify the target metric. The Board's Performance Assurance Group compiles the records of accomplishment, compares the information in the records of accomplishment to the established target metrics, and develops a report for Board management to provide the status of meeting performance goals.

To complete the records of accomplishment, group leads use data sources that include publicly available correspondence and staff issue reports and internally available information papers and group progress reports; these reports and papers document the activities performed by the Board’s staff throughout the year. The Board makes its correspondence, staff issue reports, information papers, and group progress reports readily available to its staff, and the Board employs a robust review process, including factual accuracy checks, for its public reports and internal papers. Therefore, the review process ensures the accuracy of the data.

By tracking its progress toward meeting its performance goals on a quarterly basis, the Board is able to adjust its priorities and resources to meet performance goals.

FINANCIAL PERFORMANCE OVERVIEW

As with many small agencies, the Board has adopted the “economies of scale” philosophy for obtaining needed administrative support services. For financial support, the Board has negotiated interagency agreements with the Department of Treasury’s Bureau of the Fiscal Services and the United States Department of Agriculture’s (USDA) National Finance Center for personnel/payroll services, and USDA for accounting services on a fee-for-service basis. The Board’s financial statements were prepared in accordance with the accounting standards codified in the Statements of Federal Financial Accounting Standards (SFFAS) and OMB Circular A-136, *Financial Reporting Requirements*.

As of September 30, 2015, the financial position of the Board was sound with respect to having sufficient funds to meet program needs and the Board had adequate control of these funds in place to conduct its health and safety oversight mission and to ensure that obligations did not exceed budget authority.

Sources of Funds

The Board receives an annual appropriation for Salaries and Expenses, with the funds made available for two years. The sources of funds available for obligation in FY 2015 and FY 2014 are listed as follows:

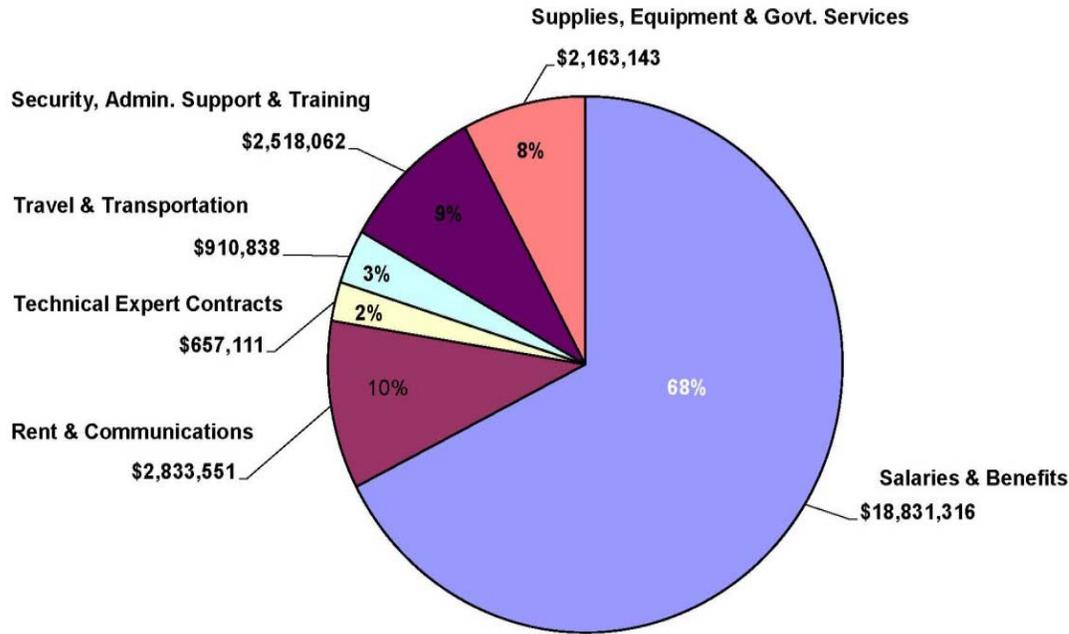
	<u>FY 2015</u>	<u>FY 2014</u>
New Budget Authority	\$28,500,000	\$28,000,000
Prior Year Unobligated Balance	5,707,071	4,051,254
Recovery of Prior Year Obligations & Offsetting Collections	563,963	465,449
Total Budgetary Resources	\$34,771,034	\$32,516,703

The increase in total budgetary resources of \$2,254,331 (6.9%) from FY 2014 was primarily due to the \$500,000 increase in new budget authority and the \$1,655,817 increase in beginning unobligated balances. The Board operated at less than its budgeted FTE in FY 2014, which resulted in the increased unobligated balance as of the beginning of FY 2015.

Uses of Funds by Function

The Board incurred obligations of \$27,914,021 in FY 2015. As shown below, FY 2015 budgetary resources were primarily used to pay the salaries and benefits of the Board’s employees, with most of the remaining resources dedicated to rent and the logistical support of the Board Members and employees as they conducted oversight operations.

FY 2015 Obligations = \$27,914,021



AUDIT RESULTS

The Board received an unmodified audit opinion on its FY 2015 financial statements. The auditors disclosed no instances of noncompliance with laws and regulations and identified no material internal control weaknesses.

A copy of the full audit report as provided to the Board can be found in Chapter 3 of this PAR.

LIMITATION OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the Board, pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. While the statements have been prepared from the books and records of the Board in accordance with generally accepted accounting principles (GAAP) for Federal entities and 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 realization that they are used for a component of the U.S. Government, a sovereign entity.

FINANCIAL STATEMENT HIGHLIGHTS

The Board's financial statements summarize the financial activity and financial position of the agency. The financial statements, footnotes, and required supplemental information appear in Chapter 3, *Auditors' Reports and Financial Statements*. Analysis of the principal statements follows:

Analysis of the Balance Sheet

	<u>FY 2015</u>	<u>FY 2014</u>
Total Assets	\$13,105,953	\$10,759,893
Total Liabilities	\$ 2,877,393	\$ 2,291,594
Net Position	\$10,228,560	\$ 8,468,299

The Board's assets were \$13,105,953 as of September 30, 2015, an increase of \$2,346,060 from the end of FY 2014. Its total liabilities and net position (which together equal total assets) were \$2,877,393 and \$10,228,560, respectively, as of the end of FY 2015, increases of \$585,799 and \$1,760,261, respectively, from the end of FY 2014. The Fund Balance with Treasury (FBWT) represents the Board's largest asset. This account represents appropriated funds maintained at the Treasury to pay for current liabilities and to finance authorized purchase commitments. An increased FBWT (due to increased budgetary resources as explained on page 11) was the primary reason for the increase in Total Assets. The increase in total assets resulted in a comparable change in Net Position, offset by the increase in Total Liabilities.

Analysis of the Statement of Net Cost

	<u>FY 2015</u>	<u>FY 2014</u>
Net Cost of Operations	\$27,403,584	\$26,595,721

The Board's net cost of operations for the year ended September 30, 2015, was \$27,403,584, an increase of \$807,863 or 3.0 percent from FY 2014 costs. The increase in net cost can primarily be attributed to higher personnel compensation costs due to higher salaries and an increase in the amount the Board is required to contribute for retirement and other personnel benefits.

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the changes 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 Board's Net Position significantly increased by \$1,760,261 or 20.8 percent from FY 2014 to FY 2015, primarily due to comparable change in Unexpended Appropriations. Unexpended Appropriations rose as Budgetary Resources increased at a greater amount than Net Cost of Operations.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the sources of budgetary resources available and the status at the end of the period. It presents the relationship between budget authority and budget outlays, and reconciles obligations to total outlays. For FY 2015, the Board had Total Budgetary Resources available of \$34,771,034, the majority of which was derived from new appropriations. Total Budgetary Resources increased by \$2,254,331 or 6.9 percent from the FY 2014 amount of \$32,516,703, due to the \$500,000 increase in new budget authority and \$1,754,331 increase in prior year unobligated balance, recoveries, and offsetting collections.

For FY 2015, the Statement of Budgetary Resources showed the Board incurred obligations of

\$27,914,021, an increase of \$1,104,389 or 4.1 percent from FY 2014 obligations of \$26,809,632. Higher obligations were primarily associated with greater personnel compensation costs due to higher salaries and an increase in the amount the Board is required to contribute for retirement and other personnel benefits.

Net Outlays for FY 2015 were \$26,345,436, a \$914,739 or 3.6 percent increase from FY 2014 outlays of \$25,430,697. The increase in outlays is primarily attributed to the higher personnel compensation costs (which outlay in the year obligated).

COMPLIANCE WITH THE INSPECTOR GENERAL ACT OF 1978

The Board is required to file a report annually under the Inspector General Act of 1978, Pub. L. 95-452, Oct. 12, 1978, 92 Stat. 1101, codified at 5 U.S.C. Appendix 3. The statute mandates a report which:

- (A) States whether there has been established in the Federal entity an office that meets the requirements of this section;
- (B) Specifies the actions taken by the Federal entity otherwise to ensure that audits are conducted of its programs and operations in accordance with the standards for audit of governmental organizations, programs, activities, and functions issued by the Comptroller General of the United States, and includes a list of each audit report completed by a Federal or non-Federal auditor during the reporting period and a summary of any particularly significant findings; and
- (C) Summarizes any matters relating to the personnel, programs, and operations of the Federal entity referred to prosecutorial authorities, including a summary description of any preliminary investigation conducted by or at the request of the Federal entity concerning these matters, and the prosecutions and convictions which have resulted.

The Board reports as follows for Fiscal Year 2015:

- (A) The Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for FY 2015 amended the Board’s statute to state that the Nuclear Regulatory Commission (NRC) is the Board’s IG.
- (B) The NRC IG completed two audits on Board programs in late September of FY 2014, an Audit of the Board’s Purchase Card Program (DNFSB-14-A-01), and an Audit of the Board’s Freedom of Information Act Process, (DNFSB-14-A-02). Recommendations from both reports were implemented and closed during FY 2015. The NRC IG completed four audits on Board programs in FY 2015. The Audit of the Board’s Financial Statements for Fiscal Years 2014 and 2013 (DNFSB-15-A-03) resulted in two recommendations to implement procedures for the undelivered order review process, and more robust internal control assessment over financial reporting. Both recommendations have been implemented and are now closed. The Evaluation of the Board’s Implementation of the Federal Information Security Management Act (FISMA) for Fiscal Year 2014, (DNFSB-15-A-02) resulted in nine recommendations. The Board agrees with the recommendations and plans to fully implement and closed them out in the first quarter of FY 2016. The IG also conducted an audit of the Board’s Travel Card and Travel Program, (DNFSB-15-A-05). Three of the seven recommendations made to improve the effectiveness of internal controls and to enhance user access controls have been implemented and closed. The Board plans to close out the remaining recommendations in the first quarter of FY 2016. No

recommendations were issued from the Audit of the Board's Compliance with the Sunshine Act, (DNFSB-15-A-04).

(C) The Board referred no matters to prosecutorial authorities.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Management Assurance and Internal Control

This section provides information on the Board's compliance with FMFIA, as well as other management information, initiatives, and issues. FMFIA requires that agencies establish controls that provide reasonable assurance that: (1) obligations and costs comply with applicable law; (2) assets are safeguarded from waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures are properly recorded and accounted for. It also requires the Board's Chairman to provide an assurance statement on the adequacy of internal controls. A summary of Management Assurances is included in Appendix B.

Internal control is the organization, policy, and procedures that help managers achieve intended results and safeguard the integrity of their programs. The Board evaluated its internal control program for the fiscal year ending September 30, 2015. Each Board Office Director (as well as all line managers) prepares an annual assurance assertion that identifies any control weaknesses requiring the attention of the Board's Executive Committee on Internal Control (ECIC). In addition to manager's knowledge of daily operations, these assertions are based on internal control activities such as self-assessments of work processes directed by the ECIC, as well as other activities such as financial statements audits and Inspector General audits and reports.

The ECIC consists of the General Manager, the Technical Director, the General Counsel, and two Board Members. The ECIC met to review the reasonable assurance assertions provided by the Office Directors, and then informed the Chairman as to whether (in its judgment) the Board had any internal control deficiencies serious enough to require reporting as a material weakness or noncompliance.

The ECIC reported a significant deficiency in the Board's Information Technology (IT) Security Program, and recommended that it be identified as a material weakness. Specifically, the ECIC found the Board lacks sufficient capabilities to perform adequate continuous diagnostic monitoring of its IT network. Otherwise, the evaluation provided reasonable assurance that internal controls achieved their intended objectives in accordance with FMFIA. Following subsequent discussions, the Chairman determined that such deficiencies are not generally reported as a material weakness, and thus a statement of unqualified assurance is being provided.

The Board will allocate the needed funding to acquire and deploy the necessary resources to address this deficiency. Acquisition of the resources is planned by December 31, 2015, and deployment will take place no later than March 2016.

Unqualified Statement of Assurance (FMFIA)

The Defense Nuclear Facilities Safety Board's (Board) management is responsible for establishing and maintaining effective internal controls that meet the obligations of FMFIA within their areas of responsibility. The Board conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, I can provide reasonable assurance that the Board's internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2015 was operating effectively, and no material weakness was found in the design or operation of the internal controls.


Joyce L. Connery
Chairman

11/25/15
Date

The Board has made significant progress in strengthening its program internal controls over its technical operations. In late FY 2012, the Board hired a contractor with specialized experience in auditing internal government controls to prepare a Risk Assessment of the Board's operations. The contractor (in a November 2012 report) found that although technical reports generated by OTD are "highly-regarded" by DOE, the Office needed to better document its assessment of technical mission activities in its annual review of internal controls under A-123. The Board agreed, and began a multi-year effort to address that finding. As outlined in the Program Performance section of this report (specifically, performance goal 4.1.1), the Board completed implementation of its first phase documents in FY 2015 which cover the majority of the OTD work processes, and implemented half of its second phase documents. In FY 2016, efforts to further document and assess its work practices and procedures across all offices will continue under the guidance and direction of the ECIC.

Prompt Payments Act

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 2015, the Board paid almost all of its invoices subject to the Act on time, incurring \$553 in interest penalties.

Improper Payments Information Act

The Board is considered to be at low risk for improper payments since the functional payment areas are limited to traveler reimbursement, commercial vendors for supplies and services, and the payroll electronic funds transfer payments. The Board does not administer any entitlement, grant, or loan programs. During FY 2015, the Board's Government service providers made net total payments of \$26,345,436 on its behalf. Neither its service providers, nor the Board's finance staff, has identified any improper payments during this period.

GAO Investigations and Reports

In accordance with OMB Circular A-50, Audit Follow-up, ensuring prompt and proper resolution and implementation of audit recommendations is important to Board management. GAO report 15-181, *Defense Nuclear Facilities Safety Board: Improvements Needed to Strengthen Internal Control and Promote Transparency*, as revised March 2, 2015, recommended the following: (1) To improve internal control and promote transparency and to help ensure that DNFSB's policies and procedures are clear and align with Board practices, DNFSB should modify the Board procedure that defines what constitutes a majority of votes needed to approve a recommendation; (2) To improve internal control and promote transparency and to ensure consistency with OMB's guidance for internal control assessment, DNFSB should clearly document each step of its control assessment activities; maintain that documentation to provide evidence that assessment and control activities are being performed; and ensure that key responsibilities, such as reviewing control assessments, should be segregated among different people to help ensure that control activities are being accurately performed; (3) To improve internal control and promote transparency and to ensure consistency with federal standards for internal control, DNFSB should develop and implement a formal mechanism within its ECIC to ensure the prompt resolution of all problems identified in its internal control assessments; (4) To improve internal control and promote transparency and to ensure consistency with OMB's guidance on FMFIA-required internal control assurance statements, DNFSB should ensure that, in the future, the Chairman's internal control assurance statement uses one of the three prescribed terms to clearly describe the results of the agency's assessment—unqualified, qualified, or statement of no assurance; (5) To improve internal control and promote transparency and to promote public transparency and openness, DNFSB should clearly distinguish in Federal Register notices and during the proceedings between (i) public hearings held pursuant to DNFSB's statutory authority and (ii) meetings as defined by the Sunshine Act, required to be open to the public; and (6) To improve internal control and promote transparency and to promote public transparency and openness, DNFSB should develop and implement a policy to publicly disclose, such as on its external website, those matters that have been considered by notational vote and the results of the Board's votes by Board member, including concurring and dissenting comments, if any.

Implementation of GAO's recommendations to strengthen internal control and promote transparency at the Board is near completion. Recommendation 1 was fully implemented by modifying the Board's Operating Procedures in December 2014 to clarify what constitutes a majority of votes needed to approve recommendations and other official Board matters. The procedures now state that once a quorum has been established, a majority of the Board's members voting must vote in favor of a motion for it to pass. In response to recommendations 2 - 4, Board procedures for internal control (IC) are in the final stages of revision to require both electronic and paper documentation of assessment activities, and to further outline key responsibilities. The IC procedures also outline the process for tracking and obtaining prompt resolution of all problems identified during assessment, and require the Chairman's internal control assurance statement to utilize the prescribed terms provided in OMB's guidance on FMFIA required statements. The Board disagreed with recommendation 5, since neither its statute nor the Sunshine Act prohibit the Board's current practice of noticing a public proceeding as both a public hearing and a Sunshine Act meeting. The DNFSB advertises its public hearings as being conducted pursuant to both the DNFSB's statutory hearing authority as well as the Sunshine Act in order to accord maximum flexibility to the DNFSB. Further, DNFSB consistently notices the agenda in the *Federal Register* and posts the agenda on the DNFSB's Internet website to ensure that the public is clearly informed as to the purpose and subject matter to be discussed at the DNFSB's public hearings and meetings. Recommendation 6 has also been fully implemented with the development of a procedure to clearly define the requirements and procedures for posting each notational vote – as well as any DNFSB member vote comments – to the Board public website. The Board has been posting notational votes since December 2014.

Chapter 2 Program Performance

Introduction

This chapter presents detailed information on the performance of the Board in achieving its mission during FY 2015. It describes the Board's performance results and program achievements in accomplishing its strategic goals and objectives. The Board's *Annual Performance Plan for FY 2015* identified annual performance goals for each strategic objective.

The Board's contribution to the safety of DOE's defense nuclear activities derives from four basic types of activities that are embodied in the Board's enabling legislation. First, the Board evaluates DOE's policies and processes to ensure that fundamental safety requirements necessary to undertake highly hazardous operations exist at DOE. These reviews evaluate topics such as technical competence of DOE and contractor personnel, adequacy of safety requirements and guidance, and the presence of a strong safety culture. The deficiencies in Federal oversight and corporate safety programs revealed by such accidents as the Deepwater Horizon oil rig clearly illustrate the safety risks inherent in deficiencies in these areas and the need for safety organizations, such as the Board, to emphasize reviews of this type. The Board plans this type of oversight in advance, and those plans are generally not affected by unanticipated changes in DOE's plans or activities.

The second major type of safety oversight activity performed by the Board is the evaluation of actual hazardous activities and facilities in the field. These reviews focus on identifying the hazards attendant with DOE's mission activities and evaluating the controls put in place to mitigate those hazards. The Board plans for these types of reviews based on the risk, complexity, maturity, and significance of the activities underway or planned by DOE. However, unanticipated changes in DOE's plans or new, emergent information often change the priority of the Board's oversight in this area. The Board continuously seeks to be proactive and to focus DOE's attention on the most significant safety issues present in the defense nuclear complex at any given time. Therefore, because the priority of safety issues can change rapidly, the Board cannot always predict in advance what activities it will review or what safety outcomes it will ultimately achieve.

Third, the Board provides expert-level reviews of the safety implications of DOE's actions, decisions, and analyses. It is extremely important that the Board provide DOE with independent evaluations of the technical quality and safety impacts of DOE's decisions and actions. For example, well-intended actions by DOE managers can have significant unintended negative consequences if they are based on faulty, inadequate, or misunderstood information.

The Board attempts to be proactive in conducting this type of review, but it is necessary that DOE first develop at least preliminary plans with sufficient detail to allow for a meaningful technical review. Therefore, it is not possible for the Board to plan all of its efforts in this important area explicitly in advance.

The Board does allocate resources to this form of oversight, and does report the significant outcomes that result from such oversight in its performance reports.

The last major type of oversight performed by the Board is the identification of new safety issues that were otherwise unknown in the DOE complex. Since, by definition, these safety issues would not have been addressed without the Board's efforts, this may be the area in which the Board has the largest impact on the safety of DOE's highly hazardous operations. However, by their very nature, it is impossible to

plan for these emergent safety issues in advance. The effectiveness of this type of safety oversight activity relies exclusively on the expertise of the Board and its staff.

The Board uses its Strategic Plan and Annual Performance Plan to ensure that its resources remain focused on the most significant safety challenges and the DOE activities that warrant the most external review. All of the Board's safety activities are closely tied to goals and objectives embodied in these plans. This approach gives the Board confidence that its staff (106 FTEs in FY 2015, including Board Members) and budget (approximately \$27.9 million in FY 2015 obligations) are dedicated to the highest risk activities in defense nuclear facilities. The Board's strategic plan may be viewed in its entirety on the Board's website at www.dnfsb.gov.

The information in this PAR is also provided directly to Congress in the Board's statutorily required Annual Report, also available on the Board's website. There are slight differences between the two reports because the *Annual Report* covers calendar years rather than fiscal years. The Board's *Twenty-Sixth Annual Report to Congress* will be issued during the first quarter of CY 2016. The Board also provides periodic reports to Congress and DOE on the status of significant unresolved technical differences between the Board and DOE on issues concerning (1) the design and construction of DOE's defense nuclear facilities, and (2) the infrastructure of aging DOE defense nuclear facilities.

Assessment of the Reliability and Completeness of Performance Data

The sources used by the Board to measure its outcome are robust, varied, and independent. Documentation of accomplishments includes the Board's Annual Reports to Congress, correspondence to and from DOE, Board technical reports, and public meeting records. These documents are available for public review on the Board's website at www.dnfsb.gov.

Comparison of Fiscal Year 2015 Actual Performance with Planned Performance

The following pages provide detailed information comparing the Board's actual performance driving safety improvements at DOE to its plans for FY 2015, as well as prior-year trend data. Detailed information concerning the Board's performance accomplishments in FY 2011 through FY 2014 is contained in the Board's FY 2016 Budget Request to Congress, which is published on the Board's website at www.dnfsb.gov.

Strategic Goal 1, Improve Safety of Operations: Perform independent oversight of operational safety of DOE’s defense nuclear facilities to develop analysis, advice, and recommendations that will inform the Secretary of Energy in providing adequate protection of public health and safety at such defense nuclear facilities.

Strategic Objective 1.1: Accomplish independent and timely oversight to strengthen safety of operations involved in the maintenance of the nuclear weapons stockpile and in weapons- related research, development, and testing.

Performance Goal 1.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Conduct effective oversight through formal, well-planned safety reviews of the NNSA’s defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. Target: Number of reviews completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls	Complete 10 reviews	Achieved 10 Reviews
Actual Results for Preceding Fiscal Years			
2014	Conduct effective oversight through formal, well-planned safety reviews at the NNSA’s defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. Target: Complete reviews that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls	Complete 8 reviews	Achieved 8 Reviews

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of conducting effective oversight of NNSA defense nuclear facilities engaged in the maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. The FY 2015 goal was to complete a minimum of ten safety oversight reviews. That goal was accomplished.

1. Lawrence Livermore National Laboratory (LLNL) Conduct of Operations and Maintenance Program Review, March 2015. Scope: Observe maintenance and operations activities to verify that these activities at defense nuclear facilities are being performed with the appropriate rigor and formality.
2. LLNL Waste Storage Facilities (WSF) Safety Basis Review, November 2014. Scope: As a follow up to a previous review of the LLNL WSF safety basis documentation conducted in April 2013, verify that the contractor corrected identified deficiencies, including unanalyzed and improperly analyzed hazards, administrative controls that were credited in the unmitigated accident analysis, failure to protect critical input assumptions in the hazards analysis, and use of non-conservative methodologies to calculate radiological consequences.
3. LLNL Waste Storage Facilities Follow-up Safety Basis Review, June 2015. Scope: Conclude an extended series of reviews of the various iterations of the Waste Storage Facilities documented safety analysis (DSA) to validate that all remaining concerns with the previous DSAs, as well as new concerns introduced with the latest revision, have been resolved satisfactorily.
4. Los Alamos National Laboratory (LANL) Remediated Nitrate Salt-Bearing (RNS) Waste Storage (Area G) Review (Phase 1), February 2015. Scope: Evaluate the technical basis supporting conclusions presented in the draft LANL Evaluation of the Safety of the Situation for RNS waste; and evaluate the Quality Assurance practices applied in experiments, modeling, and testing that will be utilized to modify the Area G safety basis and support sampling and reprocessing of RNS waste drums.
5. LANL Plutonium Facility (PF-4) Nuclear Operations Restart, March 2015. Scope: Observe the Federal Readiness Assessment for T-Base 2 Machining Operations at PF-4 and assess LANL's efforts to resume safe operations in PF-4 following the extended pause in plutonium operations.
6. LANL Radioassay and Nondestructive Testing (RANT) Shipping Facility/Area G DSA – Full Scope Review, August 2014. Scope: Evaluate the Hazard Analysis, Accident Analysis, and safety controls, as identified in the contractor DSA and approved in the federal Safety Evaluation Report, for this Hazard Category 2 nuclear facility, which is used to load transuranic waste into TRUPACT shipping containers, and will be used long-term to support the enduring waste mission, including after Area G closure.
7. Pantex Plant Conduct of Maintenance Review, June 2015. Scope: As a follow-up to an assessment of maintenance activities undertaken by the Board in September 2012, observe maintenance activities to verify that these activities at Pantex Plant defense nuclear facilities, especially those within nuclear explosive areas, are being performed with the appropriate rigor and formality.
8. Pantex Plant Emergency Management 2015 Annual Exercise, February 2015. Scope: Observe Pantex Plant emergency Full Participation Exercise 15-1 to evaluate the quality of exercise controller/evaluator training, exercise prebriefs, post-exercise participant hot washes, and the controller/evaluator after-action review.
9. Pantex Plant Unreviewed Safety Question (USQ)/New Information Process Review, July 2014-April 2015. Scope: Review the Pantex USQ, Potential Inadequacy of the Safety Analysis (PISA), and New Information processes, to ensure the Pantex Plant contractor is

not performing nuclear explosive operations under conditions involving potentially unquantified risk.

10. Savannah River Site (SRS) Tritium Extraction Facility (TEF) Full Scope Safety Analysis Report (SAR) Review. Scope: Determine if Revision 8 of the TEF SAR is compliant with applicable codes and standards, verify that the control set derived from the TEF SAR adequately protects both the public and the worker, and answer follow-up lines of inquiry from outstanding questions identified during previous review efforts.

Additionally, the following significant staff reviews completed during FY 2015 were not explicitly counted in this performance metric:

LANL

1. Work Planning and Control (DNFBS/Tech-37) Follow-up
2. Facility Representative Program Assessment
3. Opportunities for Risk Reduction at PF-4 through Minimization of Material-at-Risk

Nevada National Security Site (NNS)

1. Nuclear Operations Field Based Assessment
2. Facility Electrical Safety and Lightning Protection Review

Pantex Plant

1. Emergency Management Program Review
2. Emergency Management 2015-2 Annual Exercise

Y-12 National Security Complex

1. Disciplined Operations Review
2. Building 9204-2E Material Storage
3. Highly Enriched Uranium Materials Facility DSA Review

In FY 2014, the Board's technical staff conducted more than eight reviews to meet the above objective of conducting effective oversight of NNSA defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. The technical staff conducted reviews at all NNSA sites including LANL Area G (Basis for Interim Operation [BIO]), NNS (Conduct of Operations and Maintenance), Pantex (Electrical Distribution System and Electrical Safety Program), and Y-12 National Security Complex (Criticality Safety).

Performance Goal 1.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	<p>Conduct effective oversight through formal, well-planned reviews of NNSA’s nuclear explosive safety activities.</p> <p>Target: Number of reviews completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls</p>	Complete 3 reviews	Achieved 3 Reviews
Actual Results for Preceding Fiscal Years			
2014	<p>Conduct effective oversight through formal, well-planned reviews of NNSA’s nuclear explosive safety activities.</p> <p>Target: Complete reviews that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls</p>	Complete 3 reviews	Achieved 3 Reviews

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of effective oversight of NNSA’s nuclear explosive safety activities. The FY 2015 goal was to complete a minimum of three safety oversight reviews. That goal was accomplished.

1. Support Activities NES Master Study, March-November 2014. Scope: Review input documents, observe various NES Study Group meetings, and analyze the study report and close-out results.
2. B61 Pinched Cable Units Nuclear Change Evaluation (NCE), February-April 2015. Scope: Review input documents, observe two NCE meetings, and analyze the NCE report and close-out results.
3. UV/IR System Upgrade NCE, May 2015. Scope: Review input documents, including design drawings, observe NCE meeting, and analyze the NCE report and close-out results.

Additionally, the following significant staff reviews completed during FY 2015 were not explicitly counted in this performance metric:

1. W87 Tester NES Change Evaluation
2. W80 A/N Can Electrostatic Discharge NES Change Evaluation
3. B61 A/N Can Electrostatic Discharge NES Change Evaluation
4. W78 Stuck Detonator NES Change Evaluation
5. W87 Tester NES Change Evaluation

6. W76 Isolator NES Change Evaluation

In FY 2014, the Board’s technical staff conducted three reviews to meet the above objective of effective oversight of NNSA’s nuclear explosive safety activities. The technical staff conducted an Onsite Transportation and Staging NES Master Study review, a review of the W88 NES Operational Safety Review (OSR), and an Approved Equipment Program NES Master Study Module II (Special Tooling) review.

Performance Goal 1.1.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	<p>Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.</p> <p>Target: Percentage of Board letters regarding potential safety deficiencies sent to NNSA (for which the Board receives a response in the target year) result in a positive NNSA response to assess the safety issues.</p>	85% of letters result in positive NNSA response	<p>Achieved</p> <p>100% of letters resulted in positive NNSA response.</p>
Actual Results for Preceding Fiscal Years			
2014	<p>Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.</p> <p>Target: Ensure Board letters regarding potential safety deficiencies sent to NNSA result in a positive NNSA response to assess the safety issues.</p>	80% of letters result in positive NNSA response	<p>Achieved</p> <p>100% of letters resulted in positive NNSA response.</p>

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE/NNSA field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE/NNSA, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. The correspondence issued to NNSA on potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations during FY 2015, and the response from NNSA, are listed below:

1. Pantex Falling Man Special Tooling Concerns. Board correspondence date: June 2, 2014. DOE/NNSA response date: Written response received July 11, 2014; briefing due in FY

2015, and complex-wide corrective actions initiated in the 3rd quarter FY 2015. Assessment of response: Positive.

2. LANL-RANT Shipping Facility Safety Basis. Board correspondence date: December 9, 2014. DOE/NNSA response date: Written response received: March 25, 2015. Assessment of response: Positive.
3. Alternate Seismic Analysis of LANL's Plutonium Facility. Board correspondence date: December 17, 2014. DOE/NNSA response date: Written response received February 13, 2015, with a commitment for follow-on correspondence upon development of further information. NNSA sent the first follow-on letter on August 18, 2015, ordering specific corrective actions at the Plutonium Facility and indicating the path forward would include an attempt to complete a dynamic non-linear analysis of the facility. Assessment of response: Positive.
4. Structural Evaluations of the 9215 Complex and Building 9204-2E at Y-12. Board correspondence date: February 4, 2015. DOE/NNSA response date: None required, although verbal and email feedback was provided from multiple sources. Assessment of response: Positive.
5. Opportunities for Risk Reduction at the LANL Plutonium Facility through Minimization of Material-at-Risk. Board correspondence date September 21, 2015. DOE/NNSA response date: None required. Assessment of response: NNSA action in response to this communication has not yet been observed and therefore cannot be assessed.

The correspondence issued to NNSA on potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations during FY 2014 included five specific items of correspondence. Of these, four were determined to result in a positive response from DOE and one was indeterminate.

Performance Goal 1.1.4

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Maintain a near-continuous oversight presence at each of the following sites: Los Alamos National Laboratory (LANL), Y-12 National Security Complex (Y-12), and Pantex. Target: Number of days per year that a site representative or a member of the Board technical staff conducts safety oversight at each site (LANL, Y-12, and Pantex).	220 days	Not Achieved Coverage at Pantex less than 220 days

Actual Results for Preceding Fiscal Years			
2014	Maintain a near-continuous oversight presence at each of the following sites: Los Alamos National Laboratory (LANL), Y-12 National Security Complex (Y-12), and Pantex. Target: Number of days per year that a site representative or a member of the Board technical staff conducts safety oversight at each site (LANL, Y-12, and Pantex).	220 days	Achieved Coverage exceeded the target of 220 days

Discussion:

The Board’s site representatives and technical staff members conducted safety oversight and maintained a near-continuous oversight presence at LANL and Y-12 during FY 2015. Pantex did not meet the target of 220 days.

- At LANL, the Board’s site representatives and technical staff members conducted 227 days of safety oversight, which met the performance goal of 220 days.
- At Y-12, the Board’s site representatives and technical staff members conducted 228 days of safety oversight, which exceeded the performance goal of 220 days.
- At Pantex, the Board’s site representative and technical staff members conducted 218 days of safety oversight, which did not meet the performance goal of 220 days.

In FY 2014, the Board’s site representatives and technical staff members conducted safety oversight and maintained a near-continuous oversight presence at LANL, Y-12, and Pantex.

- At LANL, the Board’s site representatives and technical staff members conducted 235 days of safety oversight, which exceeded the performance goal of 220 days.
- At Y-12, the Board’s site representatives and technical staff members conducted 236 days of safety oversight, which exceeded the performance goal of 220 days.
- At Pantex, the Board’s site representative and technical staff members conducted 236 days of safety oversight, which exceeded the performance goal of 220 days.

Information on Unmet Target:

The Board began FY 2015 with only one site representative at Pantex, who subsequently left the Board for another employment opportunity. The technical staff immediately implemented a rotation to provide oversight at Pantex on a week-to-week basis by dispatching headquarters staff from Washington, DC, to Pantex, before assigning a permanent site representative in August. However, even with the rotation compensatory measure, the Board was unable to meet its performance goal at Pantex.

Strategic Objective 1.2: Accomplish independent and timely oversight to strengthen safety of operations in cleanup of legacy defense nuclear wastes and facilities.

Performance Goal 1.2.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Conduct effective oversight through formal, well-planned safety reviews at DOE-Office of Environmental Management operating defense nuclear facilities and facilities undergoing decommissioning and decontamination. Target: Number of reviews completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Control.	Complete 10 reviews	Achieved 10 Reviews

Actual Results for Preceding Fiscal Years			
2014	Conduct effective oversight through formal, well-planned safety reviews at DOE-Office of Environmental Management operating defense nuclear facilities and facilities undergoing decommissioning and decontamination. Target: Complete reviews that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls.	Complete 8 reviews	Achieved 8 Reviews

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of conducting effective oversight of DOE-Office of Environmental Management (EM) facilities. The FY 2015 goal was to complete a minimum of ten oversight reviews. That goal was accomplished. Additionally, events at the Waste Isolation Pilot Plant in February 2015 resulted in an adjustment in priorities with an accompanying significant effort to provide effective, real-time assessment of EM’s initial response and subsequent efforts to develop and begin implementation of a recovery plan.

1. Hanford Tank Farms Conduct of Operations, November 2014. Scope: Evaluate the programmatic elements and field implementation of conduct of operations at the Hanford Tank Farms and 242-A Evaporator.

2. Hanford Plutonium Finishing Plant (PFP) Step Out Plan and Ventilation System Review, March 2015. Scope: Review the sequenced actions necessary to secure and downgrade the ventilation systems in a proper order as the facility is moved towards the demolition phase.
3. Hanford T-Plant Structural Design Review, June 2015. Scope: Study the latest seismic analyses as well as the current condition of the facility to determine T-Plant's suitability for future missions.
4. SRS Defense Waste Processing Facility, April 2015. Scope: Review the adequacy of the DSA and Technical Safety Requirements (TSRs).
5. SRS Training and Qualification, January 2015. Scope: Review the adequacy of SRS training and qualification programs to support safety of nuclear operations.
6. SRS Recommendation 2012-1, Building 235-F Safety. Scope: Review the adequacy of the revised DOE implementation plan to improve the safety posture and conduct deactivation activities.
7. SRS Criticality Safety, July 2015. Scope: Review the H-Area criticality safety evaluations, selection and implementation of controls, and recent infractions to ensure a safe, robust program is in place.
8. SRS L-Basin Safety Basis, July 2015. Scope: Review the L-Area Documented Safety Analysis and TSRs.
9. SRS H-Canyon Seismic Performance, August 2015. Scope: Review the seismic adequacy of the H-Canyon facility and support systems with particular focus on the performance of the safety class exhaust tunnel.
10. Hanford 242-A Evaporator Aging, December 2014. Scope: Review the 242-A Evaporator Life Extension Program.

Additionally, the following significant staff reviews completed during FY 2015 were not explicitly counted in this performance metric:

Hanford Site

1. Hanford Aging Management and Life Extension of the Tank Farms Waste Transfer Line System
2. Recommendation 2012-2, *Hanford Tank Farms Flammable Gas Safety Strategy, Deliverables*
3. Hanford Sludge Treatment Project Preliminary DSA Review
4. Hanford Plutonium Finishing Plant (PFP) High Mass Glovebox Review
5. Hanford PFP DSA and Demolition Planning
6. Hanford Reduction-Oxidation Plant (REDOX) Seismic Performance

Savannah River Site

1. Emergency Preparedness and Response
2. H-Canyon Readiness Assessments to support restart of 1st and 2nd cycle operations
3. Savannah River National Laboratory safety basis

WIPP

1. Emergency Response Drill Observations
2. WIPP Recovery Status Review
3. Fire Protection Status Review
4. Maintenance Status Review
5. Electrical Systems Review
6. Safety Basis Review

Idaho National Laboratory

1. Advanced Mixed Waste Treatment Project Safety Basis Review
2. CPP-666 Fuel Storage Area Water Treatment System Resin Replacement, DOE Readiness Assessment Observation
3. Advanced Mixed Waste Treatment Project, High Fissile Gram Equivalent Operations, DOE Readiness Assessment Observation
4. Advanced Mixed Waste Treatment Project, Emergency Response Drill Observation
5. Integrated Waste Treatment Unit (WTU) Startup Review

In FY 2014, the Board’s technical staff conducted eight reviews to meet the above objective of conducting effective oversight of DOE-EM facilities. The technical staff conducted reviews at the Hanford site (3), SRS (3), INL (1), and WIPP (1).

Performance Goal 1.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	<p>Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.</p> <p>Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE (for which the Board receives a positive response in the target year) result in a positive DOE response to assess the safety issues.</p>	85% of letters result in positive DOE response	<p>Achieved</p> <p>100% of letters resulted in positive DOE response.</p>

Actual Results for Preceding Fiscal Years			
2014	<p>Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.</p> <p>Target: Ensure Board letters regarding potential safety deficiencies sent to DOE result in a positive DOE response to assess the safety issues.</p>	80% of letters result in positive DOE response	<p>Achieved</p> <p>100% of letters resulted in positive DOE response.</p>

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. The correspondence issued to DOE on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations during FY 2015, and the response from DOE, are listed below:

1. Board Recommendation 2012-2 Implementation Plan. Board correspondence date: December 5, 2014. DOE response date: Written response and briefing expected in FY16. Assessment of response: To be determined based on response.
2. Hanford Review of the System Back Out Plan and Ventilation System for the Plutonium Finishing Plant Project. Board correspondence date: March 9, 2015. DOE response date: Written response not required. Assessment of response: Positive.
3. Recommendation 2012-1, SRS Building 235-F Safety, Implementation Plan Changes. Board correspondence date: March 9, 2015. DOE response date: Written response not required. Assessment of response: Positive.
4. SRS Safety Basis for the Defense Waste Processing Facility (DWPF). Board correspondence date: August 3, 2015. DOE response date: Written response and briefing expected in FY16. Assessment of response: To be determined based on response.

The Board issued DOE five pieces of correspondence on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations during FY 2014. Of these five pieces of correspondence, all five were assessed to result in a positive response.

Performance Goal 1.2.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Maintain a near-continuous oversight presence at the Hanford Site and Savannah River Site (SRS). Target: Number of days per year that a site representative or a member of the Board technical staff conducts safety oversight at each site (Hanford Site and SRS).	220 days	Achieved Coverage exceeded the target of 220 days
Actual Results for Preceding Fiscal Years			
2014	Maintain a near-continuous oversight presence at the Hanford Site and Savannah River Site (SRS). Target: Number of days per year that a site representative or a member of the Board technical staff conducts safety oversight at each site (Hanford Site and SRS).	220 days	Achieved Coverage exceeded the target of 220 days

Discussion:

The Board’s site representatives and technical staff members conducted safety oversight and maintained a near-continuous oversight presence at Hanford and SRS during FY 2015.

- At Hanford, the Board’s site representatives and technical staff members conducted 241 days of safety oversight, which exceeded the performance goal of 220 days.
- At SRS, the Board’s site representatives and technical staff members conducted 229 days of safety oversight, which exceeded the performance goal of 220 days.

In FY 2014, the Board’s site representatives and technical staff members conducted safety oversight and maintained a near-continuous oversight presence at Hanford and SRS.

- In FY 2014 at Hanford, the Board’s site representatives and technical staff members conducted 244 days of safety oversight, which exceeded the performance goal of 220 days.
- In FY 2014 at SRS, the Board’s site representatives and technical staff members conducted 241 days of safety oversight, which exceeded the performance goal of 220 days.

Strategic Goal 2, Strengthen Safety Standards: Recommend and promote effective safety standards for the Secretary of Energy to apply in providing adequate protection of public health and safety at such defense nuclear facilities.

Strategic Objective 2.1: Accomplish independent oversight to strengthen the development, implementation, and maintenance of DOE regulations, requirements, and guidance for providing adequate protection of public health and safety at defense nuclear facilities.

Performance Goal 2.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Strengthen DOE’s Directives by providing timely oversight and comments to improve revised and newly issued DOE Directives (as noted on the list of “Orders of Interest to the Board”). Target: Percentage of DOE Directives entering the review- comment period for which the Board provides comments on or before the Review Date Deadline.	95%	Achieved 100%
Actual Results for Preceding Fiscal Years			
2014	Strengthen DOE’s Directives by providing timely oversight and comments to improve revised and newly issued DOE Directives (as noted on the list of “Orders of Interest to the Board”). Target: Percentage of DOE Directives entering the review- comment period for which the Board provides comments on or before the Review Date Deadline.	90%	Not Achieved 74%

Discussion:

During FY 2015, the Board’s staff completed 39 reviews of 35 DOE directives with all of the reviews completed by the Review Date Deadline.

During FY 2014, the Board’s staff completed reviews of 27 DOE directives, with 20 of the reviews (74%) completed by the Review Date Deadline. The timeliness of Board reviews of DOE Standards improved significantly after the implementation of new internal control processes at mid-year. During the 3rd and 4th quarters of the fiscal year, the timeliness response rate to DOE from the Board was nearly 100%.

Performance Goal 2.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	<p>Conduct effective oversight of the implementation of DOE Directives (as noted on the list of “Orders of Interest to the Board”) through formal, well-planned safety reviews of DOE defense nuclear facilities.</p> <p>Target: Number of reviews of the implementation of DOE Directives completed that comply with the new Technical Staff Instructions, Operating Procedures, and Internal Controls.</p>	Complete 3 reviews	Achieved 3 Reviews
Actual Results for Preceding Fiscal Years			
2014	<p>Conduct effective oversight of the implementation of DOE Directives (as noted on the list of “Orders of Interest to the Board”) through formal, well-planned safety reviews at DOE defense nuclear facilities.</p> <p>Target: Number of reviews of the implementation of DOE Directives completed that comply with the new Technical Staff Instructions, Operating Procedures, and Internal Controls.</p>	Complete 2 reviews	Achieved 2 Reviews

Discussion:

In FY 2015, three reviews were completed to provide independent oversight to strengthen the development, implementation, and maintenance of DOE regulations, requirements, and guidance for providing adequate protection of public health and safety at defense nuclear facilities. These reviews covered the following topics:

1. Review of the Software Quality Assurance (SQA) in a Packaging and Transportation Computer Code, October 16, 2014. Scope: Review the implementation of quality assurance requirements for software as applied to “RadCalc”, a code developed by DOE to support packaging and transporting radioactive material.
2. Emergent Review of the RadCalc 4.1.1 Safety Calculation Advisory, July 10 – August 10, 2015. Scope: Review and provide technical feedback on DOE’s decision to issue the

Radcalc 4.1.1 software without adequate software quality assurance pedigree, contrary to information previously provided to the Board.

3. SQA Audit of Boston Government Services, September 25, 2015. Scope: Review capabilities of Boston Government Services to meet the requirements of NQA-1 (Nuclear Quality Assurance-1), a regulatory standard created and maintained by the American Society of Mechanical Engineers.

With the exception of the SQA Audit of Boston Government Services, each of these reviews identified shortcomings in which DOE was not meeting the requirements and expectations outlined in DOE directives and guidance documents and resulted in the staff communicating these concerns to DOE.

In FY 2014, two reviews were completed to provide independent oversight to strengthen the development, implementation, and maintenance of DOE regulations, requirements, and guidance for providing adequate protection of public health and safety at defense nuclear facilities. These reviews covered the following topics: Sandia National Laboratories Conduct of Operations and Maintenance, and SRS Salt Waste Processing Facility Quality Assurance Program.

Strategic Objective 2.2: Accomplish independent oversight to improve the establishment and implementation of safety programs at defense nuclear facilities.

Performance Goal 2.2.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Conduct effective oversight through formal, well-planned reviews of DOE's establishment and implementation of safety programs at defense nuclear facilities. Target: Number of reviews completed that comply with the Board's new Technical Staff Instructions, Operating Procedures, and Internal Controls.	Complete 4 reviews	Achieved 4 Reviews
Actual Results for Preceding Fiscal Years			
2014	Conduct effective oversight through formal, well-planned reviews of DOE's establishment and implementation of safety programs at defense nuclear facilities. Target: Number of reviews completed that comply with the Board's new Technical Staff Instructions, Operating Procedures, and Internal Controls.	Complete 3 reviews	Achieved 3 Reviews

Discussion:

In FY 2015, four reviews were completed to evaluate the establishment and implementation of safety programs at defense nuclear facilities. These reviews covered the following topics:

1. Follow-on Review of LANL Work Planning and Control, October 2014. Scope: Review activity-level work planning and control for activities at LANL.
2. Review of Waste Treatment and Immobilization Plant (WTP) Corrective Action Mechanisms and Implementation of Action to Address Safety Culture Assessment Findings, July 2015. Scope: Review actions associated with safety culture assessments at WTP in Hanford, Washington.
3. Emergency Preparedness and Response at the Pantex Plant, December 2-4, 2014. Scope: Review the implementation of emergency management requirements at the Pantex Plant, Amarillo, TX.
4. DOE’s Deliverables on Sustainment Tools for Recommendation 2011-1, September 2015. Scope: Review DOE’s documents supporting the development of sustainment tools for safety culture improvements that were part of the deliverables for Recommendation 2011-1, *Safety Culture at the Waste Treatment and Immobilization Plant*.

Each of these reviews resulted in information exchanges between the Board, DOE, and DOE’s contractors that identified potential improvements to the safety programs that were reviewed at each site or facility. Oversight of DOE safety programs was also facilitated through several reviews conducted in support of Strategic Objectives 1.1 and 1.2 for site-specific oversight.

In FY 2014, three reviews were completed to evaluate the establishment and implementation of safety programs at defense nuclear facilities. These reviews included the following topics: Hanford Plutonium Finishing Plant Activity-Level Work Planning and Control, Savannah River Nuclear Solutions Activity-Level Work Planning and Control, and DOE Headquarters Emergency Response Function.

Performance Goal 2.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	<p>Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities.</p> <p>Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE (for which the Board receives a positive response) that result in a positive DOE response to assess the safety issues.</p>	85% of letters result in positive DOE response	<p>Achieved</p> <p>100% of letters resulted in positive DOE response</p>

Actual Results for Preceding Fiscal Years			
2014	<p>Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities.</p> <p>Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE that result in a positive DOE response to assess the safety issues.</p>	80% of letters result in positive DOE response	<p>Achieved</p> <p>100% of letters resulted in positive DOE response.</p>

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE headquarters or field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. The correspondence issued to DOE regarding actions to improve establishment and implementation of safety programs during FY 2014, and the response from DOE, are listed below:

1. Closure of Recommendation 2004-1, Oversight of Complex, High-Hazard Nuclear Operations. Board correspondence date: May 1, 2014. DOE response date: December 29, 2014. Assessment of response: Positive.
2. Recommendation 2014-1, Emergency Preparedness and Response. Board correspondence date: September 3, 2014. DOE response date: November 7, 2014. Assessment of response: Positive.
3. EM-33 Federal Oversight. Board correspondence date: March 16, 2015. DOE response date: June 9, 2015. Assessment of Response: Written response was positive.
4. Radcalc Safety Calculation Results. Board correspondence date: August 10, 2015. DOE response date: August 21, 2015. Assessment of response: Positive.

In FY 2014, the Board issued DOE five pieces of correspondence regarding actions to improve establishment and implementation of safety programs. Three of those were assessed to result in a positive response and two were indeterminate at the time and included above (Closure of Recommendation 2004-1, *Oversight of Complex, High-Hazard Nuclear Operations*, and Recommendation 2014-1, *Emergency Preparedness and Response*).

Strategic Goal 3, Strengthen Safety in Design: Recommend and promote safety in design for new and modified defense nuclear facilities.

Performance Goal 3.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	<p>Promote and strengthen the early integration of safety into the design and construction of DOE’s defense nuclear facilities by reviewing the adequacy of safety design basis documents at major project Critical Decision milestones.</p> <p>Target: Percentage of significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4) for which the Board’s technical staff completes and documents in a staff report a review of the associated safety design basis document.</p>	100%	<p>Achieved</p> <p>100% Complete</p>
Actual Results for Preceding Fiscal Years			
2014	<p>Promote and strengthen the early integration of safety into the design and construction of DOE’s defense nuclear facilities by reviewing the adequacy of safety design basis documents at major project Critical Decision milestones.</p> <p>Target: Percentage of significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4) for which the Board’s technical staff completes and documents in a staff report a review of the associated safety design basis document.</p>	100%	<p>Achieved</p> <p>100% Complete</p>

Discussion:

During FY 2015, the Board’s technical staff completed and documented reviews of the safety design basis document for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone. This corresponds to an actual result of 100%. These projects include two that achieved the CD-1 preliminary design milestone: Low Activity Waste Pretreatment System (DOE Project # 15-D-409), and the Electrorefining piece of the Y-12 Metal Purification Process. The Y-12 Metal Purification Process consists of a major modification to an existing Hazard Category 2 defense nuclear facility. There were two projects that achieved the CD-4 project completion milestone during FY 2014: the Waste Solidification Building (DOE Project # 99-D-141-02) and the SRS Purification Area Vault Project (DOE

Project # SR-0011C.C2). In the case of the Waste Solidification Building, an oversight review was unnecessary as this project is immediately entering cold standby and DOE did not produce an approved DSA.

During FY 2014, the Board’s technical staff completed and documented reviews of the safety design basis document for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone. This corresponds to an actual result of 100%. These projects include one that achieved the CD-1 preliminary design milestone in October 2014 (Sludge Processing Facility Buildouts [DOE Project # 15-D-405]), and two that achieved the CD-3 final design milestone during FY 2014 (Transuranic Waste Facility [DOE Project # 12-D-301] and KW Basin Sludge Removal Project [DOE Project # 15-D-401]).

Performance Goal 3.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	<p>Provide early notification to DOE of safety issues at DOE design and construction projects by issuing project letters within 60 days of major Critical Decision milestones to document the Board’s assessment of the project’s safety strategy and readiness to proceed with the next project stage.</p> <p>Target: Percentage of significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4) for which the Board issues a project letter to DOE within 60 days of DOE’s Critical Decision milestone.</p>	100%	<p>Not Achieved</p> <p>66% Complete</p>
Actual Results for Preceding Fiscal Years			
2014	<p>Provide early notification to DOE of safety issues at DOE design and construction projects by issuing project letters in advance of major Critical Decision milestones to document the Board’s assessment of the project’s safety strategy and readiness to proceed with the next project stage.</p> <p>Target: Percentage of significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4) for which the Board issues a project letter to DOE in advance of the Critical Decision milestone.</p>	100%	<p>Not Achieved</p> <p>33% Complete</p>

Discussion:

During FY 2015, the Board issued project letters for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone (CD-1, 2, 3, or 4). These projects include one that achieved the CD-1 preliminary design milestone: Low Activity Waste Pretreatment System (DOE Project # 15-D-409). There were two projects that achieved the CD-4 project completion milestone during FY 2015: the Waste Solidification Building (DOE Project # 99-D-141-02) and the SRS Purification Area Vault Project (DOE Project # SR-0011C.C2). Two of the project letters were issued within 60 days of the CD milestone. This corresponds to a success rate of 66% for this performance goal. DOE approved the CD-1/3A milestone for the electrorefining piece of the Y-12 Metal Purification Process in early September. The Board is working on the project letter and expects to complete it early in FY 2016.

Information on Unmet Target for FY 2015

In the Board’s and DOE’s July 2007 joint report to Congress titled Improving the Identification and Resolution of Safety Issues During the Design and Construction of DOE Defense Nuclear Facilities, the Board committed to issue project letters to DOE to “summarize unresolved safety issues and Board view of safety status of projects at appropriate critical decisions.” To promote effective communication to DOE on issues identified by the Board, the Board strives to provide project letters in advance of DOE’s approval of a CD milestone. This allows for DOE to possess a complete understanding of the Board’s concerns with the project when considering approval of the CD milestone. The Board issued a project letter for the SRS Purification Area Vault Project (DOE Project # SR-0011C.C2) 195 days after that project achieved the CD-4 project completion milestone. Because there had been no prior Board project letters issued on this project, additional time was needed to complete a review of this project late in the design process.

Strategic Objective 3.2: Accomplish independent safety oversight to enhance the clear and deliberate implementation of the principles and core functions of integrated safety management in the design, construction, and upkeep of safety systems in defense nuclear facilities.

Performance Goal 3.2.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE’s defense nuclear facilities. Target: Number of reviews completed that assess the ability of the safety systems to meet their safety function when called upon and that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls.	Complete 10 reviews	Achieved 10 Reviews

Actual Results for Preceding Fiscal Years			
2014	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE's defense nuclear facilities. Target: Number of reviews of safety systems completed that comply with the Board's new Technical Staff Instructions, Operating Procedures, and Internal Controls.	Complete 6 reviews	Achieved 6 Reviews

Discussion:

In FY 2015, ten reviews of safety systems were completed that comply with the Board's new Technical Staff Instructions, Operating Procedures, and Internal Controls. These reviews covered the following topics:

- Safety Instrumented Systems at the Salt Waste Processing Facility (SWPF)
- Aerosol Entrainment Coefficient at WTP
- Unanalyzed Melter Accidents at the WTP High-Level Waste Facility
- Seismic Classification of the Confinement Boundary at the WTP High-Level Waste Facility
- Hydrogen Control Strategy at the WTP High-Level Waste Facility
- Sampling for Waste Feed Delivery to WTP
- Direct Electrolytic Reduction/Electrorefining (ER) Review of ER/UC13 Synthesis
- Uranium Processing Facility (UPF) Confinement Ventilation
- Review of Nuclear Safety Initiatives and resulting Preliminary DSA Revision for the Sludge Treatment Project
- WTP Low Activity Waste Melter Hazard Analysis and Supporting Calculations

In FY 2014, six reviews of safety systems were completed that comply with the Board's new Technical Staff Instructions, Operating Procedures, and Internal Controls. These reviews covered topics including Probabilistic Seismic Hazard Analysis at the Idaho National Laboratory and the Hanford Site, aging management of waste transfer lines at SRS, ammonia hazards at Hanford's WTP, and Safety Design Strategy for the High Level Waste Facility at WTP.

Performance Goal 3.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities. Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE (for which the Board receives a response in the target year) result in a positive DOE response to assess the safety issues.	85% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response.
Actual Results for Preceding Fiscal Years			
2014	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities. Target: Ensure Board letters regarding potential safety deficiencies sent to DOE result in a positive DOE response to assess the safety issues.	80% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response.

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. There were eight Board letters produced for design and construction projects, six resulted in responses from DOE that had sufficient information to determine a positive or negative impact. Those six Board letters all resulted in a positive assessment of DOE’s response. Therefore, this metric can be measured at 100 percent for FY 2015.

The correspondence issued to DOE on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations during FY 2015, and the response by DOE, is listed below:

1. Board letter establishing a 60-day reporting requirement for an updated plan and schedule for addressing the Board’s concerns with potential releases of ammonia at WTP.
 Correspondence date: September 24, 2014. DOE response date: November 24, 2014.
 Assessment of response: Positive.

2. Board letter establishing a 90-day reporting requirement for DOE's intent and plan to include the updated volcanic ashfall hazard assessment into the WTP design and safety basis. Correspondence date: October 23, 2014. DOE response date: February 11, 2015. Assessment of response: Positive.
3. Board letter establishing a 90-day reporting requirement for a report documenting DOE's plan to address all design basis melter accident scenarios to support development of safety basis for the High-Level Waste facility at WTP. Correspondence date: December 5, 2014. DOE response date: March 9, 2015. Assessment of response: Positive.
4. Board letter establishing a 90-day reporting requirement for a report documenting DOE's path forward for developing a nuclear safety control strategy for hydrogen explosion hazards in the High-Level Waste Facility at WTP. Correspondence date: January 21, 2015. DOE response date: June 5, 2015. Assessment of response: Positive.
5. Board letter establishing a 90-day reporting requirement for a report documenting DOE's plan to develop a nuclear safety control strategy for the confinement ventilation system under the effects of a seismic design basis accident at the High-Level Waste Facility. Correspondence date: February 2, 2015. DOE response date: July 24, 2015. Assessment of response: Positive.
6. Board letter detailing technical concerns documented in the Board Staff Issue Report, "Aerosol Entrainment Coefficient Based on Testing and Data Analyses for the Waste Treatment and Immobilization Plant." Correspondence date: March 25, 2015. DOE response date: Written response not required. Assessment of response: To be determined.
7. Board letter describing the Board staff's concerns and considerations following review of safety design strategy and conceptual design report for the Low Activity Waste Pretreatment System project at Hanford. Correspondence date: May 14, 2015. DOE response date: Written response not required. Assessment of response: To be determined.
8. Board Project Letter for Critical Decision-4 (Approve Start of Operations or Project Completion): SRS K-Area Complex Purification Vault. Correspondence date: June 22, 2015. DOE response date: Written response not required. Assessment of response: To be determined.
9. Board letter establishing a 90-day reporting requirement for a report on the design methodology and technical basis associated with the design of the UPF confinement ventilation system in a post-seismic condition. Correspondence date: June 25, 2015. DOE response date: September 11, 2015. Assessment of response: Positive.
10. Board letter establishing a 45 day reporting requirement for a letter regarding DOE's position on controlling river access and protecting public receptors from accidents during Sludge Treatment Project (STP) slurry transfers. Correspondence date: August 21, 2015. DOE response date: To be determined. Assessment of response: To be determined.
11. Board letter regarding review of STP Engineered Container Retrieval and Transfer System Preliminary Documented Safety Analysis hydrogen hazards. Correspondence date: August 21, 2015. DOE response date: Written response not required. Assessment of response: To be determined.

In FY 2014, the Board issued correspondence to DOE on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations in two instances: the Transuranic Waste Processing Center Sludge Processing Facility Buildouts Project at Oak Ridge National Laboratory, and the Transuranic Waste Facility Project at LNL. In both instances the response was assessed to be positive.

Strategic Goal 4: Achieve Excellence in Management and Communication with Stakeholders: Operate in a manner that is accountable to the public and achieves the mission efficiently and effectively

Strategic Objective 4.1: Improve management controls to achieve the Board’s mission.

Performance Goal 4.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Within OTD, develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities. Target: Percentage completion of implementation of new procedures.	100% complete for Phase 1 procedures 50% complete for Phase 2 procedures	Achieved 100% Complete for Phase 1 procedures 50% complete for Phase 2 procedures
Actual Results for Preceding Fiscal Years			
2014	Within OTD, develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities. Target: Percentage completion of implementation of new procedures.	100% complete for Phase 1 procedures	Not Achieved 48% Complete

Discussion:

In FY 2013, the Board, following recommendations received from two separate external assessments, decided to establish clearly documented internal controls for technical staff operations. The primary goals of this ongoing effort are to provide:

- Efficient and effective practices, policies, and procedures that enable managers to effectively plan, organize, direct, control, and report agency operations;
- Visibility to support efforts to manage quality, timeliness, and productivity, and control cost; and
- A uniform and measurable method for technical staff accomplishment of the Board’s oversight mission.

In FY 2015, the Board completed implementation of Phase 1 documents on March 31, 2015. This included the majority of the technical staff day-to-day work processes. In addition, the technical staff implemented 50 percent of the Phase 2 documents by the end of the fiscal year. Phase 1 included 29 Instructions, Operating Procedures, and Notices. The technical staff redefined Phase 2 to include 10 Operating Procedures and Work Practices that support day-to-day work processes. This occurred after an external survey of the staff indicating that the scope of the originally defined documents was too complex. Therefore, the technical staff arrived at a reduced number of documents for Phase 2 by consolidating and combining documents.

Performance Goal 4.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission. Target: Percentage completion of significant OGM work processes with effective procedures.	50% Complete	Achieved 60% Complete
Actual Results for Preceding Fiscal Years			
2014	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission. Target: Percentage completion of significant OGM work processes with effective procedures.	33% Complete	Not Achieved 32% Complete

Discussion

In FY 2014, OGM embarked on a multi-year goal to assess its operating procedures for significant work processes. The Board's Internal Control Program Operating Procedures identify 25 significant work processes within OGM. Ten work processes received internal control assessments in FY 2014 and were reviewed by the Board's ECIC. Of those, eight or 32 percent (i.e., 8 of 25) were assessed by the ECIC as having effective internal controls. In FY 2015, 13 work processes were assessed for a cumulative total over both years of 16 (seven work processes were assessed both years). Of the 16, 15 or 60 percent (i.e., 15 out of 25) were assessed by the ECIC as having effective internal controls.

Performance Goal 4.1.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission. Target: Percentage completion of new procedures. This indicator does not include other OGC tasks or completed work.	33% Complete	Achieved 36% Complete
Actual Results for Preceding Fiscal Years			
2014	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission. Target: Percentage completion of new procedures.	40% Complete	Not Achieved 21% Complete

Discussion

Staffing shortfalls resulted in OGC not achieving its FY 2014 goal, and the FY 2015 goal was reset based on FY 2014 results. OGC focused on internal OGC work processes as well as Board-wide processes, to include public and confidential financial disclosures as well as investigation of allegations of fraud, waste, and abuse that may be referred to OGC. OGC also completed reviews of four of its work processes. Two work processes were deemed effective by both the reviewer and an independent assessor. Two other work processes, one of which is already covered by a rule, were identified as effective with minor exceptions; these will be resolved during FY 2016.

Strategic Objective 4.2 - Improve the alignment of human capital strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.

Performance Goal 4.2.1

Fiscal Year	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2015	Achieve a more results-oriented performance culture. Target: Number of employees operating under a performance-based appraisal system.	(1) Implement a Senior Executive Service (SES) performance appraisal system that achieves certification by the Office of Personnel Management (OPM) by September 30, 2015; (2) Implement a revised General Schedule (GS) performance management system that supports a results-oriented performance culture at the Board.	Not Achieved
Actual Results for Preceding Fiscal Years			
2014	Achieve a more results-oriented performance culture. Target: Number of employees operating under a performance-based appraisal system.	Develop a revised GS performance management system to ensure higher standards and employee accountability by August 31, 2014.	Ongoing

Discussion

The Board implemented a more results-oriented performance-based appraisal system for its excepted service staff (engineers and scientists) in FY 2012, and planned to implement a more results-oriented performance appraisal system for its GS staff in FY 2015, along with achieving a certified SES appraisal system. Although significant progress was met, neither goal was achieved. The GS performance initiative was paired with an initiative to implement additional training on not only the new system, but also on performance management as a whole and the importance of giving and receiving feedback. By providing training and additional resources to both the employees and the managers, all GS staff members now have a better understanding of their roles and responsibilities in the performance management process. This has resulted in better communication between supervisors and employees and performance plans that better support the Board’s mission.

Information on Unmet Target

A new SES performance appraisal system was developed by the end of the fiscal year based on numerous draft documents and feedback sessions with OPM throughout the year to ensure that the final package was strong and able to meet both the needs of the Board and OPM’s requirements for certification. The

Board used the feedback from OPM to improve the effectiveness and usefulness of the SES performance plans.

In addition, a new policy on SES pay was drafted and was pending Board approval process at the end of the year. It is anticipated it will be approved during the 1st quarter of FY 2016, after which certification will be requested from OPM.

Performance Goal 4.2.2

Fiscal Year	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2015	Address human capital gaps identified in critical mission functions. Target: Number of unfulfilled critical mission functions.	Develop a useful and flexible workforce management plan to address human capital gaps in the mission critical positions identified by Board's Office Directors for FY 2015 execution.	Achieved
Actual Results for Preceding Fiscal Years			
2014	Address human capital gaps identified in critical mission functions. Target: Number of unfulfilled critical mission functions.	Critical mission functions are defined within each position (entry-, mid-, and senior-career level) by June 30, 2014.	Achieved

Discussion

In FY 2014, Human Resources, with input from OTD and OGC, defined the mission-critical functions within each of the Board offices. Additionally, generic core competencies were developed for entry-level, mid-career, and senior-level positions.

Based on the identified staffing gaps, in FY 2015 the Board developed and implemented a workforce management plan to address the need to hire for mission critical positions. The plan was a useful and flexible tool that allowed the Board to use recruitment resources for targeted positions (Engineer, IT Security Specialist, and Human Resources Specialist) and be proactive in its hiring strategies. As a result, the Board was able to hire nine new employees in mission-critical positions and make offers of employment to an additional five engineers with diverse levels of education and experience. In terms of mission-critical positions, FY 2015 was the Board's most successful recruiting year to date, and much of that success was the result of implementing the workforce management plan that identified the Board's human capital gaps and recommended strategies to address them. The workforce management plan will be expanded to include all positions at the Board in FY 2016.

Strategic Objective 4.3: Improve and sustain effective, transparent two-way communications between the Board and its stakeholders on safety issues in DOE’s defense nuclear complex and on the Board’s operations.

Performance Goal 4.3.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites. Target: Percentage of Site Representative Weekly reports documenting direct oversight posted to the Board’s public webpage within 35 days of the date of the report.	85%	Achieved 88.5% posted within 35 days
Actual Results for Preceding Fiscal Years			
2014	Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites. Target: Percentage of Site Representative Weekly reports documenting direct oversight posted to the Board’s public webpage within 35 days of the date of the report.	80%	Achieved 89% posted within 35 days

Discussion:

The Board provided timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites by posting its Site Representative Weekly reports to the Board’s public webpage within 35 days of the date of the report. Of the 260 *Site Representative Weekly* reports, the Board posted 230 to its public webpage within 35 days of the date of the report for an overall percentage of 88.5 percent.

Performance Goal 4.3.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Number of <i>Reports to Congress on the Status of Significant Unresolved Technical Differences between the Board and the Department of Energy on Issues Concerning the Design and Construction of DOE's Defense Nuclear Facilities</i> published and submitted to Congress. Inclusion within the Board's Annual Report to Congress of a separate section bearing this title shall count as a report meeting this goal.	1 report	Achieved 1 report submitted to Congress
Actual Results for Preceding Fiscal Years			
2014	Inform the Congress and other stakeholders of potential safety issues early in the design and construction phases of DOE defense nuclear facilities. Target: Number of <i>Reports to Congress on the Status of Significant Unresolved Technical Differences between the Board and the Department of Energy on Issues Concerning the Design and Construction of DOE's Defense Nuclear Facilities</i> published and submitted to Congress.	3 reports	Achieved 3 reports submitted to Congress
2013 ²		N/A	2
2012		N/A	2

Discussion:

The Board published its 25th Annual Report to Congress on March 11, 2015, and this report included a section titled, Status of Significant Unresolved Issues with DOE's Design and Construction Projects, which satisfied the performance goal. In general, Board correspondence to DOE that identified issues was posted promptly on the Board's public website.

The Board published three Reports to Congress on the Status of Significant Unresolved Technical Differences between the Board and the Department of Energy on Issues Concerning the Design and

² Although this performance goal was established in FY 2014, the Board has been tracking this measure for multiple years, and thus actual results for FY 2013 and FY 2012 are also included for this goal.

Construction of DOE's Defense Nuclear Facilities during FY 2014 and submitted them to Congress in December 2013, May 2014, and September 2014.

Performance Goal 4.3.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2015	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC. Target: Number of public hearings.	3 public hearings	Achieved 3 public hearings
Actual Results for Preceding Fiscal Years			
2014	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC. Target: Number of public hearings.	3 public hearings	Achieved 3 public hearings
2013 ²		N/A	2
2012		N/A	3

Discussion:

The Board held three public meetings in FY 2015 to communicate safety issues, satisfying its target. The Board held its first public hearing and meeting of the fiscal year on Safety Culture and Board Recommendation 2011-1, on October 7, 2014, in Washington, DC. This public hearing and meeting marked the third on the topic of Safety Culture and Board Recommendation 2011-1. The Board held a public hearing and meeting regarding WIPP Safety during Recovery and Resumption of Operations, on April 29, 2015, in Carlsbad, New Mexico. The Board held its final FY 2015 public hearing on August 26, 2015, in Kennewick, WA, on Improving Safety Culture at the Waste Treatment & Immobilization Plant. In addition to these public events, the Board held the following:

- A Business Meeting on October 30, 2014 to discuss the Board's work plans and staffing plans for FY 2015;
- A Business Meeting on June 3, 2015 to discuss existing performance metrics, existing policies, and organizational structure and basis;
- A closed meeting on June 3, 2015; and
- A closed meeting on July 29, 2015.

The Board satisfied its performance goal in FY 2014 by holding three public meetings. These included public hearings and meetings on 1) *Safety in Design, Operations, and Emergency Preparedness at the Y-12 National Security Complex*; 2) *Safety Culture and Board Recommendation 2011-1*; and 3) *Safety Culture and Board Recommendation 2011-1*.

Chapter 3

CFO Letter, Auditor's Report, and Financial Statements

CFO LETTER

I am pleased to report that the Board's FY 2015 financial statements received an unmodified opinion from its independent auditors, the Board's tenth consecutive "clean" opinion since its FY 2004 financial statements were initially audited pursuant to the Accountability of Tax Dollars Act (ATDA) of 2002. In addition, FY 2015 marked the ninth consecutive year that the Board's clean opinion was coupled with no instances of non-compliance with laws and regulations and no material financial internal control weaknesses identified in the accompanying report.

The financial statements that follow were prepared and audited as part of this performance and accountability report within 45 days after the end of the fiscal year. To ensure that resources are dedicated to fulfilling the demanding health and safety oversight mission, the Board has adopted the "economies of scale" philosophy for obtaining needed administrative support services and "contracts" (through Interagency Agreements) with USDA to act as its accounting services provider. The Board's financial staff worked diligently with its USDA accountants in preparing our FY 2015 financial statements and providing the necessary supporting documentation to its auditors, and credit should be given to both those organizations for achieving these accomplishments.

Compliance with Laws and Regulations

The auditors tested the Board's compliance with certain provisions of laws and regulations, non-compliance which could have a direct and material effect on the determination of financial statement amounts, and certain other laws in regulations specified in OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements*. For the ninth consecutive year, the auditors found no instances of non-compliance with such laws or regulations.

Internal Controls

In planning and performing the financial statements audit, the independent auditors considered the Board's internal control over financial reporting by obtaining an understanding of the Board's internal controls, determining if internal controls had been placed in operation, assessing controls risk, and performing tests of controls. Testing of internal controls was limited to those controls necessary to achieve objectives described in OMB Bulletin 15-02. The auditors noted no internal control material weaknesses for the ninth consecutive year. I am also pleased to note that the auditors concluded that based on policies and procedures implemented by the Board in FY 2015, the two significant deficiencies identified in the FY 2014 audit no longer exist, and that no new deficiencies were identified.

The auditor's report, together with the accompanying report on compliance with laws and regulations and internal control are included in their entirety in this Chapter.



Mark T. Welch, Chief Financial Officer



**Office of the
Inspector General**

**Defense Nuclear Facilities
Safety Board**
Washington, DC 20004-2901

November 16, 2015

MEMORANDUM TO: Chairman Connery

FROM: Hubert T. Bell /RA/
 Inspector General

SUBJECT: RESULTS OF THE AUDIT OF THE DEFENSE NUCLEAR
 FACILITIES SAFETY BOARD'S FINANCIAL STATEMENTS FOR
 FISCAL YEARS 2015 AND 2014 (DNFSB-16-A-04)

The Accountability for Tax Dollars Act of 2002 (ADTA), 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 (Board) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) contracted with Acuity Consulting, Inc. (Acuity), to conduct this annual audit. Transmitted with this memorandum are the following Acuity reports:

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

The Board's Performance and Accountability Report includes comparative financial statements for Fiscal Years (FY) 2015 and FY 2014.

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.

Acuity's audit was conducted in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget (OMB) Bulletin No. 15-02, Audit Requirements for Federal Financial Statements. The audit included, among other things, obtaining an understanding of the Board 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 any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the 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 2015 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion.

Internal Controls Over Financial Reporting

- Unqualified opinion.

Compliance with Laws, Regulations, Contracts, and Grant Agreements

- No reportable instances of noncompliance.

OIG Oversight of Acuity Performance

To fulfill our responsibilities under ATDA and related legislation for overseeing the audit work performed, we monitored Acuity's audit by:

- Reviewing Acuity's audit approach and planning.
- Evaluating the qualifications and independence of Acuity's auditors.
- Monitoring audit progress at key points.
- Examining the working papers related to planning and performing the audit and assessing the Board's internal controls.

- Reviewing Acuity's audit reports for compliance with U.S. generally accepted government auditing standards and OMB Bulletin No. 15-02.
- Coordinating the issuance of the audit reports.
- Performing other procedures deemed necessary.

Acuity is responsible for the attached auditor's reports, dated November 13, 2015, 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, and accordingly we do not express, an opinion on:

- The Board's financial statements.
- The effectiveness of the Board's internal control over financial reporting.
- The Board's compliance with laws, regulations, contracts, and grant agreements.

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

Meeting with the General Manager

At the exit conference on November 13, 2015, the General Manager of the Board and representatives of both OIG and Acuity discussed the results of the audit.

Comments of the General Manager

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

We appreciate the Board staff's cooperation and continued interest in improving financial management within the Board.

Attachments: As stated

cc: Vice Chairman Roberson
Board Member Sullivan
Board Member Santos
Board Member Hamilton
M. Welch, General Manager



November 13, 2015



Audit of the Defense Nuclear Facilities Safety Board's Annual Financial Statements

FY 2015 Financial Statements

Independent Auditor's Report

DNFSB-16-A-04



To: Inspector General
Defense Nuclear Facilities Safety Board

Chairman
Defense Nuclear Facilities Safety Board

Introduction

As a result of our audit of the Defense Nuclear Facilities Safety Board's (Board) comparative financial statements for fiscal years 2015 and 2014, we found the following:

- The financial statements as of and for the fiscal years ended September 30, 2015, and 2014, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- The Board maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015; and
- No reportable noncompliance for fiscal year 2015 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements and on internal control over financial reporting, which includes required supplementary information (RSI) and other information included with the financial statements; (2) our report on compliance with laws, regulations, contracts, and grant agreements; and (3) the Board's comments on a draft of this report.

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

We have audited the accompanying financial statements of the Defense Nuclear Facilities Safety Board, which comprise the balance sheets as of September 30, 2015, and 2014; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. We have also audited the Board's internal control over financial reporting as of September 30, 2015, based on criteria established under 31 U.S.C. § 3512(c and d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA), and applicable sections of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.



Management's Responsibility

Board management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the U.S.; (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 auditor's 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 applicable sections of OMB Circular A-123; and (6) providing its assertion about the effectiveness of internal control over financial reporting as of September 30, 2015, based on its evaluation, included in the accompanying Management Report on Internal Control Over Financial Reporting (See Appendix I).

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the Board's internal control over financial reporting based on our audits. We conducted our audits in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements*. U.S. generally accepted 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 the RSI and other information 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 auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA and applicable sections of OMB Circular A-123. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Definitions 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 accounting principles generally accepted in the U.S., (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (3) transactions are executed in accordance with laws governing the use of budget authority and with other applicable laws, regulations, contracts, and grant agreements that could have a direct and 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, The Board's financial statements present fairly, in all material respects, the Board's financial position as of September 30, 2015, and 2014, and its net cost, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the U.S.

Opinion on Internal Control Over Financial Reporting

The Board maintained, in all material respects, effective internal control over financial reporting as of September 30, 2015, based on criteria established under FMFIA and applicable sections of OMB Circular A-123. Our opinion on the Board's internal control over financial reporting is consistent with the Board's assertion that its internal control over financial reporting was effective as of September 30, 2015, and that no material weaknesses were found in the design or operation of the controls. Our fiscal year 2014 audit identified deficiencies in the Board's internal control over undelivered orders and the annual internal control assessment process that collectively constituted significant deficiencies in the Board's internal control over financial reporting.



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 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 significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We concluded in our fiscal year 2014 audit that the Board had a significant deficiency in its internal control over undelivered orders that merits the attention of management and those charged with governance.

We recommended the Board:

1. Design and implement procedures to ensure that obligations are reviewed and evaluated for validity on a regular basis and inactive obligations are deobligated after a reasonable period of inactivity.

We also concluded in our fiscal year 2014 audit that the Board had a significant deficiency in its internal control over the A-123 process that merits the attention of management and those charged with governance.

We recommended the Board:

2. Design and implement a more robust internal control assessment process and related procedures.

During fiscal year 2015 the Board implemented policies and procedures that we believe adequately address our recommendations and both significant deficiencies discussed above no longer exist.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America, issued by the Federal Accounting Standards Advisory Board (FASAB), require that RSI be presented to supplement the financial statements.

Although 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 U.S. generally accepted 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 audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

The Board's other information accompanying our audit report contains 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 RSI. 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 the Board'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

In connection with our audits of the Board's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with the auditor's 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 U.S. generally accepted government auditing standards.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the Board that have a direct effect on the determination of material amounts and disclosures in the Board'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 the Board.

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 for fiscal year 2015 that would be reportable under U.S. generally accepted 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 the Board. Accordingly, we do not express such an opinion.

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 U.S. generally accepted 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.

Agency Comments

In commenting on a draft of this report, the General Manager stated that he agreed with the results of our audit. The complete text of the Board's comments is reprinted in Appendix II.

Acuity Consulting, Inc.

Acuity Consulting, Inc.

November 13, 2015

Joyce L. Connery, Chairman
Jessie H. Roberson, Vice Chairman
Sean Sullivan
Daniel J. Santos
Bruce Hamilton

**DEFENSE NUCLEAR FACILITIES
SAFETY BOARD**
Washington, DC 20004-2901

Appendix I



November 16, 2015

Mr. Stephen D. Dingbaum
Assistant Inspector General for Audits
11555 Rockville Pike
Rockville, MD 20852

Dear Mr. Dingbaum:

In accordance with Statements on Standards for Attestation Engagements (SSAE) No. 15, I am providing this management assertion regarding the effectiveness of internal control that apply to financial reporting by the Defense Nuclear Facilities Safety Board (Board).

The Board'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 laws governing the use of budget authority and with other applicable laws, regulations, and contracts that could have a direct and material effect on the financial statements.

As the General Manager, I am responsible for 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. I have evaluated the effectiveness of the Board's internal control over financial reporting as of September 30, 2015, based on the criteria established under the applicable sections of Office of Management and Budget Circular A-123.

Based on that evaluation, I conclude that as of September 30, 2015, the Board's internal control over financial reporting was effective.

Sincerely,

Mark T. Welch
General Manager

Joyce L. Connery, Chairman
Jessie H. Roberson, Vice Chairman
Sean Sullivan
Daniel J. Santos
Bruce Hamilton

**DEFENSE NUCLEAR FACILITIES
SAFETY BOARD**

Washington, DC 20004-2901



November 16, 2015

Mr. Stephen D. Dingbaum
Assistant Inspector General for Audits
11555 Rockville Pike
Rockville, MD 20852

Dear Mr. Dingbaum:

I appreciate the opportunity to respond to the Independent Auditor's Report of the Defense Nuclear Facilities Safety Board (Board) Fiscal Years 2015 and 2014 financial statements, and want to thank your staff and the auditors for working with the Board's financial staff to meet the audit requirements. I agree with the results of the audit.

I am pleased that the auditors rendered an unmodified or "clean" audit opinion, which means they found the Board's financial statements are presented fairly, in all material respects, and in conformity with U.S. generally accepted accounting principles; that the Board maintained, in all material respects, effective internal control over financial reporting; and that there were no instances of reportable noncompliance with laws and regulations.

I am also pleased to note that the auditors concluded that based on policies and procedures implemented by the Board in FY 2015, the two significant deficiencies identified in the FY 2014 audit no longer exist, and that no new deficiencies were identified.

Sincerely,

Mark T. Welch
General Manager

Defense Nuclear Facilities Safety Board
BALANCE SHEET

As Of September 30, 2015 and 2014

		2015	2014
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 12,583,816.10	\$ 10,429,251.94
Other:	(Note 5)		
Advances and Prepayments		14,435.00	18,789.00
Total Intragovernmental		12,598,251.10	10,448,040.94
Assets With The Public:			
Accounts Receivable, net	(Note 3)	-	70.71
General Property, Plant and Equipment, Net	(Note 4)	506,913.86	311,780.94
Other:	(Note 5)		
Advances and Prepayments		788.40	
Total Assets		\$ 13,105,953.36	\$ 10,759,892.59
Liabilities:	(Note 6)		
Intragovernmental:			
Accounts Payable	(Note 7)	\$ 77,929.64	\$ 108,341.00
Other:	(Note 9)		
Employer Contributions and Payroll Taxes Payable	(Note 8)	99,930.84	82,301.55
Other Unfunded Employment Related Liability	(Note 10)	8,778.00	8,778.00
Total Intragovernmental		186,638.48	199,420.55
Liabilities With the Public:			
Accounts Payable		695,455.87	439,104.94
Other:	(Note 9)		
Accrued Funded Payroll and Leave		744,971.53	424,860.19
Employer Contributions and Payroll Taxes Payable		20,040.90	17,112.26
Unfunded Leave		1,230,286.67	1,211,095.73
Total Liabilities		\$ 2,877,393.45	\$ 2,291,593.67
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		\$ 10,960,710.72	\$ 9,376,321.00
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		(732,150.81)	(908,022.08)
Total Net Position - All Other Funds (Consolidated Totals)		10,228,559.91	8,468,298.92
Total Net Position		\$ 10,228,559.91	\$ 8,468,298.92
Total Liabilities and Net Position		\$ 13,105,953.36	\$ 10,759,892.59

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, 2015 and 2014

	2015	2014
Program Costs:		
DNFSB:		
Gross Costs	\$ 27,403,584.01	\$ 26,595,720.96
Net Program Costs	27,403,584.01	26,595,720.96
	(Note 12)	
Net Cost of Operations	\$ 27,403,584.01	\$ 26,595,720.96

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, 2015 and 2014

	2015	2014
Cumulative Results of Operations:		
Beginning Balances	\$ (908,022.08)	(662,383.45)
Beginning balance, as adjusted	(908,022.08)	(662,383.45)
Budgetary Financing Sources:		
Appropriations used	26,915,610.28	25,492,785.33
Other Financing Sources (Non-Exchange):		
Imputed financing	663,845.00	857,297.00
Total Financing Sources	27,579,455.28	26,350,082.33
Net Cost of Operations	27,403,584.01	26,595,720.96
Net Change	175,871.27	(245,638.63)
Cumulative Results of Operations	(732,150.81)	(908,022.08)
Unexpended Appropriations:		
Beginning Balance	9,376,321.60	6,869,106.33
Beginning Balance, as adjusted	9,376,321.60	6,869,106.33
Budgetary Financing Sources:		
Appropriations received	28,500,000.00	28,000,000.00
Appropriations used	(26,915,610.28)	(25,492,785.33)
Total Budgetary Financing Sources	1,584,389.72	2,507,214.67
Total Unexpended Appropriations	10,960,710.72	9,376,321.00
Net Position	\$ 10,228,559.91	\$ 8,468,298.92

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, 2015 and 2014

	2015	2014
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 5,707,070.58	\$ 4,051,253.50
Unobligated balance brought forward, October 1, adjusted	5,707,070.58	4,051,253.50
Recoveries of prior year unpaid obligations (unobligated balances)	563,912.98	465,344.46
Unobligated balance from prior year budget authority, net	6,270,983.56	4,516,597.96
Appropriations (discretionary and mandatory)	28,500,000.00	28,000,000.00
Spending authority from offsetting collections	50.00	105.30
Total budgetary resources	\$ 34,771,033.56	\$ 32,516,703.26
 STATUS OF BUDGETARY RESOURCES		
Obligations incurred	(Note 13) \$ 27,914,021.03	\$ 26,809,632.68
Apportioned	6,513,167.54	3,759,345.78
Unapportioned	343,844.99	1,947,724.80
Unobligated balance brought forward, end of year	6,857,012.53	5,707,070.58
Total budgetary resources	\$ 34,771,033.56	\$ 32,516,703.26
 CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 4,722,181.36	\$ 3,808,695.91
Obligations incurred	27,914,021.03	26,809,632.68
Outlays (gross) (-)	(26,345,485.84)	(25,430,802.77)
Recoveries of prior year unpaid obligations (-)	(563,912.98)	(465,344.46)
Unpaid obligations, end of year	(Note 14) 5,726,803.57	4,722,181.36
Obligated balance, start of year (net)	4,722,181.36	3,808,695.91
Obligated balance, end of year (net)	\$ 5,726,803.57	\$ 4,722,181.36
 BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 28,500,050.00	\$ 28,000,105.30
Actual offsetting collections (discretionary and mandatory) (-)	(50.00)	(105.30)
Budget authority, net (discretionary and mandatory)	28,500,000.00	28,000,000.00
Outlays, gross (discretionary and mandatory)	26,345,485.84	25,430,802.77
Actual offsetting collections (discretionary and mandatory) (-)	(50.00)	(105.30)
Outlays, net (discretionary and mandatory)	26,345,435.84	25,430,697.47
Agency outlays, net (discretionary and mandatory)	(Note 15) \$ 26,345,435.84	\$ 25,430,697.47

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

APPROPRIATED 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, 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, 2015, 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 2015 and FY 2014 appropriated funds are available for obligation until September 30, 2016 and September 30, 2015, 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) 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 seven year useful life and leasehold improvements over a ten year useful life.

The Board owns no land and leases its office space from 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 8).

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. Worksheet adjustments were made for a debit of \$864,959 and a credit of \$0.01 for FY 2015 and FY 2014, respectively, for payroll charges that were reflected in the U.S. Treasury cash balance at year end but were not yet recorded in the GSA accounting system. The status of these funds as of September 30, 2015 and 2014 are as follows:

	<u>FY 2015</u>	<u>FY 2014</u>
A. Fund Balance with Treasury		
Appropriated Fund	\$12,583,816.10	\$10,429,251.94
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
(a) Available	6,513,167.54	3,759,345.78
(b) Unavailable	343,844.99	1,947,724.80
2) Obligated Balance not yet Disbursed	<u>5,726,803.57</u>	<u>4,722,181.36</u>
Total	\$12,583,816.10	\$10,429,251.94

Note 3 – Accounts Receivable, Net

The line item represents the gross amount of monies owed to the Board. The Board has historically collected receivables due and thus has not established an allowance for uncollectible accounts.

Accounts Receivable	FY 2015	FY 2014
Claims	\$0	\$70.71

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, 2015 and 2014 are as follows.

2015	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	\$1,460,219.93	\$40,174.35	\$553,684.97	\$0	\$2,054,079.25
Accum. Depr.	(\$953,306.07)	(\$40,174.35)	(\$553,684.97)	(\$0)	(\$1,547,165.39)
Net Book Value	\$506,913.86	\$0	\$0	\$0	\$506,913.86

2014	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	\$1,151,669.34	\$40,174.35	\$673,273.01	\$0	\$1,865,116.70
Accum. Depr.	(\$867,201.61)	(\$40,174.35)	(\$645,959.80)	(\$0)	(\$1,553,335.76)
Net Book Value	\$284,467.73	\$0	\$27,313.21	\$0	\$311,780.94

Note 5 – Other Assets

The FY 2015 Other Assets amount represents an unliquidated advance.

	FY 2015	FY 2014
Intragovernmental	\$14,435.00	\$18,789.00
With the Public – Associates	\$788.40	\$0
Total Other Assets	\$15,223.40	\$18,789.00

Note 6 – Liabilities Not Covered by Budgetary Resources

The liabilities on the Board's Balance Sheets as of September 30, 2015 and 2014 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, 2015 and 2014 is as follows:

	<u>2015</u>	<u>2014</u>
Unfunded Leave	\$1,230,286.67	\$1,211,095.73
<u>Workers' Compensation</u>	<u>\$ 8,778.00</u>	<u>\$ 8,778.00</u>
Total liabilities not covered by budgetary resources	\$1,239,064.67	\$1,219,873.73
<u>Total liabilities covered by budgetary resources</u>	<u>\$1,638,328.78</u>	<u>\$1,071,719.94</u>
Total Liabilities	\$2,877,393.45	\$2,291,593.67

Note 7 - Intragovernmental Liabilities

Intragovernmental liabilities arise from transactions with other federal entities. As of September 30, 2015, the Board had accounts payable intragovernmental liabilities of \$77,929.64 with the Dept. of Homeland Security (\$35,185.42), GSA (\$22,536.22) and Dept. of Energy (\$20,208.00). The Board's FY2014 account payable intragovernmental liabilities of \$108,341.00 were with the Department of Treasury (\$25,000.00), GSA (\$57,684.00) and Department of Energy (\$25,657.00). Employee benefits are the amounts owed to OPM and Treasury as of September 30, 2015 and 2014 for Federal Employees Health Benefits Program (FEHBP), Federal Employees' Group Life Insurance Program (FEGSIP), Federal Insurance Contributions Act (FICA), Federal Employees Retirement System (FERS), and Civil Service Retirement System (CSRS) contributions (reference Note 8).

Note 8 – 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 FEGSIP and may continue to participate after retirement. The Board makes contributions through OPM to FEHBP and FEGSIP 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 9– Other Liabilities

Other liabilities with the public for the years ending September 30, 2015 and 2014 consist of Accrued Funded Payroll and Leave, Withholdings Payable, Unfunded Leave and Workers' Compensation in the amounts shown below:

	With the Public	Non-Current	Current	Total
2015	Other Liabilities	\$1,230,286.67	\$873,721.27	\$2,104,007.94
2014	Other Liabilities	\$1,211,095.73	\$533,052.00	\$1,744,147.73

Note 10 – 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.

Note 10 – Workers’ Compensation (continued)

The Board recorded an estimated liability for claims incurred, but not reported as of September 30, 2015 and 2014, as follows:

	FY 2015	FY 2014
Worker’s Compensation	\$8,778.00	\$8,778.00

Note 11 – Leases

The Board has not entered into any existing capital leases and thus has incurred no liability resulting from such leases. The Board also has not directly entered into any operating leases, but does have an occupancy agreement with GSA for its headquarters office space (GSA has an operating lease with the building owner, the costs of which are billed to the Board). Lease costs for office space for FY 2015 and FY 2014 under the terms of the existing lease amounted to \$2,461,509 and \$2,452,306, respectively. The Board entered into a new ten year lease agreement effective March 8, 2006 which is due to expire on March 7, 2016.

The Board is currently in discussions with GSA concerning a new occupancy agreement. In the interim, GSA has provided rent estimates of \$2,897,944 for FY 2016 and \$3,288,544 for FY 2017.

Note 12 – Intragovernmental Costs

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 2015	\$7,008,312.80	\$20,395,271.21	\$27,403,584.01
FY 2014	\$7,752,828.35	\$18,842,892.61	\$26,595,720.96

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

OC	Description	FY 2015	FY 2014
11	Personnel Compensation	\$14,936,552.13	\$14,135,419.47
12	Personnel Benefits	\$ 4,558,471.04	\$ 5,023,703.67
13	Former Personnel Benefits	\$ 9,334.00	\$ 359.00
21	Travel & Transportation of Persons	\$ 886,669.68	\$ 629,283.36
22	Transportation of Things	\$ 42,780.81	\$ 29,134.61
23	Rent, Communications, & Utilities	\$ 2,712,351.59	\$ 2,687,422.46
24	Printing & Reproduction	\$ 24,260.75	\$ 22,853.04
25	Other Contractual Services	\$ 3,447,747.11	\$ 3,310,091.58
26	Supplies & Materials	\$ 226,268.23	\$ 197,930.55

FY 2015
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Performance and Accountability Report

31	Acquisition of Assets	\$ 559,148.67	\$ 559,523.22
	Total	\$27,403,584.01	\$26,595,720.96

Note 13 – Apportionment Categories of Obligations Incurred

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 2015	FY 2014
Direct		
Category A	\$27,914,021.03	\$26,809,632.68

Note 14 – Undelivered Orders at the End of the Period

The amount of Unpaid Obligated Balance, Net, End of Period shown on the Statement of Budgetary Resources includes obligations relating to Undelivered Orders (goods and services contracted for but not yet received at the end of the year) and Accounts Payable (amounts owed at the end of the year by the Board for goods and services received). The amount of each is as follows:

	Undelivered Orders	Accounts Payable	Unpaid Obl. Balance, Net
FY 2015	\$4,088,474.79	\$1,638,328.78	\$5,726,803.57
FY 2014	\$3,650,461.42	\$1,071,719.94	\$4,722,181.36

Note 15 – Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government

Budgetary resources made available to the Board include current appropriations, unobligated appropriations and recoveries of prior year obligations. For FY 2014, no material differences exist between the amounts on the Statements of Budgetary Resource and the amounts in the FY 2016 President’s Budget which are rounded to the nearest million. As the FY 2017 President’s Budget is not yet available, comparison between the Statement of Budgetary Resources and the actual FY 2015 data in the FY 2017 Budget cannot be performed.

Note 16 – Explanation of the Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods

The Change in Components Requiring or Generating Resources in Future Periods equals the difference between the opening and ending balances of Liabilities Not Covered by Budgetary Resources (as shown on the Balance Sheet, reference Note 6), shown as follows:

FY 2015

	FY 2014	FY 2015	Change
Unfunded Annual Leave	\$1,211,095.73	\$1,230,286.67	(\$19,190.94)
Workers Compensation	\$ 8,778.00	\$ 8,778.00	\$ 0.00
Total	\$1,219,873.73	\$1,239,064.67	(\$19,190.94)

FY 2014

	FY 2013	FY 2014	Change
Unfunded Annual Leave	\$1,205,202.29	\$1,211,095.73	(\$ 5,893.44)
Workers Compensation	\$ 22,013.00	\$ 8,778.00	\$13,235.00
Total	\$1,227,215.29	\$1,219,873.73	\$ 7,341.56

Note accrued funded payroll liability is covered by budgetary resources and is included in the net cost of operations, whereas unfunded annual leave liability includes the expense related to the increase in annual leave liability for which the budgetary resources will be provided in a subsequent period.

Note 17 – Reconciliation of Net Cost of Operations (proprietary) to Budget

Budgetary Resources Obligated are obligations for personnel, goods, services, benefits, etc. made by the Board in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by Board in its program (proprietary) operations. For example, Spending Authority from Recoveries and Offsetting Collections are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). As explained in Notes 1(i) and 8, an Imputed Financing Source from Costs Absorbed by Others is recognized for future federal employee benefits costs incurred for Board employees that will be funded by OPM. Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided represents the difference between the beginning and ending balances of undelivered orders (i.e., goods and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that Finance the Acquisition of Assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing Sources Yet to be Provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, Components not Requiring or Generating Resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

FY 2015
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Performance and Accountability Report

A reconciliation between Budgetary Resources Obligated and Net Cost of Operations (i.e., providing an explanation between budgetary and financial (proprietary) accounting) is as follows:

	FY 2015	FY 2014
Budgetary Resources Obligated	\$27,914,021.03	\$26,809,632.68
Spending Authority from Recoveries and Offsetting Collections	(563,962.98)	(465,449.76)
Imputed Financing from Costs Absorbed by Others	663,845.00	857,297.00
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(434,447.77)	(851,397.59)
Resources that Finance the Acquisition of Assets	(461,853.37)	(37,793.19)
Financing Sources Yet to be Provided (see Note 16)	19,190.94	(7,341.56)
Components Not Requiring or Generating Resources	266,791.16	290,773.38
Net Cost of Operations	\$27,403,584.01	\$26,595,720.96



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

OFFICE OF THE
INSPECTOR GENERAL

October 1, 2015

MEMORANDUM TO: Chairman Connery

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

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE MOST
SERIOUS MANAGEMENT AND PERFORMANCE
CHALLENGES FACING THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD (DNFSB-16-A-01)

In accordance with the Reports Consolidation Act of 2000, I am providing what I consider to be the most serious management and performance challenges facing the Defense Nuclear Facilities Safety Board (DNFSB) in FY 2016.

INTRODUCTION

The Consolidated Appropriations Act, 2014, provided that notwithstanding any other provision of law, the Inspector General (IG) of the Nuclear Regulatory Commission (NRC) is authorized in 2014 and subsequent years to exercise the same authorities with respect to DNFSB, as determined by the NRC IG, as the IG exercises under the IG Act of 1978 (5 U.S.C. App.) with respect to NRC.

BACKGROUND

DNFSB is an independent organization within the executive branch chartered with the responsibility of providing recommendations and advice to the President and the Secretary of Energy regarding public health and safety issues at Department of Energy defense nuclear facilities. In operation since October 1989, DNFSB reviews and evaluates the content and implementation of health and safety standards, as well as other requirements, relating to the design, construction, operation, and decommissioning of the Department of Energy's defense nuclear facilities.

IG's Assessment of the Most Serious Management and Performance Challenges Facing DNFSB

DNFSB is supported by approximately 110 technical and administrative staff personnel and an annual budget of approximately \$29 million. DNFSB's enabling legislation authorized a staff of up to 150 personnel in FY 2015.

MANAGEMENT AND PERFORMANCE CHALLENGES

The FY 2016 management and performance challenges are related to DNFSB's organizational culture and climate, security, human capital and internal controls. Our work in these areas indicates that program improvements are needed and DNFSB is responding positively to recommendations to improve the efficiency and effectiveness of its programs. The FY 2016 management and performance challenges are as follows:

1. Organizational culture and climate.
2. Management of security over internal infrastructure (personnel, physical and cyber security) and nuclear security.
3. Human capital management.
4. Internal controls for technical and administrative/financial programs.

These challenges represent what the NRC Office of the Inspector General (OIG) considers to be inherent and immediate program challenges relative to maintaining effective and efficient oversight and internal management controls. As a result, some are likely to remain challenges from year to year; others may be removed from the list as progress is made toward resolution. Challenges do not necessarily equate to problems.

Attached is a brief synopsis of each management and performance challenge along with summaries of OIG reports and planned work that has informed and will inform our assessment of DNFSB's progress in meeting the challenges. A complete list of reports can be found at <http://www.nrc.gov/reading-rm/doc-collections/insp-gen/>.

1. Organizational culture and climate.

To perform with optimum efficiency and effectiveness, DNFSB must have effective leadership, be able to recruit and retain competent staff (addressed in this report under the human capital management challenge), communicate effectively with and empower its staff, and effectively manage the processes and procedures that continually evolve in a dynamic organization (change management). DNFSB is experiencing challenges related to these areas, particularly change management.

Recognized management best practices emphasize change management as entailing thoughtful planning, sensitive implementation of change, and consultation with and involvement of the people affected by the changes. Without an effective change management program, challenges with coordination, communication, and other barriers to change can impede change and reduce the success of the change effort.

DNFSB's FY 2014 Federal Employee Viewpoint Survey results showed a need to improve staff views of leadership and leadership honesty and integrity, management performance (office directors), policies supporting diversity, and job-relevant skills and knowledge. Furthermore, OIG's FY 2014 DNFSB Culture and Climate Survey results highlighted a number of concerns about DNFSB's organizational culture and climate, including change management.

Key culture and climate challenges for DNFSB include the following:

- Ensure that organizational communication and change management contribute to a pervasive sense of organizational stability.
- Ensure that policies and procedures are enforced and kept current.

The following synopses are examples of organization culture and climate work that OIG completed at DNFSB in FY 2015 and will complete in FY 2016.

**DNFSB Culture and Climate Survey
DNFSB-15-A-06, September 2, 2015**

In the Spring of 2015, Towers Watson assisted the OIG in assessing DNFSB's culture and climate. OIG commissioned Towers Watson to conduct a survey to evaluate the current culture and climate of DNFSB and facilitate identification of the organization's strengths and opportunities for improvement, as it continues to experience significant challenges.

The DNFSB Culture and Climate Survey was administered from March 30th – April 10th, 2015. All permanent DNFSB staff and managers were eligible to participate. Of the 107 employees asked to participate, 79 completed surveys, for an overall return rate of 74 percent. This return rate is on par with Towers Watson's global return rate of 75 percent and is a great first year percentage, being sufficient to provide a reliable and valid measure of the current attitudes and perceptions of DNFSB staff and managers. As a first year survey, the results of this study allow for a baseline measure that DNFSB can use as a benchmark to understand if progress is being made against these initiatives.

Survey Results:

Results show that DNFSB's culture and climate need substantial improvement. Although overall, employees are perceived to be engaged with their job and to feel they have the opportunity to make an impact, learn and grow, and have work/life balance, the survey found

- Employees lack a sense of pride in DNFSB and personal accomplishment in their work.
- Many employees feel they lack the right tools and resources.
- Thirty-eight percent of employees say they plan to leave DNFSB in the next year.
- Employees perceive that DNFSB is not attracting and retaining the right talent.

In addition, communication is a consistent theme related to both DNFSB Board Members and senior leadership. Employees desire a change in the timeliness and tone of communications. Specifically, employees want more information about changes, decisions, how decisions are made, and how decisions/changes relate to the organization's mission.

Results also show that improvements can be made in the areas of respectfulness and professionalism in the organization. Specifically, both for employees respecting leaders as well as senior leaders treating staff with more respect. Along with that, scores for effective operating procedures and employees having the necessary tools and resources to perform their jobs are quite low and suggest that further attention should be placed on these areas as well.

Lastly, where comparisons exist, results are generally better than in the 2014 Federal Employee Viewpoint survey, especially for issues rated to the quality of work, cooperation, empowerment, and training.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1524/ML15245A515.pdf>.

Change Management – To Be Initiated In FY 2016

Change management consists of the processes, tools, and techniques for managing change. Change management is frequently used in private industry and government organizations to facilitate and monitor implementation of a major change. Most change processes contain three phases that respectively address (1) preparing for change, (2) managing change, and (3) reinforcing change.

Change management is typically applied in a graded approach with more structure, oversight, and effort for more significant and potentially difficult changes. It has proven effective in implementing technical system changes, such as new software systems for recording time and attendance, as well as organizational changes, such as the establishment of new offices.

DNFSB's ability to effectively manage organizational, technical, and procedural change is a critical performance characteristic which can significantly affect DNFSB's ability to successfully carry out its mission.

The audit objective will be to assess the efficiency and effectiveness of DNFSB's management of change.

2. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

DNFSB must take appropriate measures to secure its personnel, facilities, and information. Criminals and foreign intelligence organizations pose obvious external threats. However, DNFSB must also protect itself against trusted insiders who could maliciously or unintentionally compromise the security of its facilities and information systems. Additionally, information security presents unique challenges by virtue of the imperative to balance information safeguards while facilitating legitimate users' access to information.

Key security challenges for DNFSB include the following:

- Given the importance and sensitivity of DNFSB's activities, cyber security has become a crucial aspect of DNFSB's overall security posture. Recent breaches of Office of Personnel Management and health insurance data systems, which compromised the personal information of Federal employees, underscore the importance of protecting these systems as well as the difficulty and diligence required to guard against such intrusions. It is critical that cyber security protective measures keep pace with evolving threats.
- Recent breaches of classified information by Federal employees and contractors illustrate the need to maintain robust internal controls over classified information and the systems that process, store, and transmit it.
- Sound records management practices are key to ensuring that DNFSB staff can respond effectively to information requests from external stakeholders and conduct agency business as transparently as possible.

The following audit synopses are examples of security and information management work that OIG has initiated or completed at DNFSB in FY 2014 and FY 2015.

Audit of the Board's Information Security Program (Ongoing Audit)

DNFSB employees have a responsibility to handle sensitive information pertaining to defense nuclear facilities in accordance with Federal laws, policies, and regulations. Classified information has unique requirements governing access, dissemination, composition, and de-classification. DNFSB personnel must therefore meet special training, security clearance, and "need to know" standards depending on the type of classified information they handle. Furthermore, DNFSB facilities must meet specific security standards to help prevent loss of, or unauthorized access to, classified information. In addition to upholding classified information protection requirements, DNFSB personnel must also take special precautions to safeguard sensitive unclassified information, which could include proprietary data, attorney-client privilege information, and personally identifiable information. These precautions extend beyond the handling and storage of hard copy documents to the storage, processing, and dissemination of electronic records as well.

The audit objective is to determine if DNFSB staff handle sensitive and classified information in accordance with Federal policies, laws and regulations.

Independent Evaluation of the Board's Implementation of the Federal Information Security Management Act (FISMA) for FY 2014
DNFSB-15-A-02 July 15, 2015

DNFSB has issued two documents for implementing its information systems security program (ISSP). However, the majority of the policies and procedures supporting DNFSB's ISSP are draft documents, and therefore, have not been fully implemented. While DNFSB's ISSP includes all of the elements required by FISMA, Office of Management and Budget, and the National Institute of Standards and Technology, the evaluation team was not able to evaluate fully every element of DNFSB's ISSP due to the lack of final, approved policies and procedures.

The elements of DNFSB's ISSP that were evaluated identified several weaknesses. For example, continuous monitoring is not performed, and DNFSB's plan of action and milestones management is inadequate. Additionally, the oversight of systems managed by contractors or other agencies is also inadequate. DNFSB agreed with the report's findings and recommendations.

The full report and the agency's response is available at
<http://pbadupws.nrc.gov/docs/ML1431/ML14316A202.pdf>

**Audit of the Board's Freedom of Information Act (FOIA) Process
DNFSB-14-A-02 September 30, 2014**

DNFSB generally meets FOIA timeliness requirements; however, opportunities exist to enhance program efficiency and compliance with Federal and internal guidance by improving internal controls, training, and FOIA document management.

Specifically, DNFSB staff do not always follow FOIA guidance when searching for records and responding to FOIA requests. DNFSB is required to adhere to Federal and internal FOIA guidance. However, management has not implemented effective internal controls and made FOIA training available to all DNFSB staff. As a result, inaccurate and incomplete FOIA responses have occurred.

In addition, FOIA documentation at DNFSB is dispersed and not efficiently maintained. Document management guidance requires maintaining and using records in an effective and efficient manner. However, DNFSB has not designed and implemented controls for FOIA documentation management. As a result, inefficiencies exist and there is an increased potential for misplaced or lost FOIA documents at DNFSB. DNFSB agreed with the report's findings and recommendations.

The full report and the agency's response is available at
<http://pbadupws.nrc.gov/docs/ML1427/ML14273A133.pdf>

3. Human capital management.

Human capital management is the process of acquiring, training, managing, and retaining employees for them to contribute effectively to the goals of the organization. Attributes of human capital management include effective programs for selection and hiring, knowledge transfer management, career development, training, and succession planning.

DNFSB recognizes that a challenge facing its organization is maintaining a focused and well-executed human capital management program. Because DNFSB's work relies on in-depth technical information and detailed safety analyses, the recruitment and retention of scientific and technical staff members continues to be critical to the successful accomplishment of DNFSB's mission.

DNFSB's FY 2013 Performance and Accountability Report acknowledges the combination of an aging workforce and high demand for experienced scientists and engineers by other organizations will remain a challenge for DNFSB. DNFSB has concluded that 16 percent of its technical staff is eligible for retirement and, consequently, agency management understands the need to spend more resources on recruiting highly qualified technical personnel. In meetings with OIG staff, DNFSB's management acknowledges that hiring and retaining staff will continue to be a challenge for the agency.

The OIG 2015 DNFSB Culture and Climate Survey also identified human capital management as a significant challenge facing DNFSB.

Key internal control documentation challenges include the following:

- Developing a succession planning process.
- Retaining and continuing to develop competent staff.
- Providing respected and effective leadership throughout the Board.

The following audit synopsis is an example of human capital management work that OIG will initiate at DNFSB in FY 2016.

**Audit of DNFSB's Human Resources Process for Filling Vacancies
(To Be Initiated in FY 2016)**

The Office of Personnel Management (OPM) requires agencies to establish and maintain a system of accountability for merit system principles. Agencies are further required to use guidance, measures, and metrics and to identify the measures used in agency accountability policies. OPM established the Human Capital Assessment and Accountability Framework (HCAAF) system as standards, including appropriate metrics for evaluators to use when assessing human capital management by Federal agencies. HCAAF's system components are (1) Strategic Alignment System, (2) Leadership/Knowledge Management System, (3) Results-Oriented Performance Culture System, (4) Talent Management System, and (5) Accountability System. Human resources evaluators use agency processes and activities outlined in standards for the HCAAF System to ensure that over time, the agency manages people efficiently and effectively in accordance with merit system principles, veterans' preference and related public policies.

The 2015 DNFSB Culture and Climate Survey conducted by OIG suggests that DNFSB's process for hiring and retaining staff needs improvement. There is a perception among DNFSB staff that the agency is not attracting and retaining the right talent. Moreover, survey results reflect that 38 percent of DNFSB employees plan to leave in the next year.

The audit objective will be to determine if DNFSB has identified mission-critical occupations and competencies and developed strategies to hire and retain staff in accordance with Federal standards.

4. Internal controls for technical and administrative/financial programs.

Internal controls are the plans, methods, policies, and procedures an organization employs to ensure effective resource use in fulfilling its mission, goals, objectives, and strategic plan. A quality internal control program promotes operational efficiency, ensures that established policies are followed, safeguards assets, prevents fraud, minimizes errors, and verifies the accuracy and reliability of data. While DNFSB states that it has a formal internal control policy, the agency identified a lack of formal controls in its technical operations. DNFSB's senior management has confirmed with OIG that the agency has not done a good job of documenting procedures but they are in the process of updating existing policies and procedures.

Key internal control documentation challenges include the following:

- Documentation of processes for DNFSB members to share information amongst each other. Update and implement policies and procedures for conducting DNFSB's mission essential (technical) functions.
- Improve internal control documentation and practices for DNFSB's financial and administrative functions.

The following audit synopses are examples of work OIG has performed at DNFSB pertaining to internal controls for DNFSB's technical and administrative/financial programs.

Audit of the Board's Purchase Card Program
DNFSB-14-A-01, September 29, 2014

OIG conducted an audit to determine whether internal controls are in place and operating effectively to maintain compliance with applicable purchase card laws, regulations, and DNFSB policies.

Overall, DNFSB used purchase cards appropriately during the period under review. However, DNFSB's purchase card internal controls need improvement. Specifically, some of the purchase card controls are incomplete, outdated, or not fully implemented. As a result, internal controls are less effective and the potential for personal use, misuse, or loss is increased. DNFSB agreed with the report's findings and recommendations and all recommendations are closed.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1427/ML14272A413.pdf>

**Audit of the Board's Travel Card and Travel Program
DNFSB-15-A-05, April 23, 2015**

Travel card and travel program controls are generally in place. However, opportunities exist to improve the effectiveness of internal controls over the travel card and travel program and to enhance user access controls in Concur, DNFSB's travel management system.

Internal controls are not always effective at maintaining compliance with Federal requirements and established DNFSB policies. OIG identified that 45 percent of all employees who had Temporary Duty travel during a recent 9-month period either had travel card or travel program exceptions to include the following: (1) using the card for unauthorized expenses or ATM withdrawals, (2) claiming and receiving reimbursement for amounts not supported by or not consistent with documentation, (3) claiming compensatory time without receiving prior approval, and (4) claiming hazardous weather leave to which they were not entitled while on official travel. In addition, DNFSB does not appropriately control user access in Concur. DNFSB agreed with the report's findings and recommendations and is taking action to implement the recommendations.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1511/ML15113B139.pdf>

Results of the Audit of The Defense Nuclear Facilities Safety Board's Financial Statements for the Fiscal Years 2014 and 2013
DNFSB-15-A-03, November 14, 2014

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. OIG contracted with an independent auditor to provide (1) an opinion on the fair presentation of DNFSB's financial statements, (2) an opinion on internal controls over financial reporting and (3) report on the compliance with laws and regulations.

The independent auditors determined that:

1. The financial statements as of and for the fiscal years ended September 30, 2014, and 2013, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
2. Although internal controls could be improved, DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014.
3. No reportable noncompliance for fiscal year 2014 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

Specific to internal controls, the independent auditors found that DNFSB did not utilize robust procedures in its internal control over its financial reporting assessment process performed under OMB Circular A-123. Citing its limited resources, DNFSB relied on its managers' self-assessments of their operations and did not perform any testing of internal controls to independently verify they were operating effectively. As a result, DNFSB faced increased risk that material weaknesses in internal controls would not be identified. DNFSB agreed with the report's findings and recommendations.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1432/ML14323A857.pdf>

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COMMENTS AND SUGGESTIONS

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

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

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NA	0	0	NA	NA	0

SUMMARY OF MANAGEMENT ASSURANCES³

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)

Audit Opinion	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NA	0	0	NA	NA	0

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
IT Security Program	0	1	NA	NA	1

³ The Board does not provide a management assurance related to FFMIA § 4 or Section 803(a) of the Federal Financial Management Improvement Act as it obtains accounting service from a federal service provider and thus does not operate a financial management system.