

Fiscal Year 2024



**DEFENSE NUCLEAR
FACILITIES SAFETY BOARD**

AGENCY FINANCIAL REPORT

The Defense Nuclear Facilities Safety Board presents its Agency Financial Report for Fiscal Year 2024, covering the period from October 1, 2023, to September 30, 2024.





Defense Nuclear Facilities Safety Board

Joyce L. Connery
Chair

Mary J. Buhler
Executive Director of Operations

Omolola A. Fawole
Chief Financial Officer

About This Report

This is our Agency Financial Report on the Defense Nuclear Facilities Safety Board's (DNFSB) performance results and audited financial statements.

We welcome your views on all aspects of this report. Please send your feedback to dbf@dnfsb.gov. You can view the FY 2024 Agency Financial Report at [Plans, Budgets, and Performance | Defense Nuclear Facilities Safety Board](#).

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Defense Nuclear Facilities Safety Board

Division of Budget and Finance

625 Indiana Avenue, NW, Suite 700

Washington, DC 20004

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MISSION STATEMENT



MISSION

Provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of 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, including with respect to the health and safety of employees and contractors at such facilities.

VISION

To secure a safe future for the American people through proven technical excellence and transparency that inspires public confidence as the defense nuclear enterprise evolves.

VALUES



Integrity



Respect



Excellence



Independence



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The Defense Nuclear Facilities Safety Board (DNFSB) Agency Financial Report (AFR) for Fiscal Year (FY) 2024, provides an executive-level overview of the DNFSB, including our mission, organization, performance, financial information, internal controls, legal compliance, and challenges facing the Agency. This report satisfies the reporting requirements contained in the following legislations:

- **The Federal Managers' Financial Integrity Act (FMFIA) of 1982** requires ongoing evaluations and reports of the adequacy of internal accounting and administrative controls, and whether financial management systems comply with federal financial management systems requirements.
- **The Chief Financial Officers (CFO) Act of 1990** establishes the position of CFO, requires audited financial statements for each major executive agency, and requires the Director of the Office of Management and Budget (OMB) to prescribe the form and content of the financial statements.
- **The Government Performance and Results Act (GPRA) of 1993** requires federal agencies to prepare a strategic plan covering a multiyear period and requires each agency to submit an annual performance plan and an annual performance report.
- **The Government Management Reform Act (GMRA) of 1994** expanded the CFO Act by requiring, among other things, the annual preparation and audit of organization-wide financial statements of the Executive Branch departments and certain Executive Branch independent agencies.
- **The Reports Consolidation Act of 2000** permits agencies to consolidate certain statutorily required reports into a single annual report and requires certain information be contained in the consolidated report.
- **The Accountability of Tax Dollars Act (ATDA) of 2002** expanded the CFO Act further and extends the requirements of the annual preparation and audit of organization-wide financial statements to the remainder of the Executive Branch independent agencies not already required to do so through another provision of federal law.
- **The GPRA Modernization Act of 2010** modernized the Federal Government's performance management framework, retaining and amplifying some aspects of the GPRA of 1993 while also addressing some of its weaknesses.
- **The Digital Accountability and Transparency Act (DATA Act) of 2014** established governmentwide, financial data standards and increased the availability, accuracy, and usefulness of federal spending information. DATA Act implementation, which is being led by the U.S. Department of the Treasury (U.S. Treasury or Treasury) and the OMB, mandated federal agencies to report on procurement data to bring awareness to federal spending.
- **The Payment Integrity Information Act (PIIA) of 2019** requires agencies to improve their efforts to identify and reduce government-wide improper payments.



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The DNFSB has produced the AFR as an alternative to the Performance and Accountability Report (PAR). The AFR is intended to simplify and summarize information while providing transparent and performance reporting. Additionally, the DNFSB produces an Annual Performance Report (APR) which details the DNFSB strategic goals, performance measures, and results. The APR for FY 2024 will be published in March 2025.

HOW THIS REPORT IS ORGANIZED

As stewards of public resources, the DNFSB prepares its AFR annually to provide transparency on its financial position and performance results. This report demonstrates the DNFSB's commitment to its mission, accountability, and the responsible management of resources entrusted by the President of the United States, Congress, and the public. The AFR includes the following main sections:

Fast Read - This section includes a condensed summary of the AFR.

Message from the Chair - This section includes a transmittal letter from the Chair of the DNFSB with an assessment of the completeness and reliability of the performance and financial data used in the AFR.

Management's Discussion and Analysis Section - This section includes a narrative composed of the overview, mission, and organization of the DNFSB; a high-level discussion of performance goals, objectives, and results; an analysis of the financial statements; an analysis of systems, controls, and legal compliance; a statement of assurance from the Chair of the DNFSB; and forward-looking information.

Financial Section - This section includes the report of the independent auditor, principal financial statements, and associated notes. Additionally, the Financial Section is composed of the message from the DNFSB's CFO.

Other Information Section - This section includes the Inspector General's assessment of the DNFSB's management and performance challenges. Additionally, it includes the summary of the financial statement audit and management assurances and Payment Integrity Information Act reporting results.



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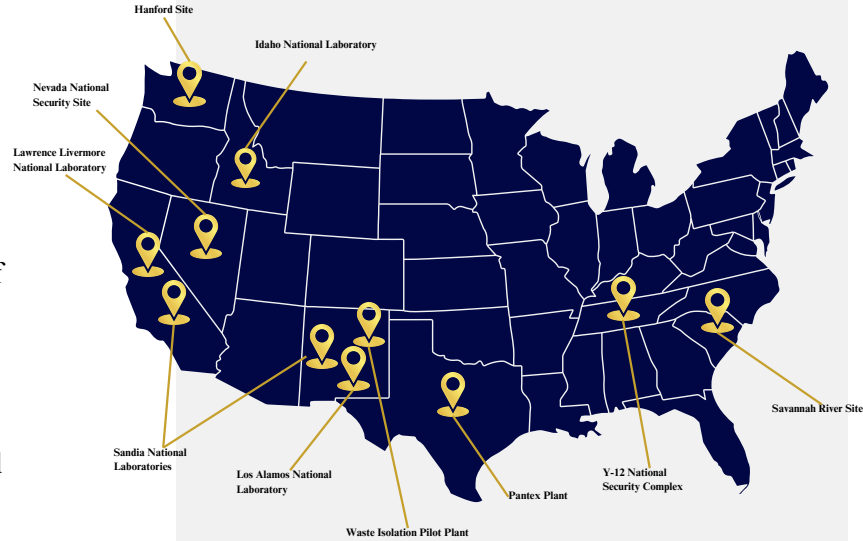
Fast Read

For a **quick overview**, this section offers a condensed summary of the report. For deeper insights, review the full report when time allows.

Fiscal Year 2024



Major DOE Sites Subject to the DNFSB's Jurisdiction



About Us

The Defense Nuclear Facilities Safety Board (DNFSB), an independent oversight organization within the executive branch, was created by Congress in 1988 to provide advice and recommendations to the Secretary of Energy regarding public health and safety at the defense nuclear facilities managed by the Department of Energy (DOE).

The DNFSB has 14 resident inspectors who provide real time assessments and monitoring of safety issues at the sites <https://www.dnfsb.gov/about/resident-inspectors>.

In FY 2024, the DNFSB produced a total of 259 resident inspector weekly reports which can be viewed at [Reports | Defense Nuclear Facilities Safety Board](#).

Why the DNFSB is Important to the Taxpayers?

1986

The Chernobyl nuclear power station accident provided a dramatic demonstration of the havoc that a major accident in a nuclear facility could cause. The Chernobyl accident was characterized by a Belarussian ambassador as “the worst technogenic catastrophe that has ever occurred on this planet.” The explosion and resulting fire in the reactor’s graphite core released massive amounts of radioactivity. Analyses of the accident listed various causes, including operator errors ultimately attributable to poor training and poor management, and to faulty reactor design. (Source: <https://www.dnfsb.gov/about/history>)

1988

The Congress created the DNFSB and charged it with responsibility to review the safety standards that pertain to all life-cycle phases of defense nuclear facilities design, construction, operation, and decommissioning. The DNFSB is also responsible for investigating any event or practice at a DOE facility that had or could adversely affect public health and safety. The DNFSB is statutorily required to make reports to Congress at least annually on its oversight activities, any recommendations issued to the Secretary of Energy, and improvements in safety achieved at defense nuclear facilities as a result of its activities.

Performance Highlights:

- Over the course of the fiscal year, the DNFSB completed a total of 40 safety reviews.
- The DNFSB technical staff produced 4 reports on best practices observed during site visits, providing valuable insights and guidance to DOE.
- The DNFSB senior officials engaged in 46 meetings with DOE representatives to discuss nuclear safety issues and concerns.
- The DNFSB provided a dozen briefings to the House and Senate Armed Services and Appropriations Committees, as well as personal staff of several Members.
- The DNFSB hosted a public hearing on aging infrastructure at defense nuclear sites. <https://www.dnfsb.gov/public-hearings-meetings/public-hearing-benchmarking-best-practices-management-aging-safety>

DNFSB Powers - The Congress provided the DNFSB with a variety of powers to carry out its oversight mission:

The power to issue formal recommendations to the Secretary of Energy

The power to conduct investigations and studies

The power to gather information

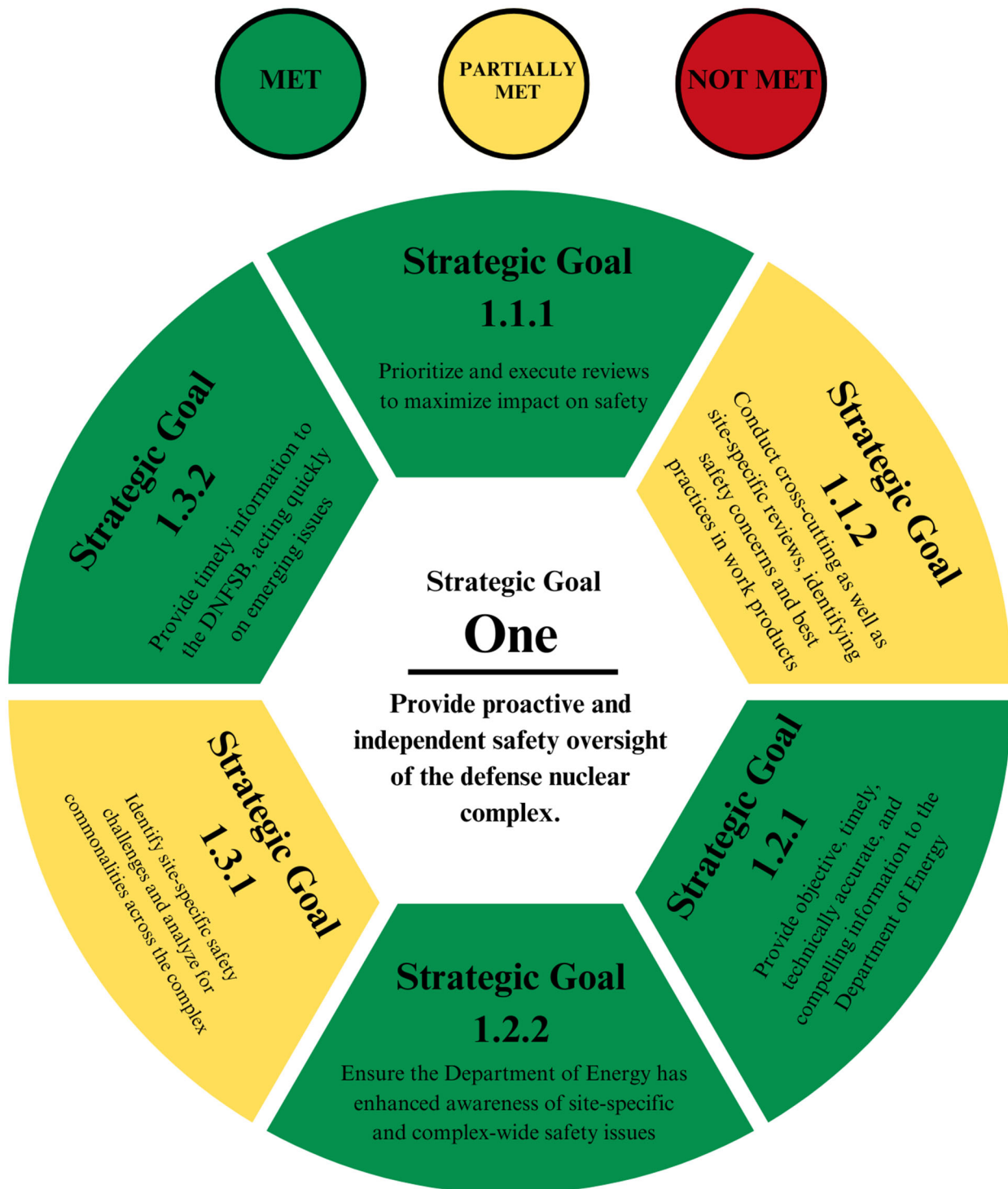
The power to issue subpoenas

The power to hold public hearings

The power to establish reporting requirements for DOE

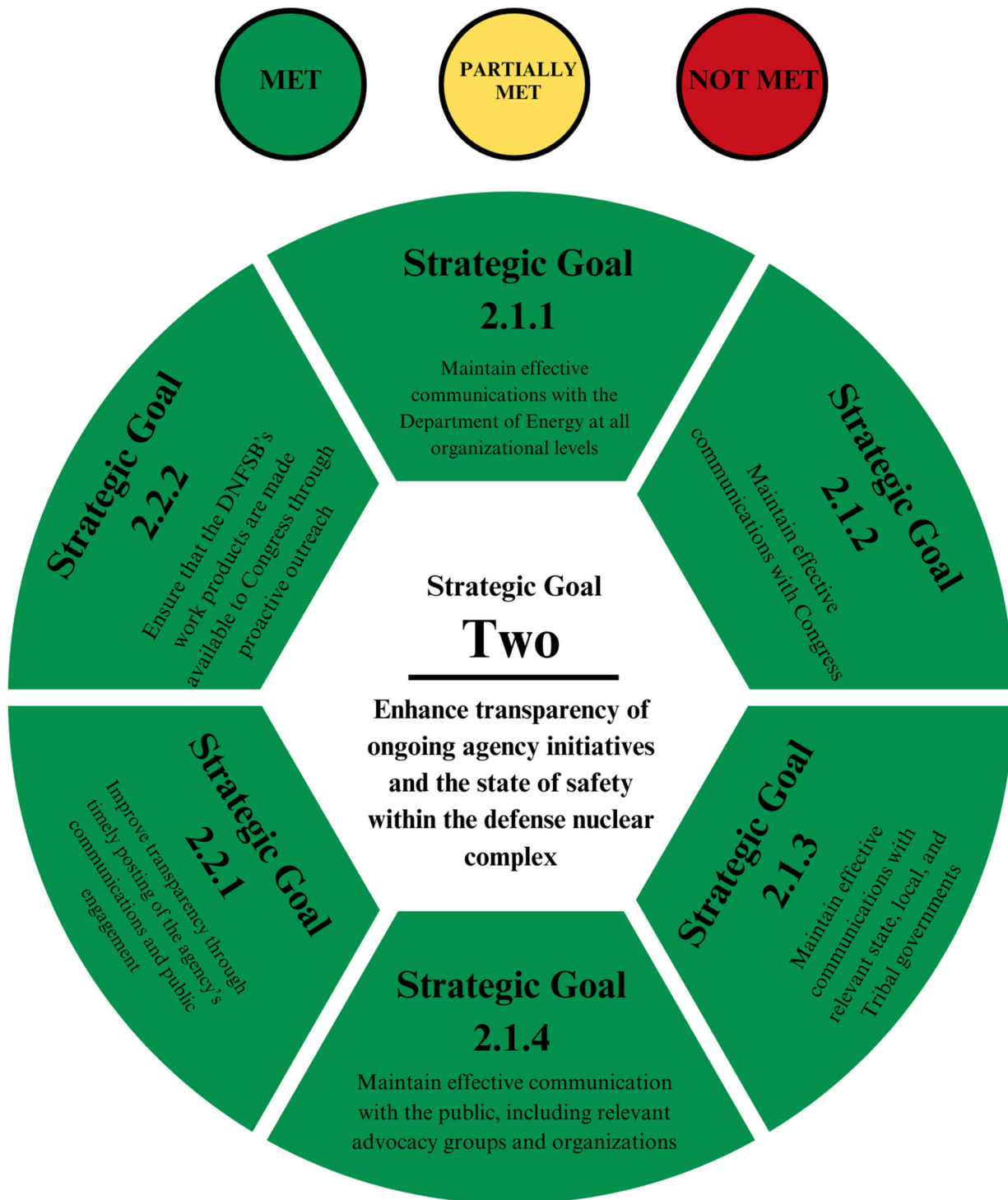


Strategic Goals, Objectives, and Performance Summary



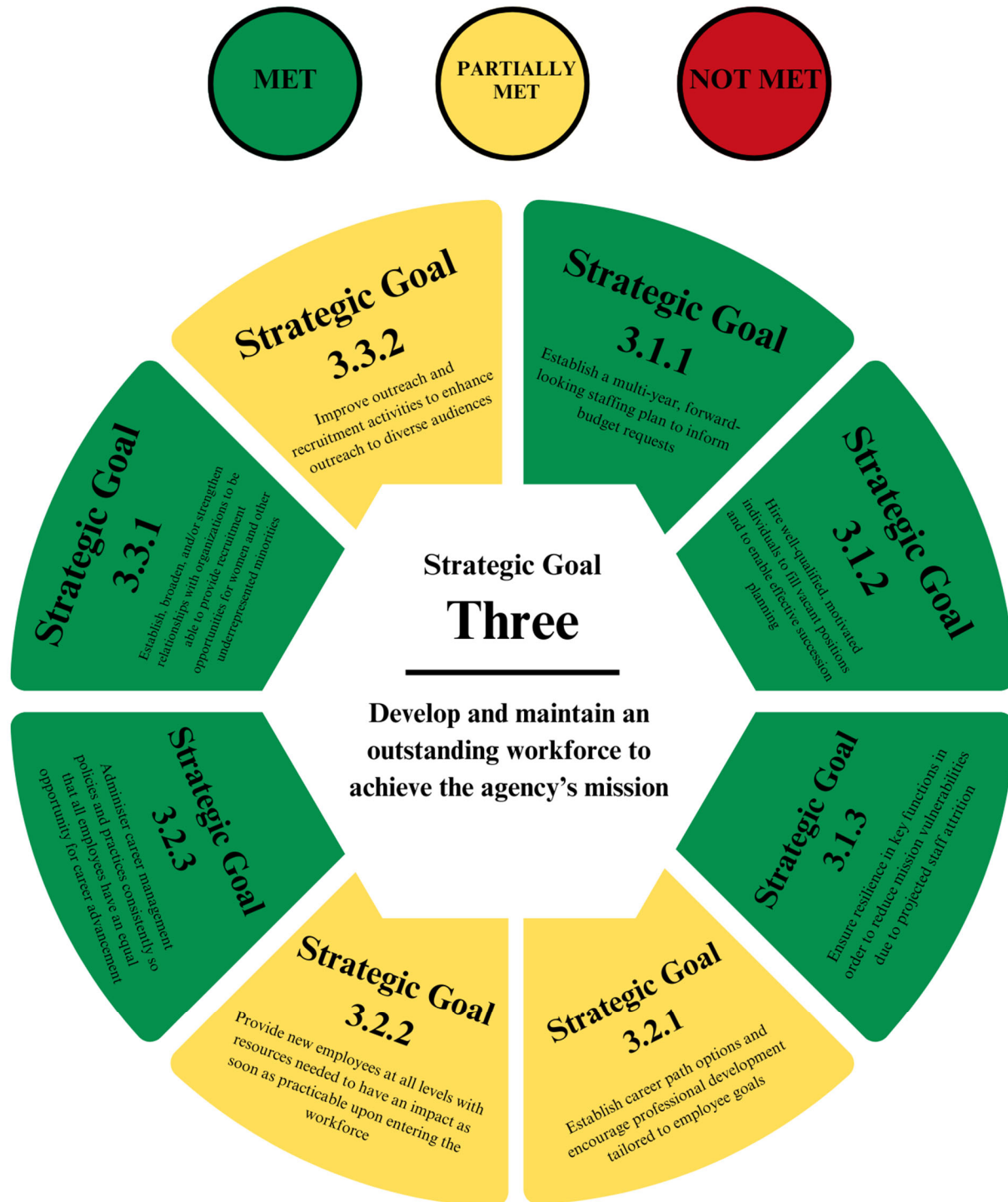


Strategic Goals, Objectives, and Performance Summary



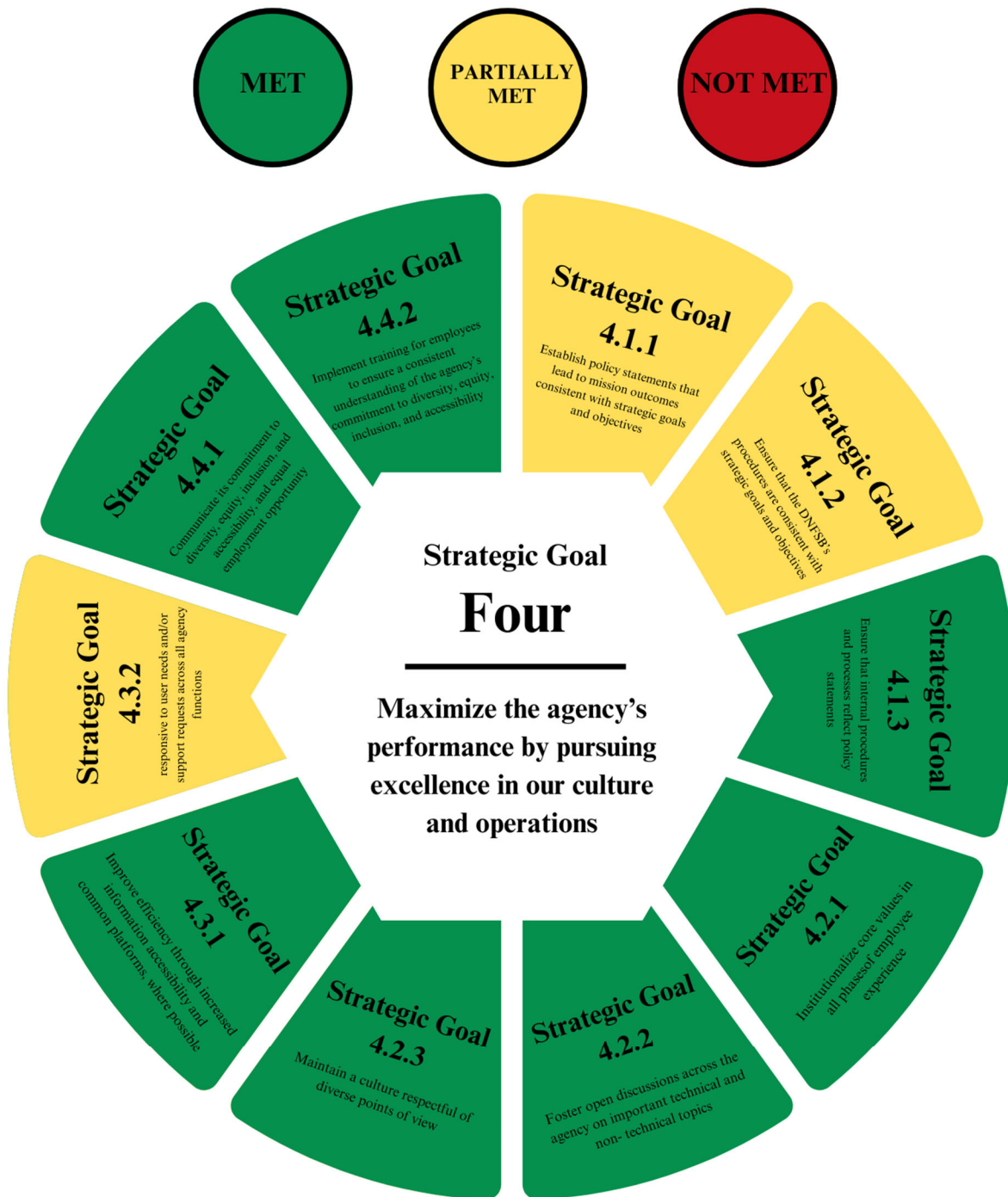


Strategic Goals, Objectives, and Performance Summary





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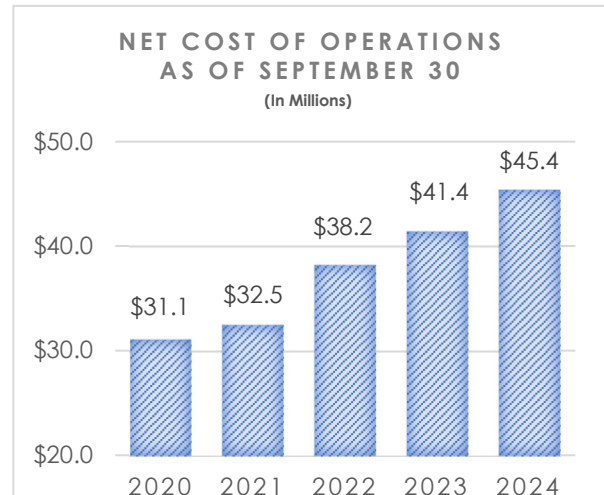
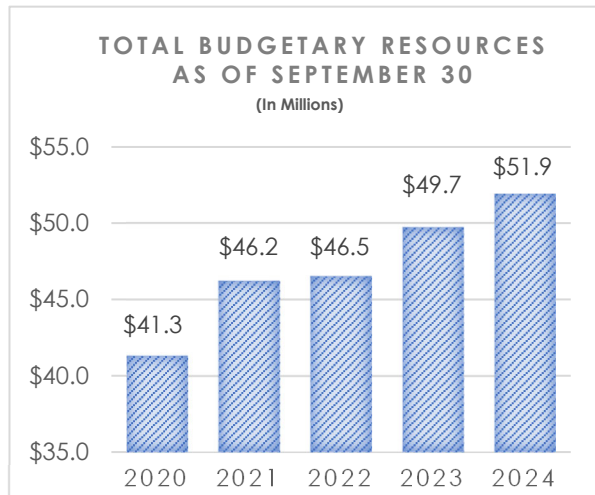
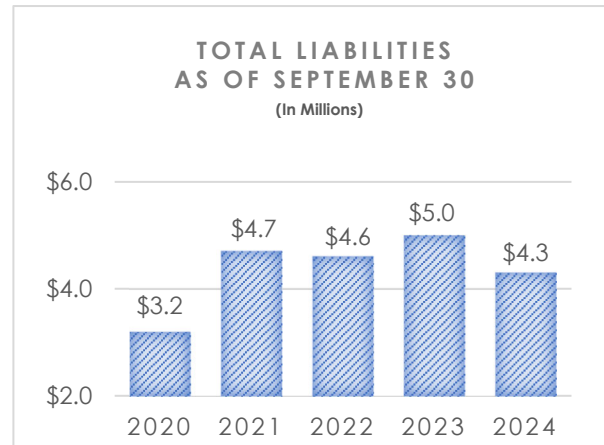
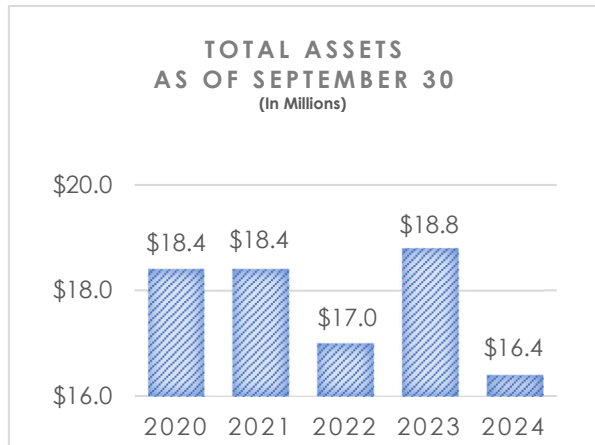




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Financials

The charts below highlight key financial line items from the fiscal year 2024 financial statements.



For the 19th consecutive year, the DNFSB has earned an unmodified audit opinion which reflects the integrity and reliability of the DNFSB's financial management. The DNFSB remains dedicated to delivering accurate, high-quality financial information to the public. Our independent auditor's report, on the audit of the DNFSB's FY 2024 financial statements, found that:

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

Message from the Chair



I am pleased to present the Defense Nuclear Facilities Safety Board's (DNFSB) Fiscal Year 2024 Agency Financial Report (AFR). This report provides a transparent account of our performance and financial management, demonstrating our commitment to responsible stewardship of public resources. For the 19th consecutive year, the external auditors issued an unmodified audit opinion on our FY 2024 financial statements. Further, this year's assessment of our internal controls enables me to provide reasonable assurance that the performance and financial information contained in this report is complete and reliable. It reflects the high standards of accountability we uphold in advancing our mission to protect public health and safety at the nation's defense nuclear facilities.

Our statutory mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy on matters affecting safety at these facilities. By evaluating the standards that govern the design, construction, operation, and decommissioning of the Department of Energy's (DOE) defense nuclear facilities, as well as the design of new facilities, we prioritize our oversight based on potential risks to the public and workers, ensuring focused and effective engagement where it is most needed.

The DNFSB's strength lies in the dedication and expertise of its Board members and staff. This year, we welcomed Dr. Patricia Lee to the Board, reestablishing our quorum and bringing valuable insight to our work.

Also, this year, the DNFSB held a public hearing on aging infrastructure at defense nuclear facilities, examining critical safety challenges and long-term sustainability. We were joined by representatives from the Government Accountability Office, American Nuclear Society, Nuclear Regulatory Commission, Army Corps of Engineers, and The National Aeronautics and Space Administration, who provided valuable perspectives that will inform ongoing improvements in DOE's infrastructure and safety management practices.

In FY 2024, the DNFSB transmitted Recommendation 2023-1, Onsite Transportation Safety, to the Secretary of Energy. This recommendation aims to enhance DOE's regulatory framework related to the onsite transport of radioactive materials and addresses identified safety deficiencies at Los Alamos National Laboratory (LANL) to ensure adequate protection of public health and safety.

As the DOE's defense nuclear facilities face increasing demands for weapons production, certification, and modernization, the DNFSB remains committed to strengthening nuclear safety within the weapons production complex. The planned expansion of activities within the National Nuclear Security Administration underscores the importance of robust safety oversight.

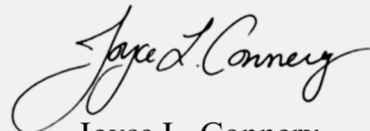
The DNFSB's vigilance is essential to protect workers, the public, and our nation's critical production capabilities. Weapons production must be pursued with a steadfast focus on safety, and the DNFSB's oversight helps sustain public trust in the safety and security of our national defense nuclear infrastructure.

On behalf of the Board, I would like to thank our dedicated staff for their professionalism, commitment, and hard work, which are the driving forces behind our success. Their efforts enable us to sustain the DNFSB's role in helping to protect the U.S. national security and nuclear deterrence needs by strengthening public confidence in the safety and security of our nation's nuclear weapons production infrastructure.

Some of DOE's most ambitious modernization efforts include plutonium pit production at LANL and the Savannah River Site (SRS), tritium operations at SRS, uranium processing at the Y-12 National Security Complex, and weapons assembly and disassembly at the Pantex Plant.

In addition to supporting the nation's strategic deterrent, the DNFSB provides essential safety oversight of facilities that manage radiological waste stemming from both legacy and ongoing defense operations. This oversight extends to complex cleanup initiatives at sites like Hanford and SRS, as well as the disposal of transuranic waste across the DOE complex at the Waste Isolation Pilot Plant.

Sincerely,



Joyce L. Connery
Chair
December 6, 2024





Management's Discussion and Analysis Section

Fiscal Year 2024



Mission

Established by Congress in 1988, the Defense Nuclear Facilities Safety Board (DNFSB) operates as an independent agency within the executive branch, with a mission focused on protecting public health and safety at Department of Energy (DOE) defense nuclear facilities.

Operating under the Atomic Energy Act, 42 U.S.C. § 2286 et seq., the DNFSB provides safety oversight of DOE's defense nuclear facilities complex, which encompasses facilities dedicated to national security activities such as the design, production, and decommissioning of nuclear weapons. The DNFSB's activities are guided by the principles of transparency and accountability, reporting directly to the President of the United States, and remaining subject to congressional oversight.

Statutory Mission and Functions

The DNFSB's core mission is to provide the Secretary of Energy with independent analysis, advice, and recommendations aimed at enhancing safety measures within DOE's defense nuclear facilities. This mission includes ensuring the safety of facility workers, contractors, and the surrounding public.

In fulfilling its mandate, the DNFSB systematically reviews DOE's safety standards, including those pertaining to facility design, construction, operation, and eventual decommissioning. Through thorough assessments of DOE orders, regulations, and safety practices, the DNFSB ensures that these standards offer adequate protection to the public and the workers at the facilities we oversee.

The DNFSB's responsibilities also extend to offering recommendations for specific safety improvements. These recommendations, informed by rigorous analysis and often incorporating risk assessments, propose

actionable measures that DOE can implement to address safety needs. When events or practices within a DOE defense nuclear facility potentially impact public health and safety, the DNFSB conducts investigations to determine the cause and recommends corrective actions where necessary.

Another critical aspect of the DNFSB's role is its authority to oversee new facility designs. Before construction commences on any new DOE defense nuclear facility, the DNFSB reviews the design and may advise on modifications to ensure that safety standards are met. This oversight continues through construction, with periodic reviews allowing the DNFSB to provide DOE with additional safety recommendations as the project progresses. Importantly, these recommendations are advisory; the DNFSB's input is designed to support DOE's safety mission without delaying or obstructing DOE's construction timelines.

Unique Recommendation Process

The DNFSB's recommendation process is distinct in its impact and level of public accountability. When the DNFSB issues a formal recommendation to the Secretary of Energy, the Secretary is legally obligated to either accept or reject it.

Upon acceptance, DOE must develop and implement a corresponding action plan, which is documented and accessible to the public, ensuring that the process remains transparent. Unlike the broader



recommendations and communications, the DNFSB may issue, these formal recommendations are specific, requiring dedicated plans for follow-through.

The DNFSB also holds the authority to escalate any recommendation to the President and the Secretary of Defense in situations deemed an “imminent or severe threat” to public safety, with the President responsible for final action.

Scope of the DNFSB’s Jurisdiction

The DNFSB’s oversight jurisdiction is limited to DOE’s defense nuclear facilities and does not extend to civilian nuclear projects, commercial nuclear facilities regulated by the Nuclear Regulatory Commission, the U.S. Navy’s nuclear propulsion program, or environmental

hazards regulated by other federal and state agencies. This focus allows the DNFSB to specialize in monitoring and improving safety within the distinct framework of DOE’s defense-related nuclear activities.

Values

The DNFSB is dedicated to ensuring a safer future for the American people by upholding technical excellence and transparency that earns public trust. Guided by values of *Integrity*, *Respect*, *Excellence*, and *Independence*, the DNFSB creates an environment where openness, ethical rigor, and mutual respect drive decision-making.

Our commitment to excellence propels us to meet the highest standards in oversight, while our independence ensures that the DNFSB’s assessments are fact-based, objective, and transparent. As we adapt to the evolving defense nuclear landscape, these core principles remain the foundation of our mission.








Organizational Structure

Headquartered in Washington, DC, with regional offices at key defense nuclear sites nationwide, the DNFSB is an independent establishment within the executive branch, led by up to five Presidentially appointed, Senate-confirmed Board Members.

The five-member* Board leads the DNFSB in accomplishing its mission and determines actions regarding the safety aspects of the design, construction, operation, and decommissioning of DOE's defense nuclear facilities.

		
<u>CHAIR</u> Ms. Joyce L. Connery (Term Expiration 10/18/2024)**	<u>VICE CHAIR</u> Mr. Thomas A. Summers (Term Expiration 10/18/2025)	<u>BOARD MEMBER</u> Dr. Patricia Lee (Term Expiration 10/18/2027)
Joyce L. Connery, a Massachusetts native, currently serves as Chair of the Defense Nuclear Facilities Safety Board, a role she was appointed to by President Biden in 2021, following her initial appointment as chair by President Obama in 2015. With a career spanning nuclear security, safety, nonproliferation, and energy policy, Chair Connery has held positions at the Department of Energy and two tours in the National Security Council. She began her career working internationally on reactor shutdown projects and has advised on nuclear energy policy. She holds a B.A. from Tufts University and an M.A. from the Fletcher School of Law and Diplomacy.	Thomas A. Summers, from Rochester, Pennsylvania, serves as Vice Chair of the Defense Nuclear Facilities Safety Board and was appointed to the Board in August 2020. With over three decades in the U.S. Air Force, Vice Chair Summers has held roles in command, teaching, and research, and served as a Senior Advisor at the National Nuclear Security Administration. He holds a B.S. in Physics and Mathematics from Saint Vincent College and four M.S. degrees in Applied Physics, Administration, Military Operational Art and Science, and National Security Strategy.	Patricia L. Lee, a Springfield, Massachusetts native, has over 30 years of experience in radiation protection and nuclear safety. She spent more than two decades at Savannah River National Laboratory, most recently as Portfolio Manager for Digital Enterprise, and nearly a decade at the Centers for Disease Control and Prevention, assessing DOE nuclear facilities' health and environmental impacts. Dr. Lee has also held senior advisory roles at DOE, including as a liaison to the Defense Nuclear Facilities Safety Board. She holds a Ph.D. in Nuclear Engineering/Health Physics and multiple degrees in Health Physics and Physics from Georgia Tech, Clark Atlanta University, and Lincoln University.

*There are currently two vacancies on the Board.

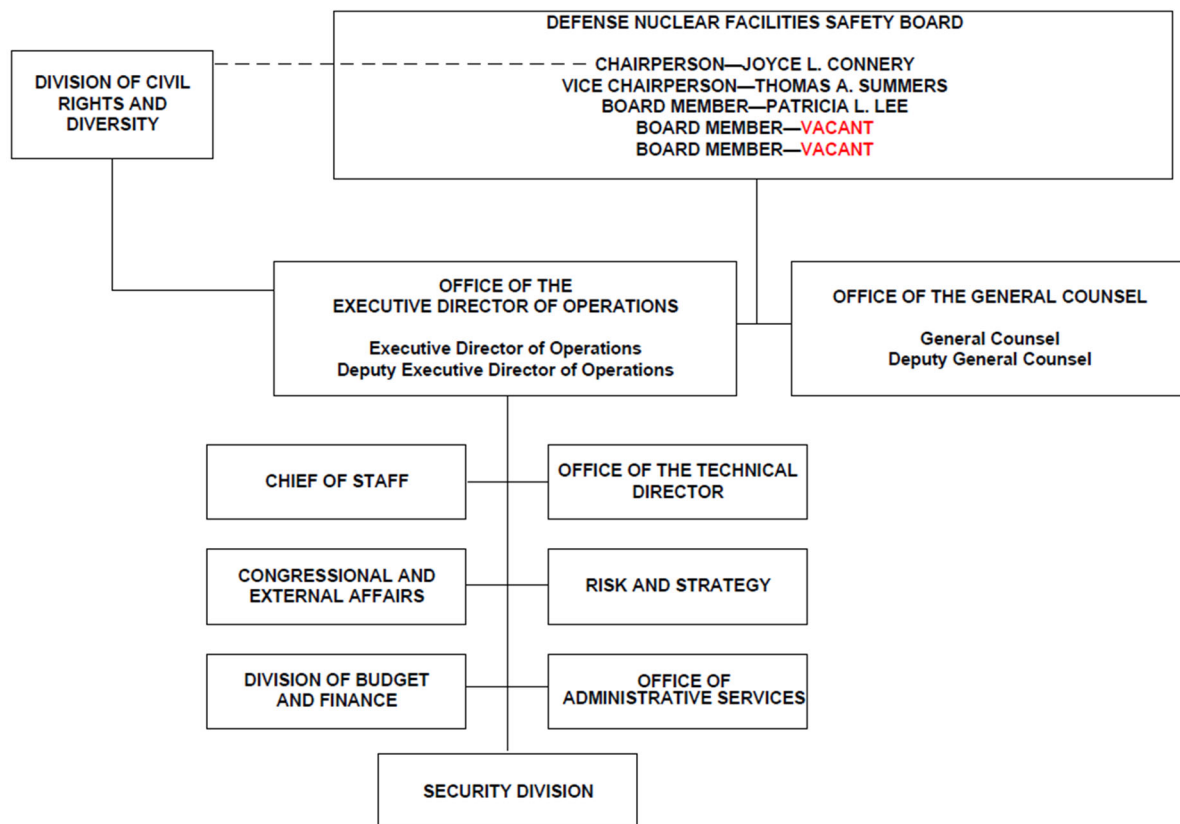
****42 U.S.C. 2286(d)(3)(B)** – “A member may not serve after the expiration of the member’s term, unless the departure of the member would result in the loss of a quorum for the Board.”



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As delegated by the Chair, in accordance with 42 U.S.C. 2286b(b)(3), the DNFSB is further led by an Executive Director of Operations who is responsible to perform the following: administrative functions of the DNFSB; appointment and supervision of employees of the DNFSB; distribution of business among the employees and administrative units and offices of the DNFSB; preparation of proposals for the reorganization of the administrative units or offices of the DNFSB, the budget estimate for the DNFSB, and the proposed distribution of funds according to purposes approved by the Board. The DNFSB core leadership includes the Office of the Executive Director of Operations (OEDO), which manages technical and administrative functions and oversees congressional, public, and interagency engagement, bringing expert safety oversight of defense nuclear facilities.

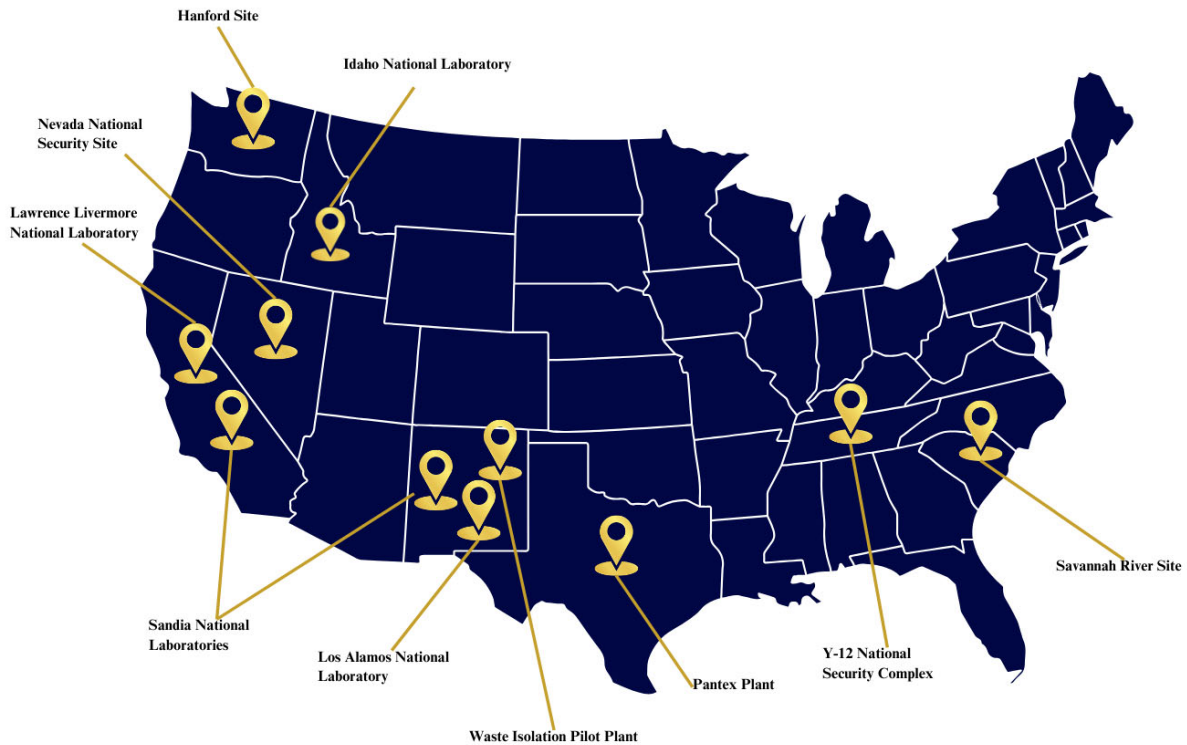
The General Counsel provides legal advice and assistance to the Agency and the Board.





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Major DOE Sites Subject to the DNFSB's Jurisdiction

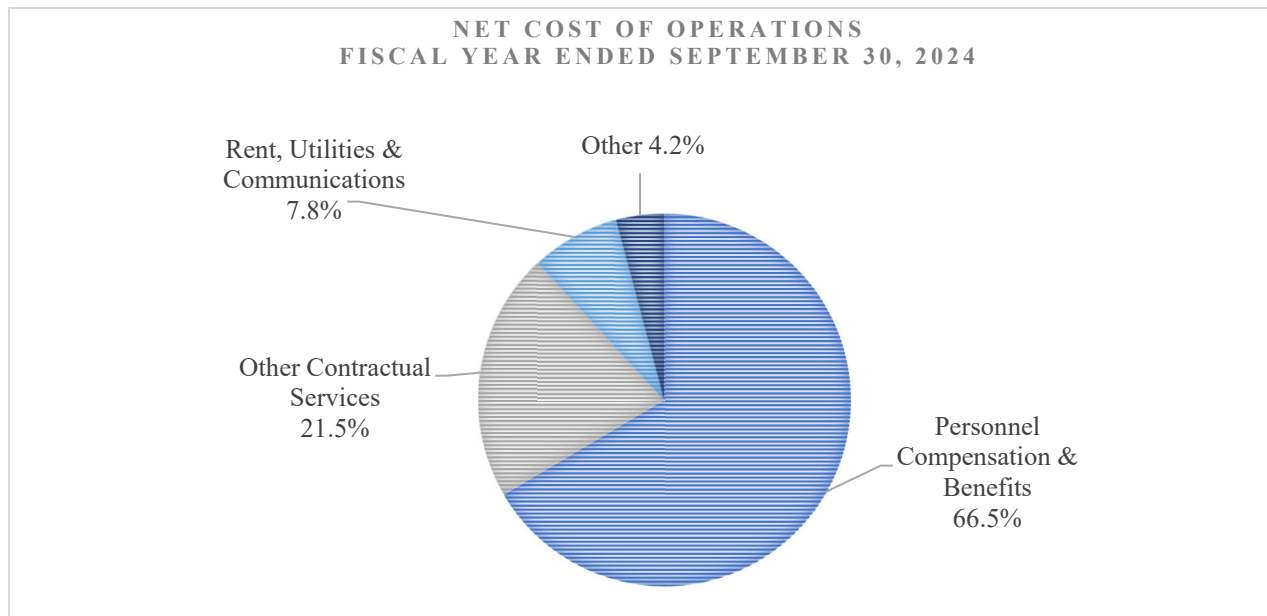


Site	Location	Operations	Website
Hanford Site	Richland, Washington	Management and treatment of radioactive wastes; facility decommissioning.	www.hanford.gov
Idaho National Laboratory	45 miles west of Idaho Falls, Idaho	Storage and processing of radioactive waste.	www.inl.gov
Lawrence Livermore National Laboratory	Livermore, California	Research to support the nuclear weapons arsenal.	www.llnl.gov
Los Alamos National Laboratory	Los Alamos, New Mexico	Research to support the nuclear weapons arsenal; manufacturing of nuclear weapon components; disposition of legacy transuranic waste.	www.lanl.gov
Nevada National Security Site	65 miles northwest of Las Vegas, Nevada	Disposition of damaged nuclear weapons; critical and subcritical experiments; waste management.	www.nnss.gov
Pantex Plant	17 miles northeast of Amarillo, Texas	Assembles, disassembles, and maintains the safety and reliability of the U.S. nuclear weapons stockpile.	https://pantex.energy.gov/
Sandia National Laboratories	Albuquerque, New Mexico and Livermore, California	Nuclear research; support for the weapons stockpile maintenance program.	www.sandia.gov
Savannah River Site	Aiken, South Carolina	Tritium extraction, recycling, and storage; management and treatment of radioactive wastes; nuclear materials storage and disposition; research and development.	www.srs.gov/general/srs-home.html
Waste Isolation Pilot Plant	26 miles east of Carlsbad, New Mexico	Disposal of transuranic waste in underground repository.	www.wipp.energy.gov
Y-12	Oak Ridge, Tennessee	Y-12: Manufacturing and surveillance of nuclear weapons components; processing of weapons-grade uranium.	www.y12.doe.gov



Human Capital Resources and the Budget

The DNFSB's foundation is built on the expertise of its Board members and its staff. The DNFSB's annual budget dedicated just over 65 percent to salaries and benefits in FY 2024. The DNFSB aims to attract, hire, develop, and empower talented individuals well-suited and prepared to carry out its mission.



The DNFSB's ability to provide independent safety oversight of the defense nuclear complex relies on the expertise, dedication, and specialized experience of its technical and administrative staff. The technical staff make up approximately 71 percent of the agency's workforce. This highly skilled team plays a pivotal role in fulfilling the DNFSB's mission, providing the rigorous scientific and engineering analysis necessary to provide safety oversight at defense nuclear facilities.

The DNFSB's technical staff possess backgrounds across a range of disciplines, including nuclear-chemical processing, nuclear safety analysis, criticality safety, and radioactive waste management, with many bringing operational experience from the U.S. Navy's nuclear propulsion program, nuclear weapons field, and civilian nuclear power industry.

A significant portion of the technical staff hold advanced degrees, underscoring the agency's commitment to attracting and retaining individuals with the technical acumen necessary to carry out the DNFSB's highly specialized technical oversight functions.

Recruiting and retaining this level of expertise is critical to the DNFSB's success, as personnel costs constitute the agency's largest budget line item. Competitive salaries and benefits are essential to attract these skilled professionals in a competitive field, ensuring that the DNFSB can maintain the robust technical capabilities necessary to protect the public and workers at defense nuclear facilities. The DNFSB's ongoing human capital strategy emphasizes the recruitment and retention of scientific and technical talent as foundational to achieving its strategic goals.



Beyond the technical staff, the DNFSB's operations are supported by highly skilled administrative team that enables mission effectiveness. Representing approximately 29 percent of the DNFSB's staffing, these professionals provide essential functions such as human resources (HR), financial management,

information technology, legal services, security, contracting, Board operations and external affairs. Together, these administrative roles ensure that the DNFSB's technical mission is supported by sound operational practices and strategic management.

Performance Goals, Objectives, and Results



The DNFSB fulfills its statutory mission through a focused commitment to performance and accountability. Aligned with the DNFSB's Strategic Plan for FY 2022–2026, the Agency's Performance Report summarizes progress made in FY 2024 across four key strategic goals.

Each strategic goal embodies the DNFSB's commitment to ensuring the health and safety of employees and the public, enhancing operational excellence, and promoting a resilient organizational culture. Through clearly defined objectives and performance metrics, the DNFSB continuously assesses and enhance its impact, driving accountability and demonstrating its dedication to public service.

Strategic Goal 1:

Provide proactive and independent safety oversight of the defense nuclear complex.

Strategic Objective 1.1—Complete timely, high-quality safety reviews that identify and analyze safety issues and best practices, and search for similar challenges complex-wide.

Strategic Objective 1.2—Develop and issue advice and recommendations designed to ensure safety and employ best practices within the defense nuclear complex.

Strategic Objective 1.3—Provide robust field oversight of facilities and projects across the defense nuclear complex.



Results:

The DNFSB made significant strides in its oversight of the various defense nuclear complexes in FY 2024, emphasizing a proactive approach to safety through focused, high-impact safety reviews. During the annual work planning

process, the DNFSB technical staff identified priority areas, including aging infrastructure, criticality safety, and emergency preparedness, and initiated 11 new reviews aligned with these strategic areas.



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Over the course of the year, the agency completed a total of 40 reviews, encompassing the DOE Environmental Management and National Nuclear Security Administration facilities, directives and standards, and defense nuclear projects. This work, which is documented in a variety of internal and external reports, met 83 percent of the DNFSB's timeliness metrics and successfully achieved 86 percent of its performance targets for related performance goals.

To further enhance DOE's safety practices, the DNFSB issued 20 detailed letters to the Board with identified safety concerns, and 11 of these addressed complex-wide safety issues. The DNFSB also contributed to knowledge-sharing through a new online repository for aging management and published three articles highlighting best practices across DOE nuclear facilities. Additionally, the DNFSB technical staff produced four reports on best practices observed during site visits, providing valuable insights and guidance to DOE.

Facility oversight remained a central element of the DNFSB's mission. Despite staffing

challenges, the agency maintained permanent coverage for 80 percent of the 14 core resident inspector positions, with temporary staff augmenting this coverage to 84 percent. In FY 2024, the DNFSB's Field Operations Group trained 13 new inspectors, with five actively engaged in their first-year training and four successfully completing it on schedule.

While certain sites lacked a resident inspector in FY 2024, the DNFSB ensured continuity through quarterly site visits by cognizant engineers, with minimal interruptions. Resident inspectors conducted seven targeted focus area reviews, addressing complex-wide issues like inactive facilities, lightning protection, and waste facility controls.

These findings were shared with the Board, documented in Field Operations monthly reports, and discussed with DOE and National Nuclear Security Administration (NNSA) personnel to reinforce the DNFSB's commitment to advancing safety across the nuclear complex.

Strategic Goal 2:

Enhance transparency of ongoing agency initiatives and the state of safety within the defense nuclear complex.



Strategic Objective 2.1—Proactively sustain sound working relationships with relevant government and non-governmental entities.

Strategic Objective 2.2—Improve timely dissemination of information about the DNFSB's priorities and conclusions regarding the state of safety at defense nuclear facilities.

Results:

In FY 2024, the DNFSB undertook extensive initiatives to enhance transparency and maintain effective communications across key government and public sectors. To support clear and timely information flow with the DOE, the DNFSB leaders engaged in regular, structured meetings with senior DOE officials, including

46 technical meetings between the DNFSB senior officials, and DOE representatives.

Senior technical staff leadership also met bi-weekly and periodically with DOE entities such as the Office of Environmental Management, Office of Environment, Health, Safety, and



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Security, and the NNSA, accumulating over 76 collaborative meetings.

These engagements ensured that the DNFSB remained well-informed on DOE operations, enabling swift, actionable briefings, and facilitating responsive communication channels that proved effective in reaching senior DOE officials when necessary.

Engagement with Congress remained a priority, with the DNFSB proactively offering quarterly briefings to key congressional stakeholders and providing a total of 12 briefings to House and Senate Armed Services and Appropriations Committees, as well as the personal staff of several Members of Congress.

These discussions underscored the importance of a fully staffed Board, emphasizing its role in maintaining operational oversight for nuclear safety. Furthermore, the DNFSB conducted targeted outreach to regional and local entities, including dialogues with the Navajo Nation and the Mayor of Amarillo, to understand community safety concerns and raise awareness of the DNFSB initiatives.

The DNFSB expanded its transparency efforts to the public and advocacy groups, actively engaging with organizations such as the Los Alamos Study Group and Nuclear Watch New Mexico to address safety concerns and outline the DNFSB's oversight responsibilities.

Board members and staff delivered numerous presentations and speeches at more than 10 events, including a joint meeting at Minot Air Force Base, which highlighted the critical importance of nuclear safety oversight in national defense programs.

Ensuring timely dissemination of the DNFSB's priorities and work products remained a core focus. Reports to Congress were consistently published on the DNFSB website within one week, while weekly reports from resident inspectors and monthly updates from cognizant engineers were made available within four weeks.

Key public-facing updates, including notices of public hearings, briefings, and Board correspondence, were systematically posted on <https://www.dnfsb.gov/>, reinforcing the DNFSB's commitment to public transparency and accountability.

Strategic Goal 3:

Develop and maintain an outstanding workforce to achieve the agency's mission.

Strategic Objective 3.1—Cultivate an agile workforce with the skills necessary to meet the mission.

Strategic Objective 3.2—Use professional development and training to accomplish the mission efficiently and effectively.

Strategic Objective 3.3—Ensure the agency recruits from a diverse, qualified group of potential applicants to secure and maintain a high-performing workforce drawn from all segments of U.S. society.

Results:

In FY 2024, the DNFSB advanced its commitment to building a robust and resilient

workforce aligned with the agency's mission. A comprehensive agency Human Capital Plan was





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developed with input across divisions, establishing a roadmap for workforce development, career progression, and inclusion initiatives.

To strengthen recruitment and ensure alignment with strategic goals, the agency attained 112 Full Time Equivalents (FTE), achieving 86 percent of the DNFSB-approved staffing level. This accomplishment was further supported by a forward-looking staffing plan through FY 2025, designed to meet both current and projected needs.

To address key leadership transitions, the DNFSB used detail opportunities to temporarily fill Senior Executive Service (SES) roles in critical positions. The agency also outsourced specialized HR support to accelerate hiring processes and expand capabilities, including classification and employee relations services to a cross-servicing federal agency. This proactive HR engagement helped lay the foundation for a smooth transition to a shared service model that will bolster the DNFSB's HR capacity and efficiency in FY 2025.

In an ongoing commitment to staff development, the DNFSB instituted mandatory Individual Development Plans for all employees, with an impressive 83 percent completion rate by the set deadline. To further support career growth, the DNFSB gained authorization for a Chief Learning Officer, who will lead agency-wide initiatives focused on leadership development, technical training, and career progression. During the fourth quarter of FY 2024, the Chief Learning Officer assumed responsibility for enhancing executive, supervisory, and staff training programs slated for FY 2025.

The DNFSB also supported SES rotation opportunities and encouraged participation in detail assignments, fostering leadership development among technical staff. This initiative allowed for internal executive mobility and practical leadership experience, aligning with the DNFSB's Talent Management Program.

To promote diversity in recruitment, job openings were widely advertised, reaching diverse audiences through platforms like LinkedIn and professional journals.

Strategic Goal 4:

Maximize the agency's performance by pursuing excellence in our culture and operations.

Strategic Objective 4.1—Pursue efficiency through continuous improvement of internal policies and procedures through testing and evaluation.



Strategic Objective 4.2—Establish and maintain a culture that encourages teamwork and innovation across the agency in accordance with core values.

Strategic Objective 4.3—Strengthen operational performance by modernizing agency's processes and associated infrastructure.

Strategic Objective 4.4—Conduct ongoing communications to reinforce the commitment of all employees to diversity, equity, inclusion, and accessibility.



Results:

In FY 2024, the DNFSB made substantial progress in aligning its internal policies, culture, and operational practices with its strategic goals, prioritizing efficiency, employee experience and infrastructure modernization.

While a temporary loss of quorum delayed some policy statements and Board procedure updates, the agency has since regained quorum and advanced policy revisions, including critical updates to Equal Employment Opportunity (EEO) policies. During this period, the DNFSB introduced a comprehensive set of internal directives, procedures, and practices, ensuring alignment with laws, regulations, and Board policies, fostering an agile and compliant operational framework.

Reflecting the agency's core values of integrity, respect, excellence, and independence, the DNFSB reinforced its mission in both new and tenured employees through various initiatives. New hires engaged in a two-day orientation that integrated core values, while ongoing reinforcement occurred during "All Hands" meetings, leadership emails, and the performance management process.

By embedding strategic goals into employee performance plans, the DNFSB linked individual performance to mission outcomes, fostering accountability and alignment with agency priorities. Regular "All Hands" meetings

and open forums provided platforms for transparent discussions, promoting a collaborative environment responsive to employee feedback.

The DNFSB's commitment to an inclusive workplace was evident through its organization of multiple special emphasis events that encouraged awareness and respect for diverse perspectives. Leadership reinforced a culture of respect, emphasizing the agency's core values and dedication to Diversity, Equity, Inclusion, and Accessibility. The DNFSB also enhanced its Information Technology (IT) infrastructure, advancing the security of systems in line with Executive Order requirements.

Significant milestones included the selection of an enterprise resource planning system and an automated finance, contracting and HR platforms to streamline daily operations, both on track for timely implementation in early FY 2025. Additionally, the DNFSB prioritized accessibility across its web content, updating systems to ensure Section 508 compliance and facilitating equal access to information.

The DNFSB updated its internal EEO information pages and posted revised directives on diversity, anti-harassment, equal employment opportunity, and the Notification and Federal Employee Anti-discrimination and Retaliation Act.

Analysis of the Financial Statements

The financial statements are prepared to report the financial position, financial condition, and results of the DNFSB operations, consistent with the requirements of 31 United States Code (U.S.C.) 3515 (b) and Public Law 107-289, the Accountability of Tax Dollars Act (ATDA) of 2002. The statements are prepared from the DNFSB records and records from other federal entities in accordance with federal Generally Accepted Accounting Principles (GAAP) and the formats prescribed by the Office of Management and Budget (OMB). Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.



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Financial Highlights

The Summary Table of Key Financial Measures found in Table 1 provides an overview of the DNFSB's financial position and results of operations with an emphasis on significant variations in financial statement line items. Complete audited financial statements with accompanying notes, including the independent auditor's report, are presented in the Financial Section of this report.

Table 1. Summary Table of Key Financial Measures

(In Dollars)	FY 2024	FY 2023	Change	Percentage Change
Condensed Balance Sheets:				
As of September 30, 2024 and 2023				
ASSETS:				
Fund Balance with Treasury	\$ 16,346,778	\$ 18,656,424	\$ (2,309,646)	-12%
Accounts Receivable, Net	\$ 3,618	\$ 15,885	\$ (12,267)	-77%
Property, Plant, and Equipment (PP&E), Net	\$ 3,983	\$ 9,007	\$ (5,024)	-56%
Advances and Prepayments	\$ 1,817	\$ 49,980	\$ (48,163)	-96%
TOTAL ASSETS	\$ 16,356,196	\$ 18,731,296	\$ (2,375,100)	-13%
LIABILITIES:				
Accounts Payable	\$ 1,505,438	\$ 1,446,394	\$ 59,044	4%
Federal Employee Salary, Leave, and Benefits Payable (Other than Intragovernmental)	\$ 2,633,545	\$ 3,192,067	\$ (558,522)	-17%
Other Liabilities (Intragovernmental)	\$ 135,467	\$ 351,021	\$ (215,554)	-61%
TOTAL LIABILITIES	\$ 4,274,450	\$ 4,989,482	\$ (715,032)	-14%
NET POSITION:				
Unexpended Appropriations	\$ 14,234,751	\$ 15,668,968	\$ (1,434,217)	-9%
Cumulative Results of Operations	\$ (2,153,005)	\$ (1,927,154)	\$ (225,851)	12%
TOTAL NET POSITION	\$ 12,081,746	\$ 13,741,814	\$ (1,660,068)	-12%
TOTAL LIABILITIES AND NET POSITION	\$ 16,356,196	\$ 18,731,296	\$ (2,375,100)	-13%
Net Change in Unexpended Appropriations:				
For the Fiscal Years Ended September 30, 2024 and 2023				
Appropriations Received	\$ 42,000,000	\$ 41,401,000	\$ 599,000	1%
Other Adjustments (+/-)	\$ (391,048)	\$ (242,976)	\$ (148,072)	61%
Appropriations Used	\$ (43,043,169)	\$ (39,485,444)	\$ (3,557,725)	9%
NET CHANGE IN UNEXPENDED APPROPRIATIONS	\$ (1,434,217)	\$ 1,672,580	\$ (3,106,797)	-186%
Statements of Net Cost:				
For the Fiscal Years Ended September 30, 2024 and 2023				
Gross Program Costs	\$ 45,354,660	\$ 41,357,453	\$ 3,997,207	10%
Less: Earned Revenue	\$ (3,128)	\$ -	\$ (3,128)	100%
NET COST OF OPERATIONS	\$ 45,351,532	\$ 41,357,453	\$ 3,994,079	10%
Selected Budgetary Information:				
For the Fiscal Years Ended September 30, 2024 and 2023				
TOTAL BUDGETARY RESOURCES:				
Unobligated Balance from Prior Year Budget Authority, Net	\$ 9,862,157	\$ 8,263,731	\$ 1,598,426	19%
Appropriations	\$ 42,000,000	\$ 41,401,000	\$ 599,000	1%
Spending Authority from Offsetting Collections	\$ 3,128	\$ -	\$ 3,128	100%
TOTAL BUDGETARY RESOURCES	\$ 51,865,285	\$ 49,664,731	\$ 2,200,554	4%
NEW OBLIGATIONS AND UPWARD ADJUSTMENTS	\$ 44,185,131	\$ 40,134,585	\$ 4,050,546	10%
NET OUTLAYS (Discretionary and Mandatory)	\$ 43,918,598	\$ 39,372,292	\$ 4,546,306	12%



Balance Sheets: Overview of Financial Position

The Balance Sheets present resources owned and managed by the DNFSB (assets), and amounts owed by the DNFSB that will require future payments (liabilities). The difference between assets and liabilities is the residual amount retained by the DNFSB (net position) that is available for future programs. The Balance Sheets report the major components of the DNFSB's assets, liabilities, and net position at the end of FY 2024 and FY 2023.

Composition of Assets

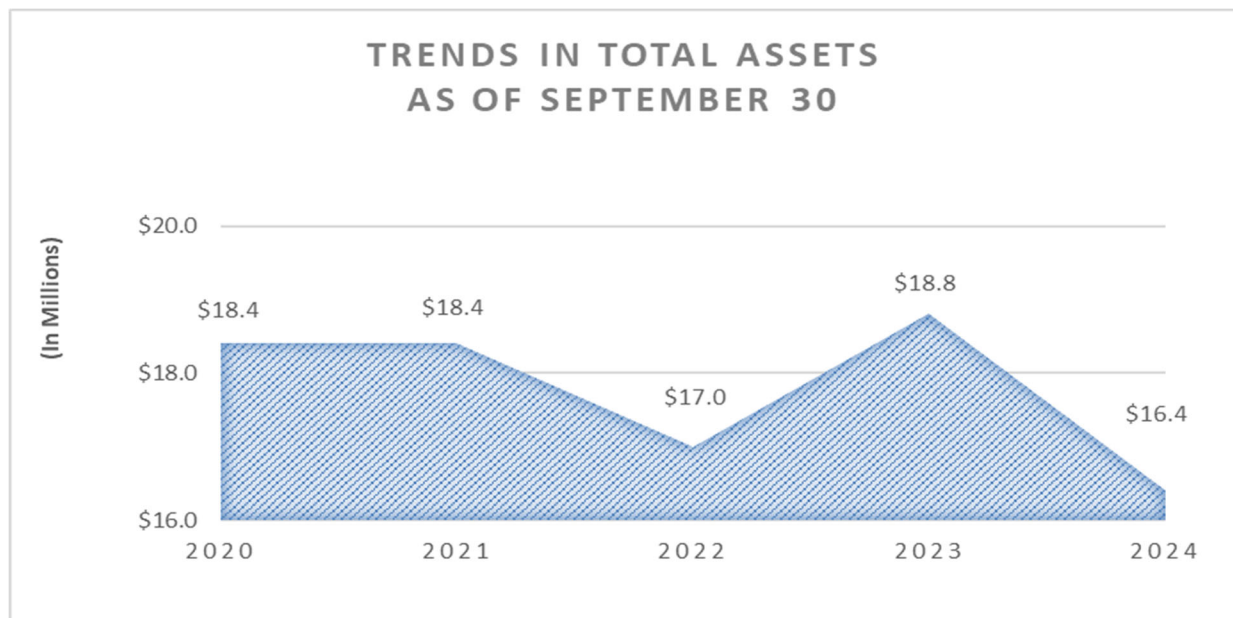
Assets are the amount of current and future economic benefits owned or managed by the DNFSB, which are used to achieve its mission. As of September 30, 2024, the Balance Sheet reflects total assets of \$16.4 million. *Fund Balance with Treasury* represents 99.95 percent

of the DNFSB's assets. The remaining the DNFSB assets are comprised of *Property, Plant, and Equipment, Net* (0.02 percent), *Accounts Receivable, Net* (0.02 percent), and *Advances and Prepayments* (0.01 percent).

Trends in Total Assets

As shown in Figure 1 below, the DNFSB's assets decreased by \$2.4 million, or 13 percent, from \$18.8 million as of September 30, 2023, to \$16.4 million as of September 30, 2024. The \$2.4 million decrease is primarily due to the decrease in the *Fund Balance with Treasury*. This decrease is attributable to higher payroll and related benefits disbursements amounting to \$1.2 million in FY 2024. Additionally, in FY 2024, the DNFSB processed disbursements amounting to \$1.2 million to fund the last pay period of FY 2023.

Figure 1

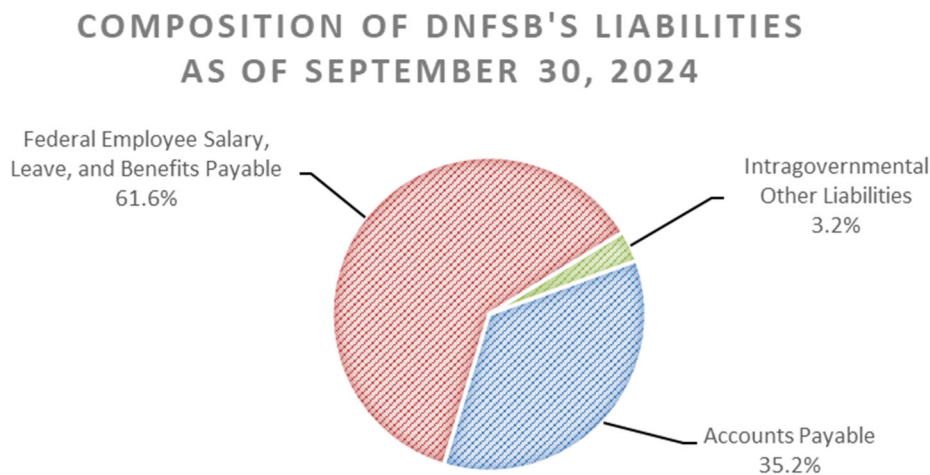




Composition of Liabilities

Liabilities are amounts owed by the DNFSB for goods and services provided but not yet paid; specifically, monies owed to the public and other federal agencies. As shown in Figure 2 below, as of September 30, 2024, the Balance Sheet reflects total liabilities of \$4.3 million. *Federal Employee Salary, Leave, and Benefits Payable* represents 61.6 percent of the DNFSB's liabilities and is comprised primarily of accrued payroll, leave, and benefit accruals as well as the unfunded leave liability. As of September 30, 2024, the balance was \$2.6 million. *Accounts Payable* (35.2 percent) represents transactions with federal and non-federal entities. As of September 30, 2024, the balance was \$1.5 million. The remaining the DNFSB liabilities are comprised of *Intragovernmental Other Liabilities* (3.2 percent).

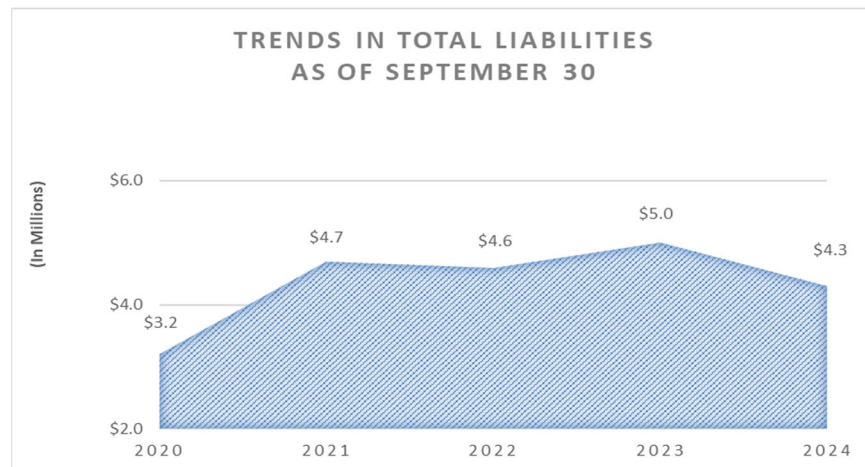
Figure 2



Trends in Liabilities

As shown in Figure 3 below, the liabilities of the DNFSB decreased \$0.7 million, or 14 percent, from \$5.0 million as of September 30, 2023, to \$4.3 million as of September 30, 2024. The decrease is primarily due to the difference in the number of days calculated for payroll expenses incurred, but not paid, at the end of each fiscal year. The number of days for unpaid payroll expenses was six days as of September 30, 2024, which is a significant decrease compared to 15 days as of September 30, 2023.

Figure 3





Composition of Net Position

Net Position is the residual difference between assets and liabilities, that is composed of *Unexpended Appropriations* and *Cumulative Results of Operations*. As of September 30, 2024, the DNFSB's Net Position reflects a net balance of \$12.1 million. *Unexpended Appropriations* was \$14.2 million, offset by *Cumulative Results of Operations* of \$2.1 million.

Trends in Net Position

Unexpended Appropriations are increased for *Appropriations Received*, are reduced for *Appropriations Used*, and are adjusted for other changes in appropriations, such as transfers and rescissions. *Unexpended Appropriations* decreased by approximately \$1.4 million, from \$15.6 million as of September 30, 2023, to \$14.2 million as of September 30, 2024. The DNFSB utilized a higher amount of appropriations in FY 2024 than in the previous fiscal year, resulting in a net decrease of *Unexpended Appropriations*. *Cumulative Results of Operations* is the net result of the DNFSB's operations since inception. *Cumulative Results of Operations* increased by approximately \$0.2 million, from \$1.9 million as of September 30, 2023, to \$2.1 million as of September 30, 2024. This increase is due to the cumulative effect of increased expenses.



Composition of Net Change in Unexpended Appropriations

After its appropriation is enacted into law, the DNFSB receives financing sources, *Appropriations Received*, from the general fund of the U.S. Department of the Treasury (U.S. Treasury or Treasury) to support its operations. *Appropriations Used* recognizes appropriation authority that has been applied against expenses

such as payroll, operational costs, and goods and services. For the fiscal year ended September 30, 2024, the DNFSB's *Net Change in Unexpended Appropriations*, which identifies the difference between *Appropriations Received* and *Appropriations Used*, net of adjustments, was \$1.4 million.

Trends in Net Change in Unexpended Appropriations

As shown in Figure 4 below, *Appropriations Received* increased by \$0.6 million, or 1 percent, from \$41.4 million received in FY 2023 to \$42.0 million received in FY 2024 due to an increase in the DNFSB appropriations. As shown in Figure 5, *Appropriations Used* increased by \$3.6 million, or 9 percent, from \$39.4 million used in FY 2023 to \$43.0 million used in FY 2024, due to an increase in expenditures for salaries/benefits and new contracts awarded as well as Interagency Agreements (IAA) with other federal agencies for services.



Figure 4

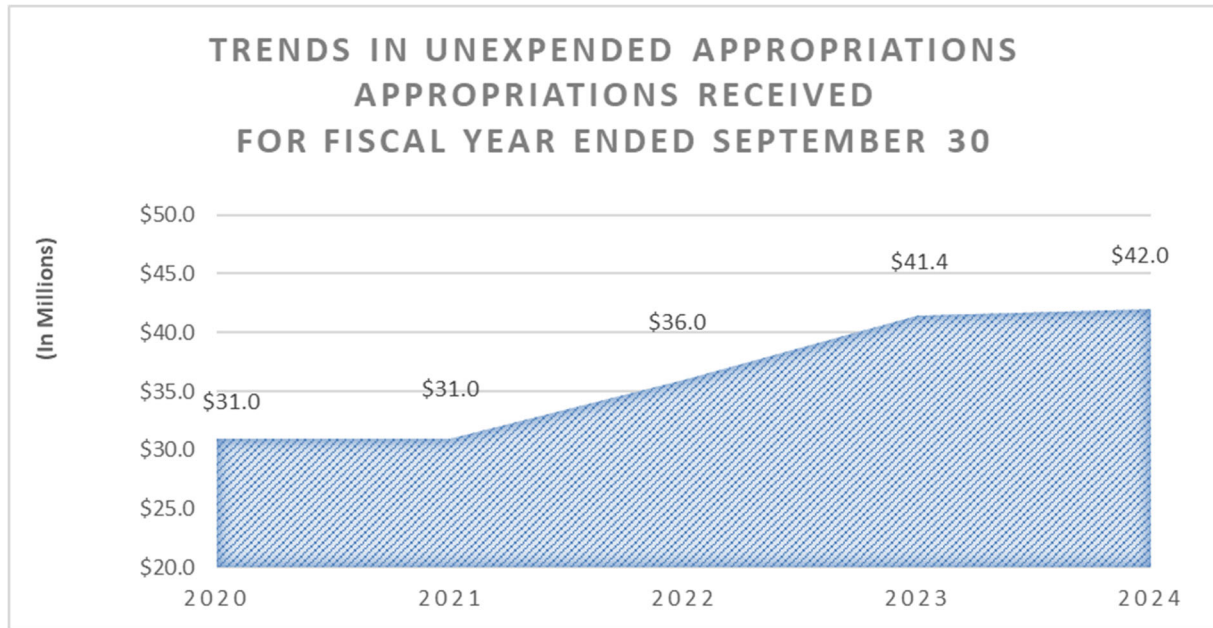
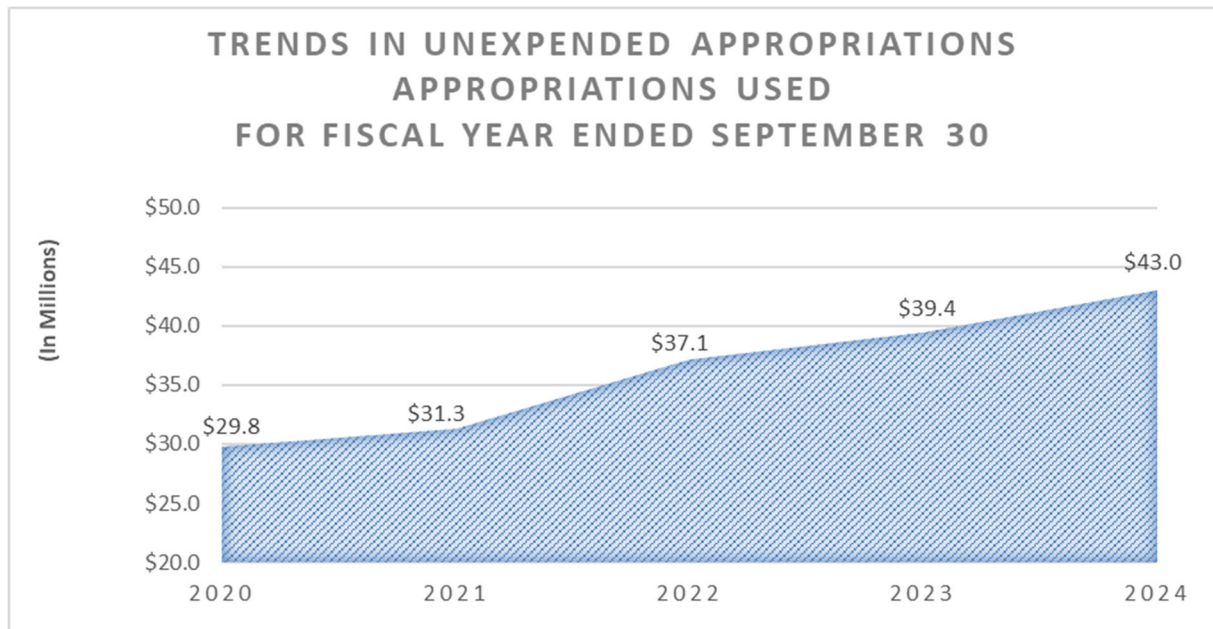


Figure 5

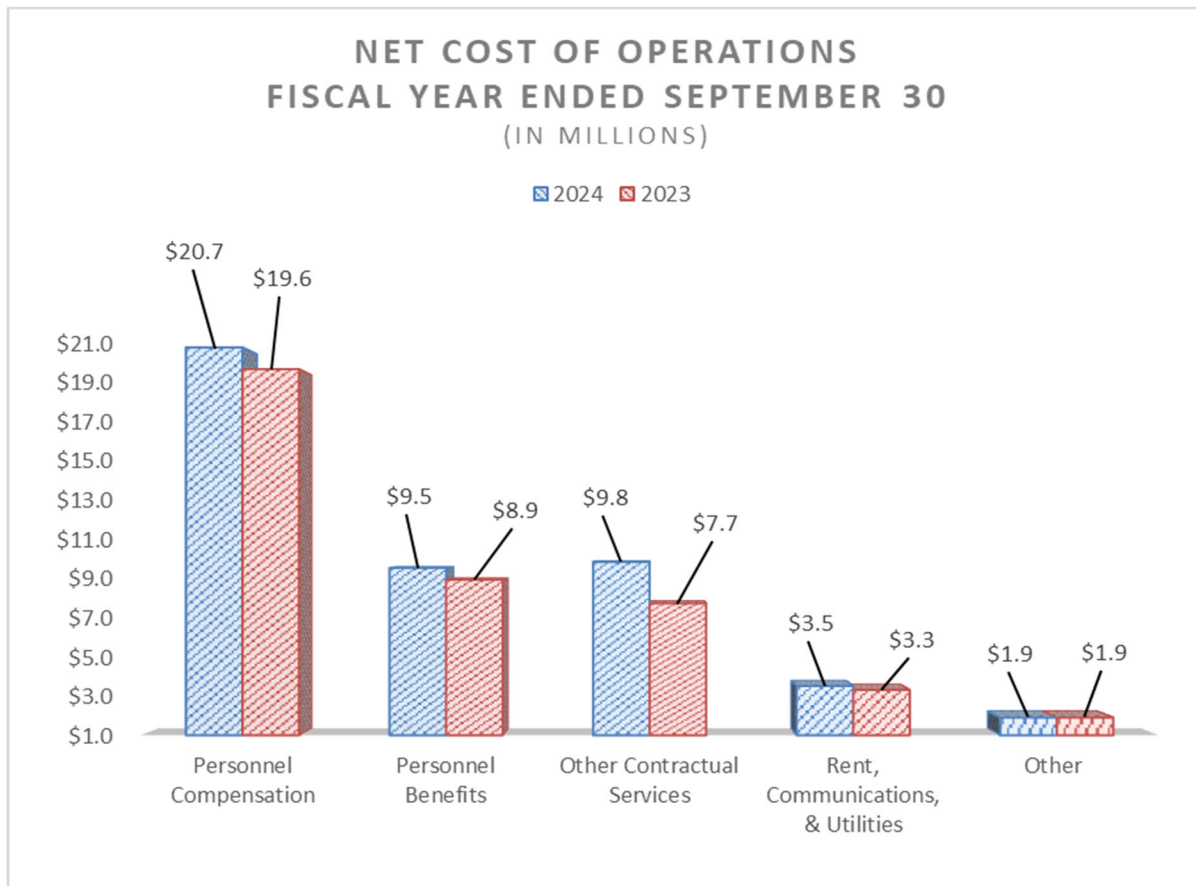




Statements of Net Cost

The Statements of Net Cost report the DNFSB's *Net Cost of Operations* for a given fiscal year. *Net Cost of Operations* is the difference between costs incurred to manage the DNFSB operations minus earned revenue attributed to and permitted to be offset against these costs. For the fiscal year ended September 30, 2024, the DNFSB's *Net Cost of Operations* amounted to \$45.4 million, which consists of *Gross Program Costs* of \$45.4 million and *Earned Revenues* of \$3.1 thousand. Figure 6 below presents a comparative composition of *Net Cost of Operations*.

Figure 6

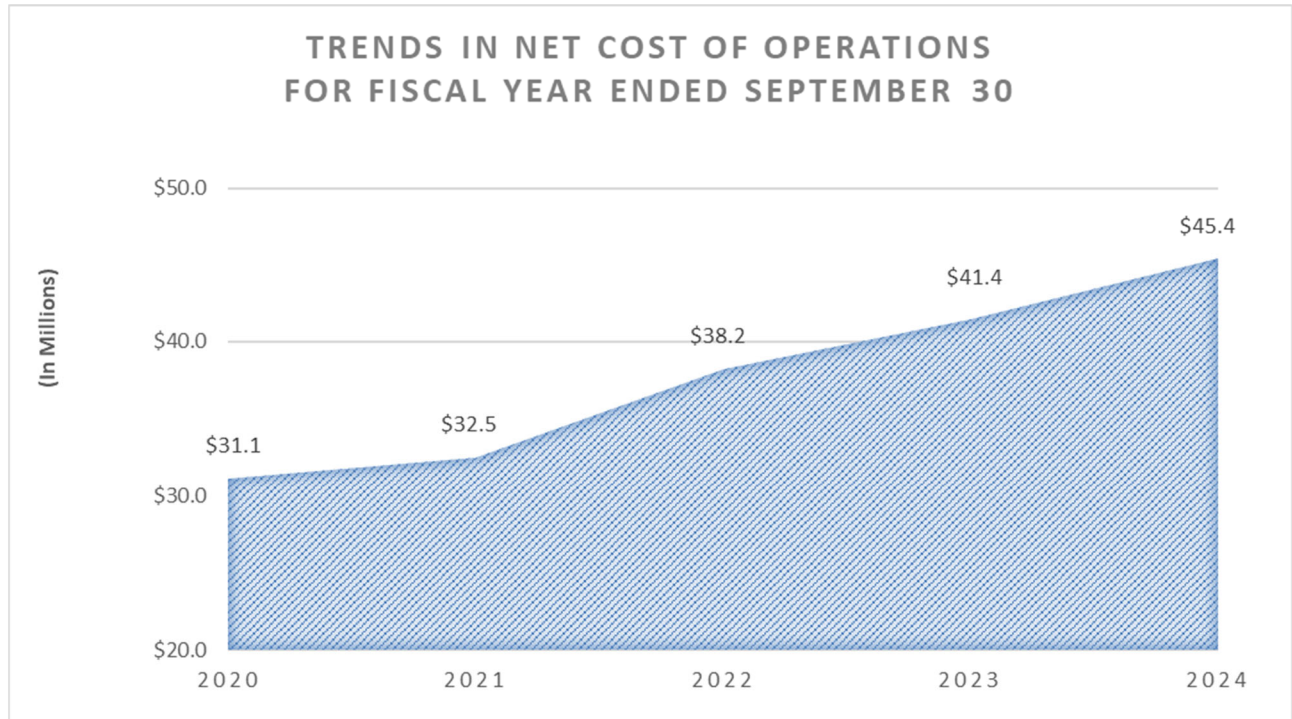




Trends in Net Cost of Operations

As shown in Figure 7 below, the DNFSB's *Net Cost of Operations* increased by approximately \$4.0 million, or 10 percent, from \$41.4 million in FY 2023 to \$45.4 million in FY 2024. The increase is primarily due to a \$1.6 million increase in personnel compensation and related benefits because of an increase in federal salaries of over 5 percent and benefits costs of over 7 percent. Additionally, the DNFSB had increased contractual costs of over \$2.0 million.

Figure 7





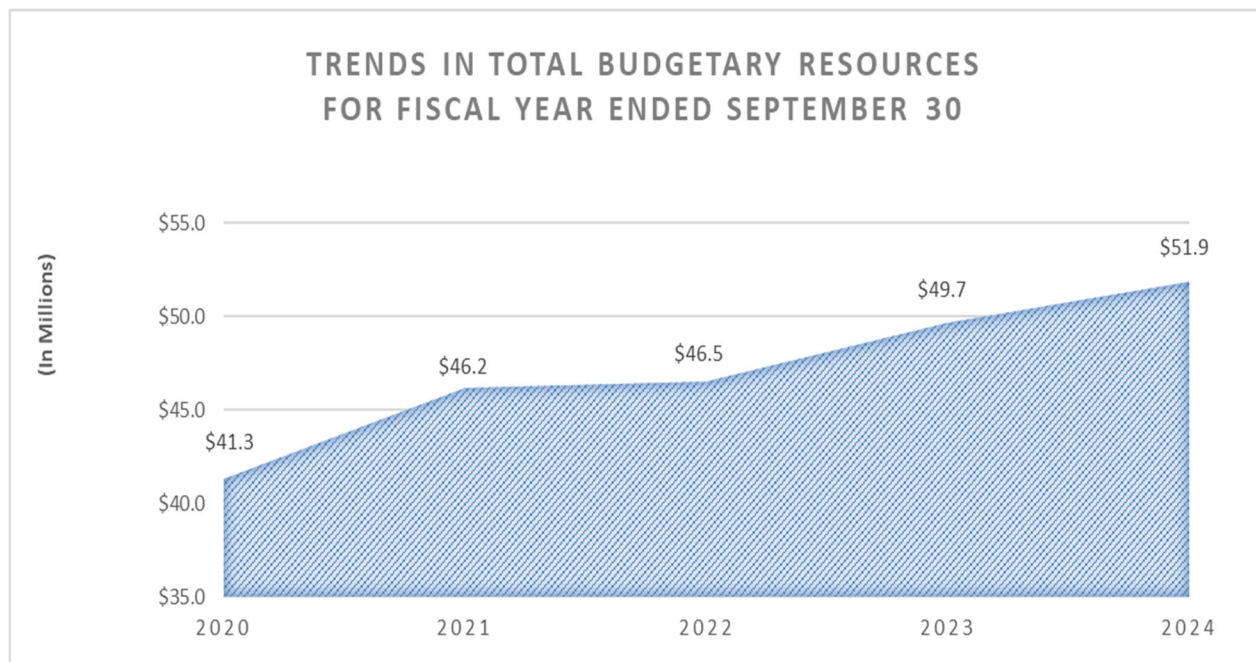
Statements of Budgetary Resources

The Statement of Budgetary Resources reports information on the sources of the DNFSB's budgetary resources for FY 2024. Key budgetary information from the Statement of Budgetary Resources for the fiscal year ended September 30, 2024, include the DNFSB's *Total Budgetary Resources* that amounted to \$51.9 million, *New Obligations and Upward Adjustments* that amounted to \$44.2 million, and *Net Outlays* that amounted to \$43.9 million.

Trends in Various Budgetary Line Items

As shown in Figure 8 below, the DNFSB's *Total Budgetary Resources* increased by approximately \$2.2 million, from \$49.7 million in FY 2023 to \$51.9 million in FY 2024. The increase is attributed to a \$1.6 million increase in *Unobligated Balance from Prior Year Budget Authority*, and a \$0.6 million increase in *Appropriations*.

Figure 8

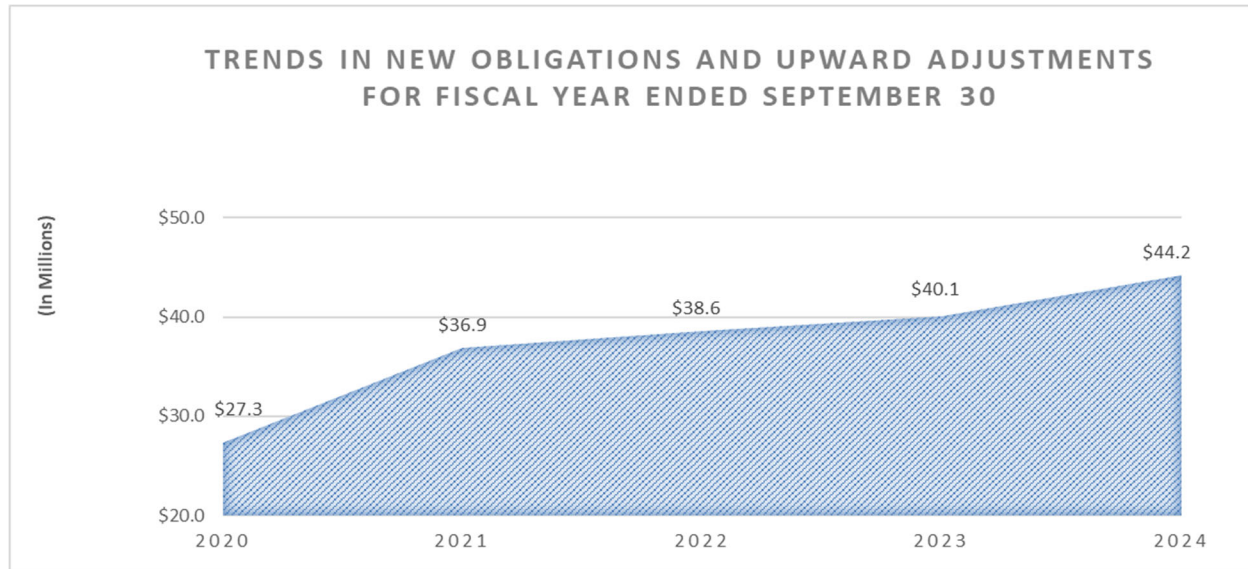




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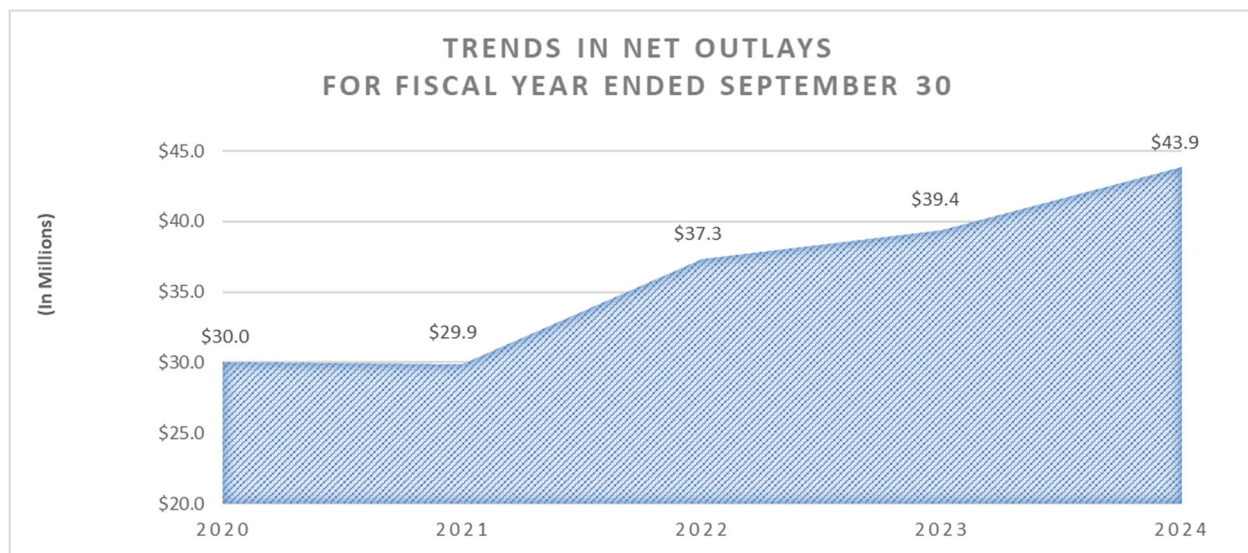
As shown in Figure 9 below, the DNFSB's *New Obligations and Upward Adjustments* increased \$4.1 million, or 10 percent, from \$40.1 million in FY 2023 to \$44.2 million in FY 2024, mainly due to increases in obligations related to federal salaries, benefits costs, and contractual services.

Figure 9



As shown in Figure 10 below, the DNFSB's *Net Outlays* increased \$4.5 million, or 12 percent, from \$39.4 million in FY 2023 to \$43.9 million in FY 2024, largely due to an increase in expenditures for FY 2024 salaries and benefits, new contracts awarded, and \$1.2 million to cover payroll disbursements for the last pay period of FY 2023.

Figure 10

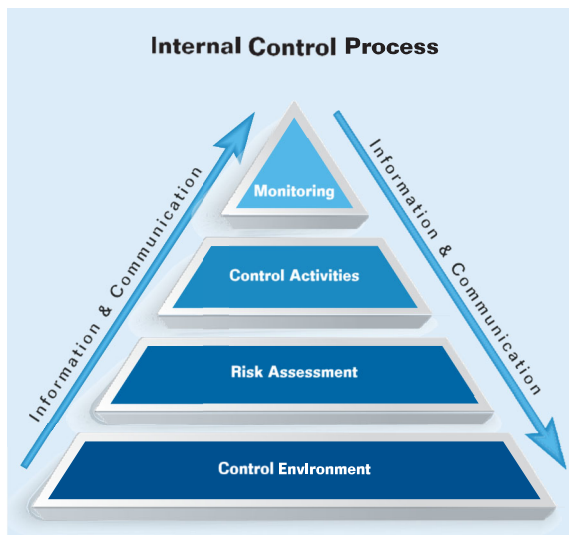




Management Assurances

Management Overview

The DNFSB is committed to management excellence and recognizes the importance of strong financial systems and internal controls to ensure accountability, integrity, and reliability of its information. This operating philosophy has permitted the DNFSB to make significant progress in documenting and testing its internal controls over financial reporting, as prescribed in Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. The graph below depicts the five components of the internal control process that must be present in an organization to ensure an effective internal control process.



Control Environment is the foundation for an internal control system. It represents management's commitment to encourage the highest level of integrity and personal/professional standards and promotes internal control through our leadership philosophy and operational style.

Risk Assessment is the identification and analysis of risks associated with business processes, financial reporting, financial systems, controls and legal compliance in the pursuit of agency goals and objectives.

Control Activities are the actions supported by management policies and procedures to address risk, e.g., performance reviews, status of funds reporting, and asset management reviews.

Information and Communication ensure the agency's control environment, risks, control activities, and performance results are communicated throughout the agency.

Monitoring is the assessment of internal control performance to ensure the internal control processes are properly executed and operating effectively in compliance with agency policies and procedures.

Analysis of the DNFSB's Systems, Controls, and Legal Compliance

The DNFSB's senior leaders and management team are obligated to safeguard the integrity of their respective programs and operations, ensuring adherence to the *Federal Financial Management Improvement Act* (FFMIA) and the *Federal Managers' Financial Integrity Act* (FMFIA). These statutory requirements support the production of timely, reliable, accurate, and accessible financial information, facilitating the development and implementation of effective and efficient internal controls. Reliable financial information, combined with sufficient controls and standardizes processes, helps the agency to preserve its limited resources, critical to the DNFSB's commitment to national defense and public stewardship.

- The objective of the DNFSB's internal controls is to provide reasonable assurance that obligations and costs comply with fiscal statutory and regulatory requirements.



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- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation.
- Revenues and expenditures are properly recorded and accounted for to permit the preparation of reliable accounting, financial, and statistical reports and to maintain accountability over the assets.

During FY 2024, the DNFSB's internal controls governance continued to mature and strengthen its alignment with FMFIA and OMB A-123 requirements. A key element in this maturity was the progress in implementing its Enterprise Risk Management (ERM) and internal controls over operations programs. The ERM program adopts a top-down perspective to proactively identify and manage risks related to the overall mission and key enterprise goals and objectives. The agency will continue to evaluate its internal controls and information systems, ensuring accountability and transparency to identify and mitigate risks.

Financial Management Systems Strategy and Framework

As an agency reporting under the ATDA of 2002, the DNFSB is not subject to the requirements of the FFMIA and therefore, does not directly provide a financial management system assurance statement.

The DNFSB utilized the General Services Administration (GSA) and United States Department of Agriculture National Finance Center as "Shared Service Providers" (SSPs) to perform its operational processes and financial transactions. SSPs issue System and Organization Controls (SOC) or SOC 1 Type 2 reports on an annual basis. These reports present the results of the SOC 1 Type 2 examination conducted by independent service auditors in accordance with relevant attestation standards established by the American Institute of Certified Public Accountants. FY 2024 SOC 1 Type 2 reports contained the independent service auditor's opinions which provided reasonable assurance that the shared service providers controls operated effectively.

For FY 2025, the DNFSB is in the process of transitioning from GSA to the Department of the Interior's Interior Business Center (IBC) as its shared service provider, an OMB-designated financial management service provider. Systems implemented with the transition to IBC include the financial system of record, payroll, human capital, and contracting systems.

The DNFSB's financial management systems strategy for FY 2025 includes the continued monitoring, evaluation and oversight of the financial management system operated by its shared services provider.





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Statement of Assurance

The Statement of Assurance is required by the FMFIA and OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

Joyce L. Connery, Chair
Thomas A. Summers, Vice Chair
Patricia L. Lee

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



November 21, 2024

MEMORANDUM FOR RECORD

SUBJECT: Statement of Assurance: Federal Managers' Financial Integrity Act and Federal Financial Management Improvement Act

As the Chair of the Defense Nuclear Facilities Safety Board (DNFSB), I am responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA) of 1982. The DNFSB conducted its assessment of the effectiveness of its risk management framework and system of internal control for Fiscal Year (FY) 2024 in accordance with OMB Circular A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control." Based on the results of that assessment, I am providing an unmodified Statement of Assurance that our internal controls over financial reporting and third-party service providers meet the objectives of FMFIA, are complying and operating effectively, with no material weaknesses or significant deficiencies as of September 30, 2024.

The DNFSB implemented robust internal controls over financial reporting to ensure the accuracy, completeness, and reliability of financial data. These controls are designed to detect and prevent material misstatements and ensure compliance with applicable financial regulations. The agency adheres to sound accounting policies and practices, continually improving financial management processes to enhance efficiency and effectiveness. The DNFSB conducted an internal review of the effectiveness of internal controls over the integrated financial management systems in accordance with FMFIA and OMB Circular A-123, Appendix D. The agency utilized a third-party service provider to support various financial functions and established effective internal controls to oversee and evaluate their performance. This includes regular reviews to ensure compliance with contractual obligations and regulatory requirements. Regular assessments and monitoring are conducted to validate the effectiveness of these controls and to ensure compliance with relevant regulations, such as OMB Circular A-123 and OMB Circular A-130.

The DNFSB adhered to sound accounting policies and practices to ensure the accuracy and reliability of financial data. Continuous improvements were made to the financial management processes to enhance efficiency and effectiveness, and business processes were reviewed regularly to ensure compliance with applicable standards and regulations. Additionally, the DNFSB implemented comprehensive measures to prevent and detect fraud. While significant progress has been made in implementing internal control over operations, specific areas are still in the process of being fully established. Senior Leadership is addressing these gaps and will continue to monitor and improve the control environment to ensure full compliance and effectiveness.



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Based on the evaluation of internal controls over financial systems and third-party providers, the agency provides a positive Statement of Assurance for FY2024. The agency remains dedicated to maintaining and improving its internal control environment to ensure the accuracy and reliability of financial information.


Joyce L. Connery
Chair



Digital Accountability and Transparency Act of 2014

The *Digital Accountability and Transparency Act of 2014* (DATA) Act expands on federal awards reporting reforms that began with the *Federal Funding Accountability and Transparency Act of 2006*. The purpose of the DATA Act is to improve the quality and transparency of the federal government's award data. Lawmakers have directed U.S. Treasury and OMB to create government-wide standards for reporting spending data associated with federal awards. The law also requires that this data be channeled to a central, public database so that it can be easily accessed and tracked throughout an award's full lifespan. The database is available at <https://www.usaspending.gov>.

During FY 2024, the DNFSB submitted and certified all its DATA Act reports in accordance

with the reporting schedule established by the U.S. Treasury DATA Act Program Management Office. Additionally, the DNFSB continued its monthly reconciliation process to validate obligations and outlays recorded in the accounting system with those in the Federal Procurement and Data System, to allow for timely identification and correction of differences. Data accuracy is maintained by ensuring compliant data elements are consistently recorded in the accounting system and on contract documents.

The DNFSB continues to strengthen and improve internal controls over DATA Act business processes to ensure accurate, complete, and timely submissions.

Anti-Deficiency Act

The Anti-Deficiency Act (ADA) (31 U.S.C. § 1341 and § 1517) prohibits federal agencies from obligating and expending federal funds in excess of its appropriation. The DNFSB's and its service providers' financial systems were designed to prevent ADA violations through the implementation of a zero-tolerance funds control check at the fund and office level. This systematic control ensures that obligations are not recorded until monies are authorized and allotted by the DNFSB's Division of Budget and Finance. Funds control is a critical tool in ensuring funds are managed effectively across all levels of the DNFSB.

Federal Information Security Modernization Act

The *Federal Information Security Modernization Act (FISMA) of 2014* expands on the *Federal Information Security Management Act of 2002* and requires agencies to implement information security policies, procedures, and practices for safeguarding federal information and systems from known or reasonably suspected information security threats, vulnerabilities, and risks. The effectiveness of an agency's information security program is assessed by an annual set of Chief Information Officer, Inspector General and Senior Agency Official for Privacy metrics and an annual audit by the DNFSB Inspector General.

In FY 2024, the DNFSB Inspector General's audit of the agency's implementation of FISMA evaluated the DNFSB's information security program across nine security domains

corresponding to five high-level cybersecurity functions. While three of the security domains and one of the cybersecurity functions were assessed at a maturity level of *Managed and*



Measurable (Level 4), the DNFSB’s information security program received an overall assessment of *Consistently Implemented* (Level 3), which is considered “Not Effective” based on the FY 2025 Inspector General Metrics scoring methodology.

In addition, the DNFSB Inspector General issued four new Recommendations as part of the FY 2024 FISMA Audit to strengthen the DNFSB’s information security program. These recommendations were related to improvements to the DNFSB’s configuration management, privacy awareness training and incident response

processes. To implement the report’s recommendation, the DNFSB is (1) making enhancements to its vulnerability management standard operating procedures to ensure vulnerabilities are remediated in a timely manner and documenting risk-based decisions for unusual circumstances where timely remediation is not feasible, (2) enhancing both its general privacy awareness training and developing role-based privacy training for staff with responsibility for accessing privacy information, and (3) updating its incident response procedures based on lessons learned from recent exercises.

For FY 2024, 22 prior-year recommendations were closed following the inspection of evidence received during fieldwork for the FISMA audit.

Forward-Looking Information

The DNFSB is committed to enhancing nuclear safety within the weapons production complex, given the NNSA’s significant planned increases in weapons production, weapons certification, and weapons refurbishment into the future. To protect workers, the public, and the nation’s critical weapons production capability, it is imperative that the DNFSB’s activities keep pace with increased NNSA activities and continued efforts in the area of Environmental Management.

Overview

The DNFSB faces an increasing challenge to continue oversight at defense nuclear facilities within the defense nuclear complex as the complex grows in size and complexity. New facilities and process lines are being added to support the DOE’s mission objectives while existing facilities face aging infrastructure and management challenges. The DNFSB will need to keep pace with the significantly increased weapons production activities to adequately

accomplish its nuclear safety oversight mission. The DNFSB will face a challenge recruiting the highly specialized technical staff needed to execute its highly technical mission activities. Additionally, investments in IT Modernization and Cybersecurity are necessary to carry out essential, mission-critical activities that support the safety and security of the DNFSB and its information management systems.

Modernization and Outsourcing Efforts

As part of the DNFSB’s modernization effort, the DNFSB is transitioning to the Department of Interior’s IBC, a certified shared services provider offering management services, including certain accounting services, payroll, eTravel services, core financial systems implementation, and HR operations support.



Outsourcing certain operations is key to the DNFSB’s overall strategy as a small agency. As a small agency, the DNFSB cannot efficiently cover the spectrum of capabilities necessary to maintain compliance with all applicable federal requirements and best practices in HR, contracting, financial management and other areas without this support. It is essential for the DNFSB to modernize its functions through a shared services model to streamline processes, enhance workforce capabilities and human capital service delivery across the agency, and ultimately improve mission performance. These upgrades are designed to enhance operational efficiency, enhance data driven decision making, and strengthen agency management, control, and compliance.

Evaluation of Defense Nuclear Facilities’ Aging Infrastructure

The DNFSB is in the midst of a major campaign to evaluate DOE’s management of its aging safety infrastructure, some of which date back to the Manhattan project era, at defense nuclear sites, which is expected to continue into FY 2026 and beyond. This requires ramping up internal capabilities for the long term, to provide authoritative advice to the Secretary of Energy to address this vital issue over the length of the campaign. Without significantly improving this program, DOE faces increasing risks as its aging facilities are repurposed for new and expanded missions in support of the nation’s nuclear enterprise.

The Savannah River Site, constructed in 1951, and the Y-12 National Nuclear Complex constructed in 1943 are just a few examples of the aging defense nuclear complex infrastructure.

The DNFSB has already begun to consider the impact that more frequent and more extreme weather conditions may have on the nuclear safety analyses of the overseen facilities. While the DNFSB is not responsible for any aspect of DOE’s nuclear security, the agency is taking into consideration whether there is a collateral linkage between cyberattacks and defense nuclear facility safety.





Financial Section

Fiscal Year 2024

I am pleased to present the Fiscal Year (FY) 2024 Agency Financial Report for the Defense Nuclear Facilities Safety Board (DNFSB). This report provides financial and high-level program performance information to enable the public to understand and evaluate the DNFSB's achievements relative to its mission and resources.

This report reflects the DNFSB's commitment to the responsible management of public funds and provides a transparent, comprehensive view of our financial and operational achievements in support of our essential nuclear safety mission.

For the 19th consecutive year, the DNFSB has earned an unmodified audit opinion, with no instance of non-compliance with laws or regulations, which reflects the integrity and reliability of our financial management. We remain dedicated to delivering accurate, high-quality financial information to the public.



FY 2024 has been a pivotal year in advancing our agency's infrastructure. We completed critical migration efforts in preparation for launching a new Enterprise Resource Planning system at the beginning of FY 2025. This modernization will streamline processes across financial management, procurement, and HR, enhancing our efficiency and strengthening our compliance. Our ongoing implementation of these new systems will also increase our ability to identify and manage risks effectively, fortifying the DNFSB's capacity for sound decision-making.

Sound financial management is the foundation of effective and efficient stewardship over the financial resources for which we are accountable. It is through effective financial stewardship that we can accomplish our mission, provide value to our stakeholders, and ensure the American public that we are utilizing the resources they have entrusted to us in an effective and efficient manner.

Like many organizations, our most important resource is our people. The mission of the DNFSB would not be possible without our employees' unwavering commitment to the DNFSB nuclear safety mission.

We are unwavering in our commitment to financial accountability and data integrity, ensuring that every decision supports our mission to protect public health and safety. I am deeply grateful to the DNFSB's dedicated professionals. Their expertise and diligence have been instrumental in producing this report and upholding strong standards of transparency and accountability.

Omolola Fawole
Chief Financial Officer
Division of Budget and Finance
December 6, 2024

Message from the
Chief Financial Officer





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FY 2024 Auditor's Report



MEMORANDUM

DATE: December 6, 2024

TO: Joyce L. Connery
Chair

FROM: Robert J. Feitel
Inspector General

SUBJECT: INDEPENDENT AUDITOR'S REPORT ON THE DEFENSE
NUCLEAR FACILITIES SAFETY BOARD'S FINANCIAL
STATEMENTS FOR FISCAL YEAR 2024
(OIG-DNFSB-25-A-01)

Digitally signed by Robert J. Feitel
Date: 2024.12.06 11:19:41
+05'00'

We contracted with an independent public accounting firm, Sikich CPA LLC (Sikich), to audit the financial statements of the Defense Nuclear Facilities Safety Board (DNFSB) as of and for the fiscal year ended September 30, 2024. We also contracted with Sikich to provide an opinion on the DNFSB's internal control over financial reporting and to report on the agency's compliance with laws and other matters. The contract required that the audit be performed in accordance with generally accepted government auditing standards, Office of Management and Budget audit guidance, and the *Financial Audit Manual* issued by the Government Accountability Office and the Council of Inspectors General on Integrity and Efficiency.

In its audit of the DNFSB, Sikich reported:

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

In connection with the contract, we reviewed Sikich's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit of the financial statements in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on

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the DNFSB's financial statements or internal control over financial reporting, or conclusions on compliance with applicable laws and other matters. Sikich is responsible for the attached Independent Auditor's Report, dated December 6, 2024, and the conclusions expressed therein. However, our review disclosed no instances where Sikich did not comply, in all material respects, with U.S. generally accepted government auditing standards.

We held an exit conference on November 21, 2024, with representatives of the DNFSB and Sikich to discuss the audit results. The Executive Director of Operations agreed with the report. The full text of her response follows this report.

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

Attachment:
As stated

cc: Board Vice Chair Summers
Board Member Lee



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333 John Carlyle Street, Suite 500
Alexandria, VA 22314
703.836.6701

SIKICH.COM

INDEPENDENT AUDITORS' REPORT

Inspector General
Defense Nuclear Facilities Safety Board

Chair
Defense Nuclear Facilities Safety Board

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

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

The following sections contain:

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

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

Opinion on the Financial Statements

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

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



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Opinion on Internal Control over Financial Reporting

We also have audited the DNFSB's internal control over financial reporting as of September 30, 2024, based on criteria established under 31 U.S.C. § 3512(c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

In our opinion, the DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2024, based on criteria established under the FMFIA.

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

Basis for Opinions

We conducted our audits in accordance with Generally Accepted Auditing Standards (GAAS) in the United States of America; standards applicable to financial statement audits contained in Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States; and guidance contained in Office of Management and Budget (OMB) Bulletin 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin 24-02 are further described in the *Auditors' Responsibilities for the Audits of the Financial Statements and Internal Control over Financial Reporting* subsection of our report. We are required to be independent of the DNFSB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matter

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

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

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

¹ A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



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reporting as of September 30, 2024, FMFIA Statement in the *Management's Discussion and Analysis* (MD&A) section of the AFR.

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

Our objectives are to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether effective internal control over financial reporting was maintained in all material respects, and (2) issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS, GAGAS, and OMB guidance will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgments made by a reasonable user based on the financial statements.

In performing an audit of financial statements and an audit of internal control over financial reporting in accordance with GAAS, GAGAS, and OMB guidance, we:

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

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



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Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel. The objectives of internal control over financial reporting are to provide reasonable assurance that:

- Transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- Transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error. We also caution that projecting any evaluation of effectiveness to future periods is subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Required Supplementary Information

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

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

Other Information

The DNFSB's other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. Management is responsible for the other information included in the DNFSB's AFR. The other information comprises the *Summary of Financial Statement Audit and Management Assurances*, *Payment Integrity Information Act Reporting*, and the *Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the DNFSB*, but does not include the financial statements and our *Report on the Audits of the Financial Statements and on Internal Control Over Financial Reporting*. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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



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OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Report on Compliance and Other Matters

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

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

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

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

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

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

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

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

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

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

DNFSB's Comments

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

SIKICH CPA LLC

Alexandria, VA
December 6, 2024



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Attachment A

DEFENSE NUCLEAR FACILITIES
SAFETY BOARD
Washington, DC 20004-2901



November 22, 2024

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

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

Dear Ms. Virkar,

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

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

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

Sincerely,

Mary J. Buhler
Executive Director of Operations



Financial Statements and Notes

The financial statements have been prepared to report the financial position and results of operations of the DNFSB, pursuant to the requirements of the Chief Financial Officers (CFO) Act of 1990 (Public Law 101-576), the Government Management Reform Act of 1994 (Public Law 103-356), Accountability of Tax Dollars Act of 2002 (Public Law 107-289), and the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

The DNFSB's comparative financial statements and accompanying note disclosures comprise the following:

BALANCE SHEETS

The Balance Sheets, as of September 30, 2024, and 2023, represent the resources owned or managed by the DNFSB that are available to provide future economic benefits (assets), amounts owed by the DNFSB that will require payments from those resources or future resources (liabilities), and residual amounts retained by the DNFSB, comprising the difference (net position).

STATEMENTS OF NET COST

The Statements of Net Cost present the net cost of the DNFSB's operations for the Fiscal Years (FY) ended September 30, 2024, and 2023. The DNFSB's net cost of operations includes the gross costs incurred by the DNFSB less any exchange revenue earned.

STATEMENTS OF CHANGES IN NET POSITION

The Statements of Changes in Net Position present the change in the DNFSB's net position resulting from the net cost of the DNFSB's operations, budgetary financing sources other than exchange revenues, and other financing sources for the FYs ended September 30, 2024, and 2023.

STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources present the budgetary resources available to the DNFSB during FYs 2024 and 2023, their status as of September 30, 2024, and 2023, and the net outlays of budgetary resources for the FYs ended September 30, 2024, and 2023.





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Defense Nuclear Facilities Safety Board

BALANCE SHEETS

As of September 30, 2024, and 2023

(In Dollars)

	2024	2023 (Reclassified)
Assets:		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	\$ 16,346,778	\$ 18,656,424
Advances and Prepayments	1,817	49,980
Total Intragovernmental Assets	<u>16,348,595</u>	<u>18,706,404</u>
Other than Intragovernmental Assets:		
Accounts Receivable, Net (Note 3)	3,618	15,885
Property, Plant and Equipment, Net (Note 4)	3,983	9,007
Total Other than Intragovernmental Assets	<u>7,601</u>	<u>24,892</u>
Total Assets	<u>\$ 16,356,196</u>	<u>\$ 18,731,296</u>
Liabilities: (Note 5)		
Intragovernmental Liabilities:		
Accounts Payable	\$ 723,558	\$ 331,056
Other Liabilities (Note 6)	135,467	351,021
Total Intragovernmental Liabilities	<u>859,025</u>	<u>682,077</u>
Other than Intragovernmental Liabilities:		
Accounts Payable	781,880	1,115,338
Federal Employee Salary, Leave, and Benefits Payable (Note 7)	2,633,545	3,192,067
Total Other than Intragovernmental Liabilities	<u>3,415,425</u>	<u>4,307,405</u>
Total Liabilities	<u>\$ 4,274,450</u>	<u>\$ 4,989,482</u>
Commitments and Contingencies (Note 8 and Note 9)		
Net Position:		
Unexpended Appropriations - Funds from Other than Dedicated Collections	\$ 14,234,751	\$ 15,668,968
Cumulative Results of Operations - Funds from Other than Dedicated Collections	(2,153,005)	(1,927,154)
Total Net Position	<u>\$ 12,081,746</u>	<u>\$ 13,741,814</u>
Total Liabilities and Net Position	<u>\$ 16,356,196</u>	<u>\$ 18,731,296</u>

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



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DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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Defense Nuclear Facilities Safety Board

STATEMENTS OF NET COST

For the Fiscal Years Ended September 30, 2024 and 2023

(In Dollars)

	2024	2023
Gross Program Costs (Note 10)		
Gross Costs	\$ 45,354,660	\$ 41,357,453
Less: Earned Revenue	(3,128)	-
Net Program Costs	45,351,532	41,357,453
Net Cost of Operations	\$ 45,351,532	\$ 41,357,453

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



FY 2024
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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Defense Nuclear Facilities Safety Board
STATEMENT OF CHANGES IN NET POSITION
For the Fiscal Years Ended September 30, 2024 and 2023
(In Dollars)

	2024	2023
Unexpended Appropriations:		
Beginning Balance	\$ 15,668,968	\$ 14,034,432
Corrections of Errors (+/-)	-	(38,044)
Beginning Balance, as adjusted	<u>15,668,968</u>	<u>13,996,388</u>
Appropriations Received	42,000,000	41,401,000
Other Adjustments (+/-)	(391,048)	(242,976)
Appropriations Used	<u>(43,043,169)</u>	<u>(39,485,444)</u>
Net Change in Unexpended Appropriations	<u>(1,434,217)</u>	<u>1,672,580</u>
Total Unexpended Appropriations	<u>\$ 14,234,751</u>	<u>\$ 15,668,968</u>
Cumulative Results from Operations:		
Beginning Balance	\$ (1,927,154)	\$ (1,641,393)
Corrections of Errors (+/-)	-	55,643
Beginning Balance, as adjusted	<u>(1,927,154)</u>	<u>(1,585,750)</u>
Appropriations Used	43,043,169	39,485,444
Imputed Financing	2,082,512	1,530,605
Net Cost of Operations	<u>(45,351,532)</u>	<u>(41,357,453)</u>
Net Change in Cumulative Results of Operations	<u>(225,851)</u>	<u>(341,404)</u>
Total Cumulative Results of Operations	<u>\$ (2,153,005)</u>	<u>\$ (1,927,154)</u>
Net Position	<u>\$ 12,081,746</u>	<u>\$ 13,741,814</u>

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



FY 2024
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
AGENCY FINANCIAL REPORT

Defense Nuclear Facilities Safety Board
STATEMENTS OF BUDGETARY RESOURCES
For the Fiscal Years Ended September 30, 2024 and 2023
(In Dollars)

	2024 Budgetary	2023 Budgetary
Budgetary Resources:		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) (Note 11)	\$ 9,862,157	\$ 8,263,731
Appropriations (Discretionary and Mandatory)	42,000,000	41,401,000
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	3,128	-
Total Budgetary Resources	\$ 51,865,285	\$ 49,664,731
Status of Budgetary Resources:		
New Obligations and Upward Adjustments (Total)	\$ 44,185,131	\$ 40,134,585
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts, End of Year	6,773,167	8,388,680
Expired Unobligated Balance, End of Year	906,987	1,141,466
Unobligated Balance, End of Year (Total)	7,680,154	9,530,146
Total Budgetary Resources	\$ 51,865,285	\$ 49,664,731
Outlays, Net:		
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 43,918,598	\$ 39,372,292
Agency Outlays, Net (Discretionary and Mandatory)	\$ 43,918,598	\$ 39,372,292

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



DEFENSE NUCLEAR FACILITIES SAFETY BOARD
FINANCIAL STATEMENT NOTES
GENERAL FUND

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The Defense Nuclear Facilities Safety Board (DNFSB) is an independent federal government agency, created in 1988, with responsibility for providing safety oversight of the Department of Energy's (DOE) defense nuclear facilities located throughout the United States. The DNFSB is directed by a Chair and four board members appointed by the President of The United States.

These financial statements should be read with the realization that they are for a component of the U.S. Government.

(b) Basis of Presentation

These financial statements have been prepared from the DNFSB's accounting records in accordance with federal Generally Accepted Accounting Principles (GAAP) as promulgated by the Federal Accounting Standards Advisory Board and Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*. The financial statements and associated notes are presented on a comparative basis. Unless specified otherwise, all amounts are presented in U.S. dollars.

OMB Circular A-136, *Financial Reporting Requirements*, requires agencies to prepare principal financial 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 the amounts of future economic benefits owned or managed by the DNFSB (assets), amounts owed by the DNFSB (liabilities), and amounts which comprise the difference (net position). The Statement of Net Cost reports the full cost of the DNFSB's operations. The Statement of Changes in Net Position reports the results of changes to *Unexpended Appropriations* and *Cumulative Results of Operations*. The Statement of Budgetary Resources reports how budgetary resources were made available during the period and their status at the end of the period.

(c) Classified Activities

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

(d) Basis of Accounting and Use of Estimates

Transactions are recorded on the accrual basis of accounting in accordance with GAAP. 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



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Basis of Accounting and Use of Estimates (continued)

amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

(e) Revenues and Other Financing Sources

The DNFSB receives funding needed to support its activities through annual appropriations acts, passed by Congress and signed by the President of the United States. FY 2024 and FY 2023 appropriated funds are available for obligation until September 30, 2025, and September 30, 2024, respectively. An imputed financing source is recognized to offset costs incurred by the DNFSB and funded by another federal source. The DNFSB's revenue is generally recognized when goods have been delivered or services have been rendered.

As a component of the Government-wide reporting entity, the DNFSB is subject to the federal budget process, which involves appropriations that are provided annually and appropriations that are provided on a permanent basis.

The DNFSB's budgetary resources reflect current appropriations, reimbursable authority, carryover funding, and recoveries of prior year obligations that enable it to incur budgetary obligations. Budgetary obligations are legal obligations for goods, services, or amounts to be paid based on statutory provisions.

(f) Assets and Liabilities

Intragovernmental assets and liabilities arise from transactions between the DNFSB and other federal entities.

Funds with the U.S. Department of the Treasury (U.S. Treasury or Treasury) compose most of the assets on the DNFSB's balance sheet. Other assets result from activity with non-federal sources.

Liabilities represent amounts that are likely to be paid by the DNFSB 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 incurred but not yet paid.

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

(g) Fund Balance with Treasury

Fund Balance with Treasury represents the amount of the DNFSB's appropriated funds and offsetting collections that are maintained by Treasury at the end of the fiscal year. Appropriated funds recorded in general fund expenditure accounts are available to pay current liabilities and finance authorized purchases.

The DNFSB does not maintain a bank account of its own, has no disbursing authority, and does not maintain cash held outside of Treasury. Treasury disburses funds for the agency on demand. Additional information about the DNFSB's Fund Balance with Treasury can be found in Note 2.



NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Advances and Prepayments

Advances are cash outlays made by the DNFSB to its employees, federal contractors, or others to cover a part or all the recipients' anticipated expenses or as advance payments for the costs of goods and services the DNFSB receives.

(i) Property, Plant, and Equipment, Net (PP&E)

PP&E consists of capitalized equipment, furniture and fixtures, and software, less accumulated depreciation. There are no restrictions on the use or convertibility of property, plant, or equipment.

The DNFSB owns no land or buildings but does have an occupancy agreement with the General Services Administration (GSA) for building space. This agreement is considered an Intragovernmental Lease under Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*. As such, the DNFSB adheres to the disclosure requirements in Paragraph 37 of SFFAS 54. The cost approximates commercial rates for similar properties. Additional information concerning the DNFSB's Lease may be found within Note 1(n) and Note 8.

(j) Federal Employee Salary, Leave, and Benefits Payable

The DNFSB recognizes fiscal year end liabilities for (1) funded accrued payroll and leave, (2) funded employer contributions and payroll taxes, and (3) unfunded accrued leave. These liabilities are combined and presented in the DNFSB's Balance Sheet as *Federal Employee Salary, Leave, and Benefits Payable*. The fiscal year end liabilities for (1) and (2) above are calculated based on the number of days of payroll expenses incurred, but not paid, at the end of each fiscal year. The fiscal year end liability for (3) above is based on unpaid leave earned that an employee is entitled to upon separation and that will be funded by future years' budgetary resources.

(k) Employee Pension Benefits

The DNFSB recognizes the full costs of providing future pension benefits to covered employees. Cost factors provided by the Office of Personnel Management (OPM) estimate the full cost of providing the pension benefits. The excess of the full cost compared to contributions made by the DNFSB and its employees is recognized as imputed costs. The liabilities associated with these costs are reported by OPM, which administers the Civil Service Retirement System (CSRS) plan and the Federal Employees Retirement System (FERS) plan. Eligibility of employees to participate in the CSRS plan or FERS plan is based on their hire date with the federal government and the DNFSB contributes a percentage of an employee's basic pay towards their respective retirement plan. All the DNFSB employees are eligible to contribute to the Thrift Savings Plan (TSP), a defined contribution plan. For employees participating in FERS, the DNFSB contributes 1 percent per year of the employee's basic pay to the TSP. In addition, the DNFSB matches voluntary employee contributions up to 3 percent of the employee's basic pay and matches one-half of contributions between 3 percent and 5 percent of the employee's basic pay. There are no agency contributions to the TSP for CSRS participants. The DNFSB contributions to the TSP are recognized as current operating expenses.

(l) Corrections of Errors / Prior Period Adjustments

In FY 2023, the DNFSB identified corrections needed for events that occurred in prior fiscal years. The adjustments were necessary to correct beginning balances for unexpended appropriations and cumulative



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DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Corrections of Errors / Prior Period Adjustments (Continued)

results of operations reported on the Statement of Changes in Net Position. Restatement of prior year financial statements is not required because the errors did not result in a material misstatement.

(m) Change in Presentation

These financial statements for FY 2024 and FY 2023 (prior year) are presented on a comparative basis. The DNFSB has reclassified the FY 2023 balance sheet data and the FY 2023 Note 14, Reconciliation of Net Cost to Net Outlays, related to *Federal Employee Salary, Leave, and Benefits* payable for a comparable format in accordance with U.S. Treasury's updated U.S. Standard General Financial Statement Crosswalk for FY 2024.

(n) Changes in Accounting Principles

Changes in accounting principles include those resulting from the adoption of new Federal Accounting Standards Advisory Board standards. In accordance with SFFAS 54, Leases, as amended by SFFAS 62, and with an effective date of October 1, 2023, the DNFSB is now reporting its occupancy agreement with GSA as an Intragovernmental Lease. The implementation will be prospective, and the requirements are effective for reporting periods beginning after September 30, 2023. The effect of the change in accounting principle is not material to the FY 2024 financial statements. Additional information concerning the DNFSB's Lease may be found within Note 8.

NOTE 2 – FUND BALANCE WITH TREASURY

The DNFSB's Fund Balance with the U.S. Treasury consist only of appropriated funds and offsetting collections. The status of these funds as of September 30, 2024, and 2023 is as follows:

	2024	2023
Status of Fund Balance with Treasury		
1) Unobligated Balance		
a) Available	\$ 6,773,167	\$ 8,388,680
b) Unavailable	906,987	1,141,466
2) Obligated Balance not yet Disbursed	8,666,624	9,126,278
Total	<u>\$ 16,346,778</u>	<u>\$ 18,656,424</u>

NOTE 3 – ACCOUNTS RECEIVABLE, NET

Other than Intragovernmental Accounts Receivable, Net, represents the accounts receivable from current employees. The DNFSB has historically collected receivables due from employees and thus has not established an allowance for uncollectible accounts.



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DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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NOTE 3 – ACCOUNTS RECEIVABLE, NET (CONTINUED)

	2024	2023
Other than Intragovernmental Accounts Receivable	\$ 3,618	\$ 15,885
Total Accounts Receivable, Net	<u>\$ 3,618</u>	<u>\$ 15,885</u>

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT, NET (PP&E)

The DNFSB does not estimate PP&E costs and capitalizes PP&E 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 useful life of the property. Information technology equipment and software are 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. Depreciation expense for the fiscal years ended September 30, 2024, and 2023, were \$5,024 and \$97,923, respectively. The DNFSB's total cost, accumulated depreciation, and net book value for PP&E for the fiscal years ended September 30, 2024, and 2023, are as follows:

2024	Equipment	Furniture & Fixtures	Software	Total
Cost balance, beginning of the year	\$ 910,803	\$ 102,050	\$ 261,622	\$ 1,274,475
Cost balance, end of year	\$ 910,803	\$ 102,050	\$ 261,622	\$ 1,274,475
Accumulated depreciation	(906,820)	(102,050)	(261,622)	\$ (1,270,492)
Net Book Value	\$ 3,983	\$ -	\$ -	\$ 3,983

2023	Equipment	Furniture & Fixtures	Software	Total
Cost balance, beginning of the year	\$ 1,311,781	\$ 102,050	\$ 356,658	\$ 1,770,489
Dispositions	\$ (400,978)	-	(95,036)	\$ (496,014)
Cost balance, end of year	\$ 910,803	102,050	261,622	\$ 1,274,475
Accumulated depreciation	\$ (901,796)	(102,050)	(261,622)	\$ (1,265,468)
Net Book Value	\$ 9,007	\$ -	\$ -	\$ 9,007



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NOTE 5 – LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

As of September 30, 2024, and 2023, liabilities not covered by budgetary resources were as follows:

	2024	2023
Unfunded Accrued Leave Liabilities		
Not Covered by Budgetary Resources	\$ 2,160,605	\$ 1,952,045
Total Liabilities Not Covered by Budgetary Resources	<u>\$ 2,160,605</u>	<u>\$ 1,952,045</u>
 Total Liabilities Not Covered by Budgetary Resources	 \$ 2,160,605	 \$ 1,952,045
Total Liabilities Covered by Budgetary Resources	<u>2,113,845</u>	<u>3,037,437</u>
Total Liabilities	<u><u>\$ 4,274,450</u></u>	<u><u>\$ 4,989,482</u></u>

The *Unfunded Accrued Leave Liabilities* of \$2.2 million represents the amount recorded for unpaid leave earned that the DNFSB's employees are entitled to upon separation and that will be funded by future years' budgetary resources. *Unfunded Accrued Leave Liability* is part of the *Federal Employee Salary, Leave, and Benefits Payable* (see Note 7).

NOTE 6 – INTRAGOVERNMENTAL OTHER LIABILITIES

As of September 30, 2024, and 2023, the amounts reported on the Balance Sheet as *Intragovernmental Other Liabilities* are current liabilities. *Intragovernmental Other Liabilities* consist of the *Employer Contributions and Payroll Taxes Payable*. *Employer Contributions and Payroll Taxes Payable* are the amounts owed for payroll taxes, employees health benefits, employee life insurance, Federal Insurance Contributions Act (FICA) payments, and employee retirement contributions based on year-end payroll accruals.

	2024	2023
Intragovernmental Other Liabilities		
Employer Contributions and Payroll Taxes Payable	\$ 135,467	\$ 351,021
Total Intragovernmental Other Liabilities	<u>\$ 135,467</u>	<u>\$ 351,021</u>

NOTE 7 – FEDERAL EMPLOYEE SALARY, LEAVE, AND BENEFITS PAYABLE

The DNFSB does not administer pensions or benefit programs; however, it does record the portion of the liability for which it is responsible as part of year-end payroll and related benefit accruals. For the years ended September 30, 2024, and 2023, liabilities for *Federal Employee Salary, Leave, and Benefits Payable* consist of the following:

	2024	2023
Funded Accrued Payroll and Leave	\$ 451,060	\$ 1,186,118
Employer Contributions and Payroll Taxes Payable	21,880	53,904
Unfunded Accrued Leave Liabilities	<u>2,160,605</u>	<u>1,952,045</u>
Federal Employee Salary, Leave and Benefits Payable	<u><u>\$ 2,633,545</u></u>	<u><u>\$ 3,192,067</u></u>



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NOTE 8 – LEASES

The DNFSB maintains an occupancy agreement for its headquarters space in the Washington, DC area with the GSA. Under SFFAS 54, *Leases*, this occupancy agreement is considered an intragovernmental lease with the GSA. The occupancy agreement is cancelable with 120 days written notice, without penalty to the DNFSB. Annual office space lease expense for FY 2024 and FY 2023 amounted to \$3,092,391 and \$2,957,741, respectively. The DNFSB entered into a ten-year occupancy agreement effective March 8, 2016, which is due to expire on March 7, 2026.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. For pending or threatened litigation and unasserted claims, a contingency is considered probable when the future confirming event or events are likely to occur. A contingency is disclosed in the Notes to the Financial Statements if any of the conditions for liability recognition are not met and there is at least a reasonable possibility that a loss or an additional loss may be incurred in the future. In the normal course of business, the DNFSB may become involved in various legal disputes and claims. As of September 30, 2024, the DNFSB has pending litigation with a reasonable possibility that a loss may occur; however, management is unable to estimate the potential loss. Therefore, the DNFSB has not recorded any contingent liabilities.

NOTE 10 – GROSS PROGRAM COSTS

The Statements of Net Cost reflect the DNFSB's gross program costs for the fiscal years ended September 30, 2024, and 2023. The DNFSB incurs costs from both intragovernmental transactions (exchange transactions with other federal entities) and transactions from non-federal entities. Intragovernmental costs include payments for a building occupancy agreement and services obtained from federal providers. Other than Intragovernmental costs are those costs incurred from transactions with non-federal entities. The breakdown of the DNFSB's gross program costs related to Intragovernmental and Other than Intragovernmental costs is as follows:

	Intragovernmental Costs	Other than Intragovernmental Costs	Gross Program Costs
FY 2024	\$12,637,055	\$32,717,605	\$45,354,660
FY 2023	\$11,898,026	\$29,459,427	\$41,357,453



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NOTE 10 – GROSS PROGRAM COSTS (CONTINUED)

The DNFSB's Gross Program Costs are as follows:

Description	FY 2024	FY 2023
Personnel Compensation	\$20,658,400	\$19,588,338
Personnel Benefits	\$9,495,498	\$8,871,036
Travel & Transportation of Persons	\$801,839	\$925,008
Transportation of Things	\$3,649	\$33,002
Rent, Communications, & Utilities	\$3,534,362	\$3,318,692
Printing & Reproduction	\$18,432	\$7,759
Other Contractual Services	\$9,766,483	\$7,663,405
Supplies & Materials	\$539,484	\$657,109
Acquisition of Assets	\$536,513	\$293,104
Total	\$45,354,660	\$41,357,453

Some goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Certain costs of the providing federal entity that are not fully reimbursed by the DNFSB are recognized as imputed cost within the *Statements of Net Cost* and are offset by imputed financing within the *Statements of Changes in Net Position*. The Imputed Costs and Financing Sources for the year ended September 30, 2024, and September 30, 2023, totaled \$2,082,512 and \$1,530,605, respectively. These imputed costs primarily cover business-type activities, employee benefit costs funded by the Office of Personnel Management, office space usage within other federal entities, and legal claims settled from the U.S. Treasury Judgement Fund.

NOTE 11 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD, OCTOBER 1

During the fiscal years ended September 30, 2024, and 2023, adjustments were made to the balance of unobligated budgetary resources available as of October 1, 2023, and 2022, respectively. These adjustments include recoveries. Recoveries are funds that are being returned to prior year accounts as a result of deobligations, overpayments or other reasons. The adjustments for the fiscal years ended September 30, 2024, and 2023 as a result of recoveries are presented below:



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**NOTE 11 – NET ADJUSTMENTS TO UNOBLIGATED BALANCE BROUGHT FORWARD,
OCTOBER 1 (CONTINUED)**

	2024	2023
Unobligated Balance brought forward, October 1	\$ 9,530,146	\$ 7,898,496
Adjustments made during the current year:		
Recoveries of prior year unpaid obligations	693,760	606,471
Recoveries of prior year paid obligations	29,299	1,740
Balance withdrawn to Treasury (expiring fund)	(391,048)	(242,976)
Unobligated Balance from prior year Budget Authority, net	<u>\$ 9,862,157</u>	<u>\$ 8,263,731</u>

NOTE 12 – UNDELIVERED ORDERS AT THE END OF THE PERIOD

Undelivered orders represent the value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred. The amount of the DNFSB's undelivered orders as of September 30, 2024, and 2023, were as follows:

	2024	2023
Federal Undelivered Orders	\$ 1,793,370	\$ 1,087,874
Non-Federal Undelivered Orders	4,761,226	5,050,948
Total Federal/Non-Federal Undelivered Orders	<u>\$ 6,554,596</u>	<u>\$ 6,138,822</u>
Paid Undelivered Orders - Federal	\$ 1,817	\$ 49,980
Unpaid Undelivered Orders - Federal	1,791,553	1,037,894
Unpaid Undelivered Orders - Non-Federal	4,761,226	5,050,948
Total Paid/Unpaid Undelivered Orders	<u>\$ 6,554,596</u>	<u>\$ 6,138,822</u>

**NOTE 13 – EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF
BUDGETARY RESOURCES (SBR) AND THE BUDGET OF THE US GOVERNMENT**

There are sometimes differences between budgetary resources available, the status of those resources and outlays as presented in the Statement of Budgetary Resources and the related actual balances published in the *Budget of the United States Government*. Balances, in dollars, as reported in the FY 2023 Statement of Budgetary Resources and the related President's Budget amounts for the DNFSB reflected the following:



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NOTE 13 – EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES (SBR) AND THE BUDGET OF THE US GOVERNMENT (CONTINUED)

FY 2023	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Net Outlays
Statement of Budgetary Resources	\$49,664,731	\$40,134,585	\$39,372,292
Difference 1 – Expired Unobligated Balances	(\$1,141,466)	-	-
Difference 2 - Rounding (+/-)	(\$523,265)	\$865,415	(\$372,292)
Budget of the US Government	\$48,000,000	\$41,000,000	\$39,000,000

The differences between the Statement of Budgetary Resources and the amounts published in the Budget of the United States Government for the DNFSB activity are due to rounding as well as expired unobligated balances being reported in the Statement of Budgetary Resources but not in the Budget of the United States Government. The Budget of the US Government is rounded to millions. The Budget that will include FY 2024 actual budgetary execution information is scheduled for publication in February 2025, which will be available through OMB's website at <http://www.whitehouse.gov/omb/>. Accordingly, information required for such disclosure is not available at the time of publication of these financial statements.

NOTE 14 – RECONCILIATION OF NET COST TO NET OUTLAYS

Budgetary and financial accounting information differs. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position and presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurring of liabilities.

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The reconciliation explains the relationship between the net cost of operations and net outlays by presenting (1) components of net cost that are not part of budgetary outlays (e.g., depreciation and amortization expenses of assets previously capitalized, change in asset/liabilities, other financing sources); and (2) components of budget outlays that are not part of net cost (e.g., acquisition of capital assets); and (3) other temporary timing difference (e.g., prior period adjustments due to the correction of errors).

The reconciliation analysis primarily involves changes in asset and liability balances from one year to the other due to everyday operational business processes over the course of a fiscal year. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays for the fiscal years ended September 30, 2024, and 2023.



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NOTE 14 – RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)

	FY2024		
	Intragovernmental	Other Than Intragovernmental	Total
Net Cost of Operations as presented in the Statements of Net Cost	<u>\$ 12,633,927</u>	<u>\$ 32,717,605</u>	<u>\$ 45,351,532</u>
Components of Net Operating Costs Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(5,024)	(5,024)
Increase (Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable, net	-	(12,267)	(12,267)
Advances and prepayments	(48,163)	-	(48,163)
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(392,502)	333,457	(59,045)
Other liabilities	215,554	-	215,554
Federal employee salary, leave, and benefits payable	-	558,522	558,522
Other Financing Sources			
Imputed costs	<u>(2,082,511)</u>	<u>-</u>	<u>(2,082,511)</u>
Total Components of Net Costs Not Part of the Budget Outlays	<u>(2,307,622)</u>	<u>874,688</u>	<u>(1,432,934)</u>
Miscellaneous Items			
Custodial/Non-exchange revenue	-	(60)	(60)
Non-Entity Activity	<u>60</u>	<u>-</u>	<u>60</u>
Total Miscellaneous Items	<u>60</u>	<u>(60)</u>	<u>-</u>
Net Outlays (Calculated Total)	<u>\$ 10,326,365</u>	<u>\$ 33,592,233</u>	<u>\$ 43,918,598</u>
Related Amounts on the Statement of Budgetary Resources			
Outlays, net			<u>\$ 43,918,598</u>
Agency Outlays, Net as presented in the Statements of Budgetary Resources			<u>\$ 43,918,598</u>



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DEFENSE NUCLEAR FACILITIES SAFETY BOARD
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NOTE 14 – RECONCILIATION OF NET COST TO NET OUTLAYS (CONTINUED)

	FY2023 (Reclassified)		
	Intragovernmental	Other Than Intragovernmental	Total
Net Cost of Operations as presented in the Statements of Net Cost	\$ 11,898,026	\$ 29,459,427	\$ 41,357,453
Components of Net Operating Costs Not Part of the Budgetary Outlays			
Property, plant, and equipment depreciation	-	(97,923)	(97,923)
Increase(Decrease) in Assets not affecting Budget Outlays:			
Accounts receivable, net	-	(3,525)	(3,525)
Other assets	49,980	(12,625)	37,355
(Increase)/Decrease in Liabilities not affecting Budget Outlays:			
Accounts payable	(282,048)	367,215	85,167
Other liabilities	(44,384)	-	(44,384)
Federal employee salary, leave, and benefits payable	-	(413,647)	(413,647)
Other Financing Sources			
Imputed costs	(1,530,605)	-	(1,530,605)
Total Components of Net Costs Not Part of the Budget Outlays	(1,807,057)	(160,505)	(1,967,562)
Miscellaneous Items			
Custodial/Non-exchange revenue	-	(230)	(230)
Non-Entity Activity	230	-	230
Other temporary timing differences	-	(17,599)	(17,599)
Total Miscellaneous Items	230	(17,829)	(17,599)
Net Outlays (Calculated Total)	<u>\$ 10,091,199</u>	<u>\$ 29,281,093</u>	<u>\$ 39,372,292</u>
Related Amounts on the Statement of Budgetary Resources			
Outlays, net			<u>\$ 39,372,292</u>
Agency Outlays, Net as presented in the Statements of Budgetary Resources			<u>\$ 39,372,292</u>



Other Information Section

Fiscal Year 2024



Inspector General's FY 2024 Assessment of Management and Performance Challenges

October 25, 2024

OIG-DNFSB-25-M-01



The Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board in Fiscal Year 2025



*Idaho National Laboratory, Materials and Fuels Complex
(Source: inl.gov)*

All publicly available OIG Reports are accessible through the OIG's website:
nrc.oig.oversight.gov



At a glance

WHY WE DID THIS REPORT

The Defense Nuclear Facilities Safety Board (DNFSB) is an independent oversight organization within the Executive Branch created by Congress in 1988. The DNFSB is considered a critical oversight agency. The DNFSB's mission involves providing independent analysis, advice, and recommendations to the Secretary of Energy, thereby helping the Secretary ensure adequate protection of public health and safety at defense nuclear facilities within the U.S. Department of Energy (DOE).

The Reports Consolidation Act of 2000 (Public Law 106-531) requires the Office of the Inspector General (OIG) to annually update its assessment of the most serious management and performance challenges facing the DNFSB and the agency's progress in addressing those challenges.

WHAT WE FOUND

With input from the DNFSB's leadership, the OIG has assessed, developed, and described the DNFSB's most serious challenges for FY 2025, noting each challenge, actions already taken by the DNFSB to address the challenge, and continuing work applicable to the challenge. The challenges are:

1. Ensuring a Healthy Culture and Climate During Leadership Transitions and Reorganizations;
2. Managing Resources to Address Critical Risks; and,
3. Continuing to Prioritize the DNFSB's Focus on Technical Oversight and Reviews.

By addressing these challenges, the DNFSB can execute its mission more efficiently and effectively by providing timely and informative oversight that is helpful to decision and policy makers. Addressing these challenges also helps the DNFSB make progress toward achieving its strategic goals while maintaining the highest level of accountability over taxpayer dollars.



AGENCY RESPONSE TO MANAGEMENT AND PERFORMANCE CHALLENGES FOR FY 2025

Prior to issuance, agency management reviewed and provided comments on the draft version of this report. The OIG has incorporated the agency's comments into this report, as appropriate. The agency is in general agreement with the draft report.



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Introduction



Robert J. Feitel,
NRC and DNFSB
Inspector General

I am pleased to present our assessment of the most serious management and performance challenges facing the Defense Nuclear Facilities Safety Board (DNFSB) in FY 2025.

The Reports Consolidation Act of 2000 requires the Office of the Inspector General (OIG) to annually update our assessment of the most serious management and performance challenges facing the DNFSB and the agency's progress in addressing those challenges. This report provides the updated OIG assessment in these areas.

ABOUT THE OFFICE OF THE INSPECTOR GENERAL

In accordance with the 1988 Amendments to the Inspector General Act of 1978, the OIG was established on April 15, 1989, as an independent and objective unit to conduct and supervise audits and investigations pertaining to the U.S. Nuclear Regulatory Commission. Pursuant to the Consolidated Appropriations Act for Fiscal Year 2014 (Public Law 113-76), the Inspector General of the U.S. Nuclear Regulatory Commission was assigned to also serve as the DNFSB's Inspector General. The purpose of the OIG's audits, evaluations, and investigations is to prevent and detect fraud, waste, abuse, and mismanagement, and promote economy, efficiency, and effectiveness in DNFSB programs and operations. In addition, the OIG reviews existing and proposed regulations, legislation, and directives and provides comments, as appropriate, regarding any significant concerns. The Inspector General keeps the DNFSB Chair and Congress informed about problems, recommends corrective actions, and monitors the DNFSB's progress in implementing such actions.

About the DNFSB

The DNFSB, an independent oversight organization within the Executive Branch, was created by Congress in September 1988 in response to growing concerns about the level of health and safety protection that the Department of Energy (DOE) was providing the public and workers at defense nuclear facilities. In doing so, Congress sought to provide the general public with added assurance that the DOE's defense nuclear facilities are being safely designed, constructed, operated, and decommissioned.



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Under the Atomic Energy Act of 1954, and as stated in 42 U.S.C. § 2286a(a), the mission of the DNFSB “shall be 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 DOE, in providing adequate protection of public health and safety at such defense nuclear facilities, including



Los Alamos National Laboratory,
Radiation Control Technicians (Source: lanl.gov)

with respect to the health and safety of employees and contractors at such facilities.” The last clause in this mission statement was added by the National Defense Authorization Act (NDAA) for Fiscal Year 2020 (Pub. L. No. 116-92). This clause reflects Congress’ intent to ensure the Board and all stakeholders understand that the DNFSB’s mission clearly encompasses the health and safety of workers as well as the public.

For FY 2025, the DNFSB’s budget request is \$47.2 million and 128 full-time equivalents (FTEs) to carry out its mission. The DNFSB achieved a staffing level of 115 FTEs as of March 11, 2024. The additional FTE positions will help ensure that the Board can recruit or develop the depth of resources in highly specialized technical disciplines necessary to support an enhanced need for oversight of defense nuclear facilities resulting from the DOE’s modernization efforts. The DNFSB has executed an aggressive staffing plan focused on hiring highly skilled engineers, scientists, and other professionals to support the agency’s mission. Looking forward, the DNFSB is building a multi-year human capital strategic plan to guide training, development, recruiting, retention, and succession planning. The Board’s budget request also seeks funding to support enhanced capabilities and improvements related to cybersecurity, physical security, secure communications, information technology modernization, technical efficiencies, organizational effectiveness, and progress on diversity, equity, inclusion, and accessibility throughout the agency.

About the Board Members

The DNFSB’s full decision-making body consists of five Board members, including its Chair. As of the date of this report, however, the DNFSB has three Board members, one of whom also serves as its Chair, and two vacant positions. On January 21, 2021, President Biden designated Ms. Joyce Connery as the DNFSB Chair. Ms. Connery has been a member of the Board since August 2015 and was reconfirmed by the Senate on July 2, 2020, for a term that expired on October 18, 2024. Ms. Connery will stay on



longer to prevent the panel from losing a quorum. A “quorum saving provision” in DNFSB rules allows her to stay on past expiration until another board member is confirmed. Ms. Connery began her career at the national laboratories, first serving in Kazakhstan working on the shutdown of the BN-350 fast breeder reactor and then returning to Washington, DC, to work in the Office of International Safety in the DOE’s National Nuclear Security Administration (NNSA). Ms. Connery has served in several capacities at the DOE, including as the senior policy advisor to the Deputy Secretary of Energy, and she served two tours with the National Security Council. From February 2008 through May 2010, she worked in the areas of nonproliferation and nuclear security, and from January 2012 through July 2015, she served as Director for Nuclear Energy Policy within the Office of International Economics.

Mr. Thomas A. Summers was confirmed by the Senate on July 2, 2020, for a term expiring October 18, 2025. Mr. Summers currently serves as the DNFSB Vice Chair. Prior to that, he served as the DNFSB Acting Chair from September 13, 2020, until Ms. Connery’s designation. Mr. Summers previously served as Senior Advisor to the Deputy Administrator and as the Deputy for Research, Development, Test, and Evaluation in the Office of Defense Programs at the DOE’s NNSA. He is a retired U.S. Air Force colonel with more than three decades of active duty in a variety of commands, teaching, military staff, and scientific positions.



Savannah River Site, Salt Waste Processing Facility (Source: srs.gov)

Patricia L. Lee, Ph.D was confirmed by the Senate on July 9, 2024. Dr. Lee brings over thirty years of experience in radiation protection and nuclear safety. For over two decades, she was a key leader at the Savannah River National Laboratory (SRNL), where she recently served as Portfolio Manager for the SRNL Digital Enterprise, overseeing the lab’s integrated computing strategy.

Dr. Lee’s career includes nearly a decade at the Centers for Disease Control and Prevention, where she evaluated the impact of DOE nuclear weapons facilities on human health and the environment. Dr. Lee also held senior advisory roles at DOE headquarters, including two Intergovernmental Personnel Act assignments as a Senior Technical Advisor to the Office of Environmental Management.

Technical Work Planning

For FY 2025, the DNFSB’s Office of the Technical Director (OTD) identified 94 high priority reviews consistent with the Board’s strategic plan and direction included in the OTD planning memorandum dated May 24, 2024. This total includes 38 reviews that will carry over from FY 2024 and 56 new reviews. The OTD noted that carry-over work



and cancellations of planned work could result from several factors, including changes to DOE schedules, restraints such as travel restrictions, emergent higher-priority work, and resource limitations, especially when the workload calls for certain more technically specialized staff than may be available.

Coordination with the DOE

During FY 2022, the Board executed both a bilateral Memorandum of Understanding (MOU) between the Chair and the Deputy Secretary of Energy and a staff-level Supplementary Agreement to implement the MOU. The Board trained all technical staff on the content and expectations relative to the MOU and Supplementary Agreement. The Board also reviewed and has continued to revise, where needed, internal procedures and processes. However, in FY 2023, the DNFSB noted a trend of delayed and partially addressed DOE responses to DNFSB reporting requirements. The Board and DNFSB staff engaged with senior DOE leaders regarding timeliness and effectiveness in responding to DNFSB safety reviews. The DNFSB continues to focus on the effectiveness of the DOE's oversight framework for safe operations at its diverse and aging facilities.

Strategic Plan

In May 2022, the Board approved its Strategic Plan for fiscal years 2022–2026. The Strategic Plan sets goals and objectives aimed at providing the Board's "best advice to the defense nuclear complex, efficiently, effectively, and transparently." Additionally, the plan is intended to "cultivate a multitalented, dynamic staff that embodies the Board's core values, focuses on the mission, and continuously hones its skills through training and development." The Board's revised Strategic Plan sets forth the following strategic goals:

Goal 1—Provide proactive and independent safety oversight of the defense nuclear complex;

Goal 2—Enhance transparency of ongoing agency initiatives and the state of safety within the defense nuclear complex;

Goal 3—Develop and maintain an outstanding workforce to achieve the agency's mission; and,

Goal 4—Maximize the agency's performance by pursuing excellence in our culture and operations.



DNFSB FY 2025 Management and Performance Challenges

We have assessed, developed, and described each of the DNFSB's most serious challenges for FY 2025, noting actions already completed by the agency and the Board's continuing work on each challenge. The challenges are not listed in any order of priority, nor do they necessarily equate to problems; rather, they should be considered areas of continuing important focus for DNFSB management and staff.

DNFSB leadership noted its own assessment of the key challenges facing the agency in its response to the OIG's request for input in this area. We have considered leadership's input and independently identified the following three clear, specific, and actionable challenges that the DNFSB must address in FY 2025:

1. Ensuring a Healthy Culture and Climate During Leadership Transitions and Reorganizations;
2. Managing Resources to Address Critical Skills; and,
3. Continuing to Prioritize the DNFSB's Focus on Technical Oversight and Reviews.

This report presents each challenge we have identified, along with the actions taken by the DNFSB and the Board's continuing work applicable to the challenge. By addressing these challenges, the DNFSB can not only execute its mission more efficiently and effectively, but also achieve progress toward its strategic goals and maintain the highest level of accountability over taxpayer dollars.



Challenge 1: Ensuring a Healthy Culture and Climate During Leadership Transitions and Reorganizations

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

The Senate Committee Report associated with the *National Defense Authorization Act for Fiscal Year 2025* (NDAA) noted that OIG assessments identified shortcomings in DNFSB operations, specifically how roles and responsibilities are delegated consistent with the Atomic Energy Act of 1954 (Public Law 83-703) as amended. Further, these assessments identified the need for culture change within the organization to ensure mission performance. The language in the Committee Report would, if carried forward in the NDAA, require the Comptroller General of the United States to conduct a general management review of the DNFSB with a focus on whether past findings from independent assessments have been fully addressed.

CHALLENGE SYNOPSIS

Board Members

The Board is intended to be comprised of five nuclear safety experts with demonstrated competence and knowledge relevant to its independent investigative and oversight functions. However, the Board has not been fully staffed since before the Covid-19 Public Health Emergency. As of September 2024, the Board has three members. Chair Connery's term ends in October 2024, and should the Chair depart before a new Board Member is added, the Board will fall below the number of members (three) necessary for a quorum, hindering the Board's ability to exercise its full authority.

Culture and Climate

In FY 2024, the DNFSB saw the retirement of one Board Member and the subsequent appointment of a new Board Member. In addition, the DNFSB reorganized the agency's administrative functioning by changing the name of the Office of the General Manager to the Office of Administrative Services, eliminating the General Manager and Deputy General Manager positions, and establishing the Chief Administrative Officer position. Further, the DNFSB developed new positions and filled vacant positions in the Office of the Executive Director of Operations.



Additionally, the agency hired a new Executive Director of Operations (EDO) and filled two Deputy EDO positions. These changes in organizational structure present certain challenges for the agency as it continues to update policies, procedures, and practices to account for the new positions and ensure that the agency meets its mission efficiently and effectively.

Ongoing Actions

The DNFSB developed a detailed agency Human Capital Plan (HCP) incorporating cross-agency input and provided the drafted HCP to the Board for consideration. The HCP includes strategies for succession planning, workforce development, career pathing, and valuing diverse talents applicable to each office. The plan will be completed and released in early FY 2025.

Completed Actions

The DNFSB conducted Schedule A training for hiring managers to increase awareness of using hiring pipelines for persons with disabilities. The DNFSB also prepared recruiter training and provided this training to its technical managers.



Challenge 2: Managing Resources to Address Critical Risks

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Due to the ever-evolving cybersecurity and physical security threats concerning infrastructure, the DNFSB needs to maintain effective and efficient centralized administrative functions to ensure that DNFSB management and staff can carry out the agency's mission.

CHALLENGE SYNOPSIS

Critical information technology and administrative functions underpin the DNFSB's ability to carry out its mission. To perform mission functions effectively, technical staff rely on DNFSB corporate support services, such as contract and human resources support, financial reporting, and information technology services. These investments enable the staff to complete mission-critical work more efficiently and effectively. Information security presents unique challenges because it requires balancing safeguards with the access needs of legitimate users. Cybersecurity threats are constantly evolving, and hostile actors could take advantage of current trends, such as the use of hybrid and remote work options.

In parallel, the DNFSB must continue using robust, proactive measures to protect its buildings and other infrastructure, personnel, and information from internal and external threats. Criminals and foreign intelligence organizations pose continuous external threats, while insiders who could maliciously or unintentionally compromise the security of facilities and information systems could pose internal threats. Although the DNFSB plans to update directives and procedures to ensure the agency follows all security regulations and protocols, the agency remains at risk until all the security procedures are up to date and fully implemented. In addition, the DNFSB is in the process of developing an Enterprise Risk Management (ERM)¹ program. The lack of an ERM program leaves the DNFSB susceptible to poor governance and weak processes.

¹ Enterprise Risk Management is a methodology that examines risk management strategically from the perspective of the entire organization. It is a top-down strategy that aims to identify, assess, and prepare for potential losses, dangers, hazards, and other potential harms that may interfere with an organization's operations and objectives and/or lead to losses.



Ongoing Actions

The DNFSB continues to make improvements in implementing OIG recommendations from past Federal Information Security Modernization Act audit reports; implementing its Continuous Diagnostics and Mitigation program to obtain additional tools and a dashboard to monitor its security posture; ensuring multifactor authentication is in place for its network; establishing performance metrics for information system contingency plan tests; improving its Freedom of Information Act process; and, making enhancements to its physical and cybersecurity infrastructure.

Completed Actions

As part of ongoing efforts to improve the DNFSB's information security program and practices, DNFSB completed the following actions:

The DNFSB updated its Risk Management Framework and Risk Assessment Policy to document the current roles, responsibilities, policies, and procedures of the DNFSB environment.

The DNFSB implemented a data loss prevention functionality for the Microsoft Office 365 environment.

The DNFSB established performance metrics captured through the information system contingency plan test exercises, such as capturing recovery time.

The DNFSB provided training to staff who have significant incident response responsibilities.



Challenge 3: Continuing to Prioritize the DNFSB's Focus on Technical Oversight and Reviews

WHY IS THIS A SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGE?

Maintaining an independent technical oversight process is the best way to ensure quality protection and increase public confidence in the DNFSB's oversight of nuclear weapons, facilities, and waste safety. The agency's mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy regarding technical oversight involved in protecting the public health and safety concerning defense nuclear facilities.

CHALLENGE SYNOPSIS

When DNFSB technical staff members evaluate safety at DOE facilities, they must analyze many unique processes and hazards. Complex operations critical to national defense include the assembly and disassembly of nuclear weapons, the fabrication of plutonium pits and weapon secondary assemblies, the production and recycling of tritium, nuclear criticality experiments, and experiments to characterize special nuclear materials under extreme conditions. The DNFSB highlighted this critical function in its Strategic Plan for FY 2022–FY 2026.

The Board's key technical program challenges include:

- Ensuring that operations are conducted in a manner that is accountable and transparent and directing the Board's resources toward oversight of the most significant potential safety risks in the DOE's defense nuclear complex;
- Maintaining open and effective communication with the DOE that enables problem-solving through mutual understanding of safety issues that require action, as well as factors that may constrain action to address safety issues;
- Ensuring that DNFSB staff at both headquarters and DOE facilities have well-defined guidance for the oversight function;
- Ensuring that internal controls are fully understood and implemented; and,
- Continuing to attract, develop, and sustain staff that earn the respect and confidence of the public and the DOE through its expertise in nuclear safety and the performance of its oversight functions.



Ongoing Actions

On January 12, 2024, DNFSB staff initiated a new review to assess any potential public and worker health and safety impacts related to the current structural condition of the Salt Handling Shaft at the Waste Isolation Pilot Plant (WIPP) in New Mexico. The DNFSB intends to review aspects of the facility maintenance program, documented safety analysis, and federal oversight approach to support this review effort.

Completed Actions

On January 26, 2024, the Board issued Recommendation 2023-1, Onsite Transportation Safety, to the Secretary of Energy. The recommendation was intended to strengthen the U.S. Department of Energy's regulatory safety framework related to onsite transportation and address safety deficiencies in the national laboratory's transportation safety document to ensure adequate protection for public health and safety.

On January 26, 2024, the DNFSB transmitted to the Secretary of Energy a new recommendation advising the DOE to strengthen its safe harbor for preparation of safety bases for onsite transportation of radioactive materials, address specific safety deficiencies, perform a causal analysis for safety issues, and take corrective actions to preclude recurrence.



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TO REPORT FRAUD, WASTE, OR ABUSE

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

COMMENTS AND SUGGESTIONS

If you wish to provide comments on this report, please email the OIG using this [link](#).
In addition, if you have suggestions for future OIG audits, please provide them using
this [link](#).

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

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

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



Summary of Financial Statement Audit and Management Assurances

Table 1. Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	N/A	N/A	0

Table 2. Summary of Management Assurances¹

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)					
Audit Opinion	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	N/A	N/A	0
Effectiveness of Internal Control over Operations (FMFIA § 2)					
Statement of Assurance	Unmodified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	N/A	N/A	0
Conformance with Federal Financial Management System Requirements (FMFIA § 4)					
Statement of Assurance	Federal Systems conform, except for instances of non-conformance, or do not conform to financial management system requirements				
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Ending Balance
N/A	0	0	N/A	N/A	0
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)					
	Agency		Auditor		
1. Federal Financial Management System Requirements	No lack of substantial compliance noted, or Lack of substantial compliance noted		No lack of substantial compliance noted, or Lack of substantial compliance noted		
2. Applicable Federal Accounting Standards	No lack of substantial compliance noted, or Lack of substantial compliance noted		No lack of substantial compliance noted, or Lack of substantial compliance noted		
3. USSGL on Transaction Level	No lack of substantial compliance noted, or Lack of substantial compliance noted		No lack of substantial compliance noted, or Lack of substantial compliance noted		

¹ The DNFSB does not provide a management assurance related to the FFMIA § 4 or Section 803(a) of the FFMIA as it obtains accounting services from federal Shared Service Providers (SSPs) and thus does not operate a financial management system. SSPs issue a System and Organization Controls (SOC) or SOC 1 Type 2 report on an annual basis. These reports contain the independent service auditor's reports which state that for FY 2024 the SSP's controls operated effectively.



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Definition of Terms:

Beginning Balance: The beginning balance must agree with the ending balance from the prior year.

New: The total number of material weaknesses/non-conformances identified during the current year.

Resolved: The total number of material weaknesses/non-conformances that dropped below the level of materiality in the current year.

Consolidated: The combining of two or more findings.

Ending Balance: The year-end balance that will be the beginning balance next year.

N/A: Not Applicable.



Payment Integrity Information Act Reporting

The *Payment Integrity Information Act* (PIIA) of 2019 (Public Law (P.L.) 116-117) requires agencies to periodically review all programs and activities to identify those susceptible to significant improper payments. These reviews are called risk assessments and must be conducted at least once every three years. Every year, each agency Inspector General reviews relevant improper payments and unknown payments reporting and records pertaining to the programs within an agency to determine whether the agency complies with PIIA and OMB guidance.

OMB Circular A-123 Appendix C requires that agencies assess all programs with annual outlays greater than \$10.0 million for improper payment risk at least once every three years. The DNFSB conducts these periodic reviews of all programs and activities to identify those that may be susceptible to improper payments. In FY 2024, the DNFSB performed a risk assessment of outlays exceeding \$10 million. Based on OMB guidance M-21-19, annual improper payments, or unknown payments above \$10 million and 1.5 percent of the program's total annual outlays are considered to be above statutory threshold. Based on the DNFSB's assessment, the overall the DNFSB risk score is low, below the statutory threshold, and is deemed not susceptible to improper payments. Comprehensive risk assessments are not required for any the DNFSB programs. Throughout the year, the DNFSB maintains payment integrity by executing internal controls over each payment to mitigate any risk of improper payment and to prevent fraud, waste, and abuse.

In FY 2024, the Inspector General reviewed the DNFSB's PIIA program, and concluded the DNFSB is compliant with all the applicable OMB Compliance Requirements. The results of the *Performance Audit of the Defense Nuclear Facilities Safety Board's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2023* can be found here: [Performance Audit of the Defense Nuclear Facilities Safety Board's Compliance with the Payment Integrity Information Act of 2019 for Fiscal Year 2023 | Nuclear Regulatory Commission Defense Nuclear Facilities Safety Board OIG.](#)

Detailed information on improper payments and prior year information reported can be found on the Payment Accuracy website: <https://www.paymentaccuracy.gov/>





Acronyms and Abbreviations Glossary

US Laws and Regulations

ATDA	The Accountability of Tax Dollars Act of 2002
DATA Act	Digital Accountability and Transparency Act
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Modernization Act
FMFIA	Federal Managers' Financial Integrity Act
GAAP	Generally Accepted Accounting Principles
GMRA	Government Management Reform Act
GPRA	Government Performance and Results Act
PIIA	Payment Integrity Information Act
SFFAS	Statement of Federal Financial Accounting Standards

The DNFSB Divisions, Offices and Sites

DNFSB	Defense Nuclear Facilities Safety Board
LANL	Los Alamos National Laboratory
OEDO	Office of the Executive Director of Operations
SRS	Savannah River Site

Federal Agencies and Other Organizations

DOE	Department of Energy
GSA	General Services Administration
NNSA	National Nuclear Security Administration
OMB	Office of Management and Budget
U.S. Treasury or Treasury	U.S. Department of the Treasury

Other Abbreviations and Industry Terms

AFR	Agency Financial Report
APR	Annual Performance Report
CFO	Chief Financial Officers
CSRS	Civil Service Retirement System
EEO	Equal Employment Opportunity
ERM	Enterprise Risk Management
FERS	Federal Employees Retirement System
FTE	Full Time Equivalents
FY	Fiscal Year
HR	Human Resources
IBC	Interior Business Center
IT	Information Technology
PAR	Performance and Accountability Report
SES	Senior Executive Service
TSP	Thrift Savings Plan
U.S.C.	United States Code





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This is the end of the report.



DEFENSE NUCLEAR FACILITIES SAFETY BOARD

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