

FY 2014 PERFORMANCE AND ACCOUNTABILITY REPORT

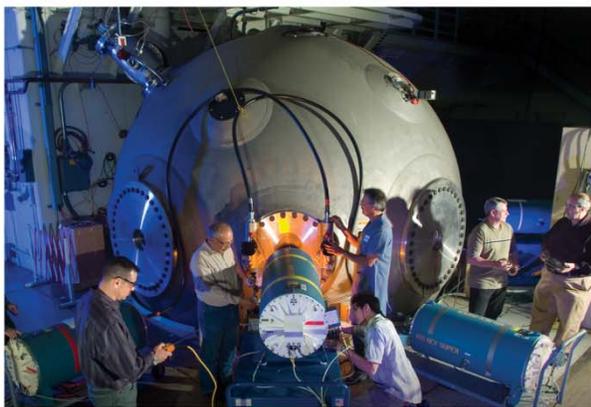
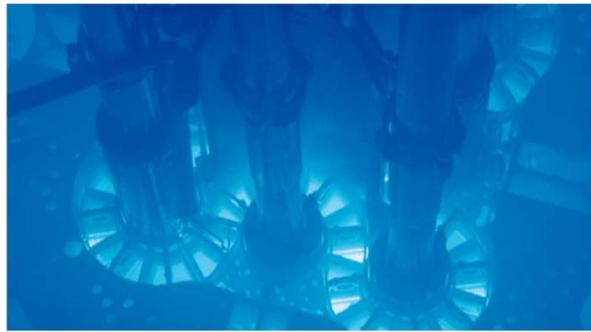


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Chairman's Message

On behalf of the Members and staff of the Defense Nuclear Facilities Safety Board (Board), I am pleased to submit the Board's Performance and Accountability Report (PAR) for Fiscal Year (FY) 2014.

The Board's mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in his role as operator and regulator of Department of Energy (DOE) defense nuclear facilities, in providing adequate protection of public health and safety at such defense nuclear facilities. The Board ensures adequate protection of public health and safety by ensuring implementation of safety standards at DOE defense nuclear facilities and operations. In addition to conducting safety oversight on hundreds of existing hazardous nuclear operations, the Board is obligated by law to conduct in-depth reviews of new DOE defense nuclear facilities during both design and construction. Currently, DOE and the National Nuclear Security Administration (NNSA) are pursuing more than a dozen new defense nuclear projects with an estimated value of more than \$20 billion, including \$12.3 billion for the Hanford Waste Treatment and Immobilization Plant (WTP). The design, construction, and initial startup of these new facilities typically require more than 12 years. The design and construction reviews conducted by the Board of DOE facilities are resource intensive and time consuming, but necessary as these time-sensitive safety reviews are key to preventing safety flaws in design and construction that could render a newly constructed facility unusable. The Board is committed to early integration of safety into design.

The Board also provides a key component of the oversight that prevents an accidental detonation of a nuclear weapon during the evaluation, maintenance, or dismantlement process. Such an accident could result in catastrophic impacts on lives and property, as well as cripple our Nation's nuclear deterrent capability. The Board's oversight is critical in preventing serious safety vulnerabilities and tragic accidents from occurring in very complex and dangerous DOE defense nuclear facilities.

During FY 2014, the Board continued to make significant progress in ensuring the safety of the public and the workers at or near DOE defense nuclear facilities. For example, the Board held a public hearing and meeting on *Safety in Design, Operations, and Emergency Preparedness at the Y-12 National Security Complex*, on December 10, 2013, in Knoxville, Tennessee, to discuss problems with emergency preparedness and response at Y-12. As a result of the discussion at this hearing and hearings at other sites over the past three years, as well as issues identified across DOE's defense nuclear complex by the Board's site representatives and other reviews by the Board's technical staff, the Board issued Recommendation 2014-1, *Emergency Preparedness and Response*, on September 3, 2014. This recommendation identified problems with emergency preparedness and response of DOE sites with defense nuclear facilities and made recommendations on DOE actions to address weaknesses in its oversight capabilities and its directives.

The Board also held two public hearings and meetings in Washington, DC, on *Safety Culture and Board Recommendation 2011-1*. The first was held on May 28, 2014, and the second was held on August 27, 2014. In the first hearing, the Board received testimony from recognized industry and federal government experts in the field of safety culture, with a focus on the tools used for assessing safety culture, approaches for interpreting the assessment results, and how results can be used for improving safety culture. In the second hearing, the Board received testimony from a panel of current and former United States Navy officers concerning the Navy's approach to ensuring the safety of its nuclear fleet operations, and then from a panel of government and academic subject matter experts concerning the role of organizational leaders in establishing and maintaining an effective, positive safety culture. These hearings were convened to collect best practices and lessons learned for potential application to the

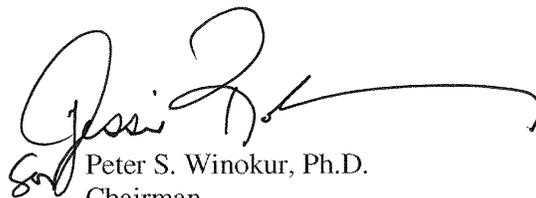
Board's oversight of DOE's effort to strengthen the safety culture at its defense nuclear facilities in accordance with Recommendation 2011-1.

In FY 2014, the Board was assigned an Inspector General (IG) for the first time in its history. The Consolidated Appropriations Act for FY 2014 assigned the IG of the Nuclear Regulatory Commission (NRC) to also serve as the Board's IG, and directly appropriated \$850,000 to the NRC Office of Inspector General (OIG) to fund the equivalent of five full-time employees to perform IG services for the Board. The Board began implementing procedures to interact with the IG and has received two initial audit reports, one on its Freedom of Information Act program and one on its Purchase Card program. Both reports found no significant weaknesses in the operations of those programs, but identified recommendations for improvement in certain internal controls. These recommendations are helpful, and, once implemented, will result in improved Board operations in those programs.

The Board is committed to ensuring that public resources in its trust are used wisely. Office of Management and Budget (OMB) Circular A-136 requires an assessment of the completeness and reliability of the program performance and financial data contained in this report. I conclude that the financial data is complete and reliable. I also conclude that the program performance data is complete and provides accurate information. In addition, OMB Circular A-136 requires an assessment of internal controls which can be found on page 16 of this report. I am also very pleased to report that FY 2014 marked the eighth consecutive year that the Board's unmodified (i.e., "clean") opinion on its financial statements was coupled with no instances of non-compliance with laws and regulations and no material internal control weaknesses.

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

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



Peter S. Winokur, Ph.D.
Chairman

November 21, 2014

Chapter 1 **Management's Discussion and Analysis**

INTRODUCTION

This PAR summarizes the Board's oversight activities and associated resource expenditures for the period from October 1, 2013 through September 30, 2014 (FY 2014). This report was prepared pursuant to the requirements of the Accountability of Tax Dollars Act of 2002 and OMB Circular A-136, which provides instructions on the preparation of a PAR. FY 2014 is the 11th year that the Board has prepared and published a PAR.

The Government Performance and Results Act of 1993 (GPRA) and the GPRA Modernization Act of 2010 require each agency to prepare and submit a strategic plan establishing long-term programmatic, policy, and management goals. The Board's *Strategic Plan for FY 2014-2018* is available on the Internet at www.dnfsb.gov. Agencies are also required to develop a performance budget with annual performance objectives that indicate the progress toward achievement of the strategic plan's goals and objectives. The Board's performance objectives for FY 2015 and FY 2016, as well as accomplishments for FY 2011 through 2014, will be included in its *FY 2016 Budget Request to the Congress* in accordance with the requirements of OMB Circular A-11. For FY 2014, the GPRA requirement to submit an annual performance report is satisfied by this PAR. The Board also published its "*Twenty-Fourth Annual Report to Congress*" on March 6, 2014, which highlighted achievements of the Board from Calendar Year 2013; and periodic reports to Congress on December 26, 2013, May 16, 2014 and September 19, 2014, regarding the "*Status of Significant Unresolved Issues with the Department of Energy's Design and Construction Projects.*"

Chapter 1, *Management's Discussion and Analysis*, provides an overview of Board operations and is divided into five sections: *About the Defense Nuclear Facilities Safety Board* describes the agency's mission and organizational structure; *Future Challenges* includes a review of upcoming issues; *Program Performance Overview* discusses the Board's success in accomplishing its performance goals; *Financial Performance Overview* provides highlights of the Board's financial position and audit results; and *Systems, Controls, and Legal Compliance* describes the agency's compliance with key legal requirements such as the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) and the *Inspector General Act of 1978*.

ABOUT THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD

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

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

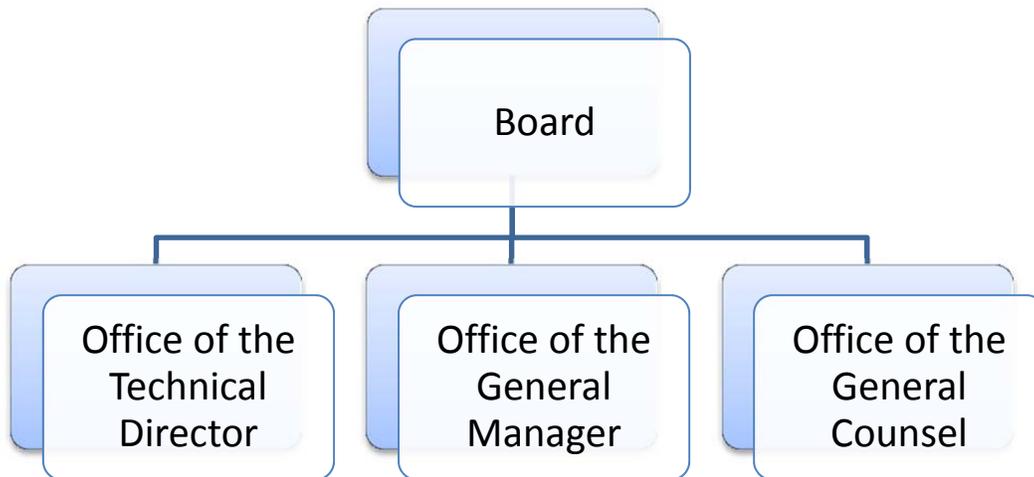
Congress established the Board in September 1988 in response to growing concerns about the level of health and safety protection that DOE was providing the public and workers at defense nuclear facilities. Congress sought to provide the public with added assurance that the defense nuclear facilities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

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

Organization

The Board is composed of five full-time Board Members² who, by statute, must be respected experts in the field of nuclear safety with a demonstrated competence and knowledge relative to independent investigations and oversight. Two Members of the Board are designated by the President to serve as Chairman and Vice Chairman. Each Board Member is appointed by the President, with the advice and consent of the Senate, and serves a term of five years. The Chairman serves as the Chief Executive Officer of the Board.

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



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

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

² As of September 30, 2014, there are three Board Members and a Presidential nominee pending Senate confirmation for a fourth position.

assigning experienced technical staff members (10 of the 80 OTD FTEs) to full-time duty at priority DOE defense nuclear sites (all other employees are located at the Board's headquarters in Washington, DC). As of September 30, 2014, ten full-time site representatives were stationed at the following DOE sites:³

- Hanford Site (3)
- Los Alamos National Laboratory (LANL) (2)
- Pantex Plant (1)
- Savannah River Site (SRS) (2)
- Y-12 National Security Complex (2)

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

FUTURE CHALLENGES

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

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

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

³ Three at Hanford is a temporary increase from two permanent positions due to a planned reassignment of personnel and a vacancy exists in one of the two permanent positions at Pantex.

Fourth, a 2013 DOE/Inspector General (IG) Audit Report (DOE-IG-0881, February 2013) entitled *National Nuclear Security Administration Contractor Governance*, reviewed the effectiveness of a 2007 NNSA requirement for contractors to implement self-assessment systems to measure performance and ensure effective and efficient mission accomplishment. The Audit Report notes that despite five years of effort, NNSA and its support offices and site contractors had not yet implemented fully functional and effective contractor assurance systems. Specifically troubling was the recognition that contractor self-assessments were not effective in identifying safety weaknesses subsequently identified by independent reviews, and that Federal site-level officials felt the contractor governance approach prohibited them from intervening in contractor activities. The Board will continue to provide oversight support as NNSA continues to reform, enhance, and mature their oversight of contractor assurance and governance.

Fifth, DOE has developed actions responding to the Board's letter of August 28, 2012, that forwarded Technical Report DNFSB/TECH-37, *Integrated Safety Management at the Activity Level: Work Planning and Control*. Proper work planning and control are essential to ensure adequate safety controls are identified and implemented to protect workers during execution of hazardous nuclear activities. In response to DNFSB/TECH-37, DOE developed new guidance on work planning and control, including the new DOE Handbook 1211-2014, *Activity-Level Work Planning and Control Implementation*, and a revision to DOE Guide 226.1-2A, *Federal Line Management Oversight of Department of Energy Nuclear Facilities*. Proper use of the new DOE guidance for implementation and oversight of work planning and control should improve worker protection. The Board will continue to review work planning and control at DOE defense nuclear facilities to assess whether the needed improvements are achieved.

Sixth, the Board issued Recommendation 2014-1, *Emergency Preparedness and Response*, on September 3, 2014, which identified problems with emergency preparedness and response of DOE sites with defense nuclear facilities and made recommendations on DOE actions to address weaknesses in its implementation and oversight capabilities. If DOE accepts the recommendation, the Board will evaluate DOE's development of its implementation plan responding to the recommendation and monitor the status of actions taken as part of the implementation plan.

A seventh challenge is maintaining a focused and well-executed human capital program within the Board. Because the Board's health and safety recommendations and other advisories to the Secretary of Energy are based on in-depth technical information and detailed safety analyses, the recruitment and retention of scientific and technical staff members with outstanding qualifications continue to be critical to the successful accomplishment of the Board's mission. The loss of technical competence due to retirements and other reasons must be countered with an aggressive recruiting campaign for new engineering talent at all levels including entry-level engineers. The combination of an aging workforce and high demand for experienced scientists and engineers by other organizations will remain a challenge for the Board. Approximately nineteen percent of the Board's technical staff is eligible for regular retirement today. Competition for scientists and engineers with the Board's required expertise continues to be intense due to the demands of the commercial nuclear power industry, the consequent need for increased technical expertise by the NRC, the Department of Defense's emphasis on combating weapons of mass destruction, and DOE's nuclear weapons complex activities. Consequently, the Board expects to continue devoting resources as necessary toward recruiting highly qualified technical personnel in a competitive job market.

The *Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Board* is included as Appendix A.

PROGRAM PERFORMANCE OVERVIEW

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

- **Strategic Goal 1, Improve Safety of Operations:** Perform independent oversight of operational safety of DOE's defense nuclear facilities to develop analysis, advice, and recommendations that will inform the Secretary of Energy in providing adequate protection of public health and safety at such defense nuclear facilities.
 - Strategic Objective 1.1—Accomplish independent and timely oversight to strengthen safety of operations involved in the maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.
 - Strategic Objective 1.2—Accomplish independent and timely oversight to strengthen safety of operations in cleanup of legacy defense nuclear wastes and facilities.
- **Strategic Goal 2, Strengthen Safety Standards:** Recommend and promote effective safety standards for the Secretary of Energy to apply in providing adequate protection of public health and safety at such defense nuclear facilities.
 - Strategic Objective 2.1—Accomplish independent oversight to strengthen the development, implementation, and maintenance of DOE regulations, requirements, and guidance for providing adequate protection of public health and safety at defense nuclear facilities.
 - Strategic Objective 2.2—Accomplish independent oversight to improve the establishment and implementation of safety programs at defense nuclear facilities.
- **Strategic Goal 3, Strengthen Safety in Design:** Recommend and promote safety in design for new and modified defense nuclear facilities.
 - Strategic Objective 3.1—Accomplish independent oversight to strengthen the use of approved nuclear standards in the design and construction of defense nuclear facilities and major modifications to existing facilities.
 - Strategic Objective 3.2—Accomplish independent safety oversight to enhance the clear and deliberate implementation of the principles and core functions of integrated safety management in the design, construction, and upkeep of safety systems in defense nuclear facilities.
- **Strategic Goal 4, Achieve Excellence in Management and Communication with Stakeholders:** Operate in a manner that is accountable to the public and achieves the mission efficiently and effectively.
 - Strategic Objective 4.1—Improve management controls to achieve the Board's mission efficiently and effectively.
 - Strategic Objective 4.2—Improve the alignment of human capital strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.

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

Interrelationship of the Strategic Objectives

The interrelationship of these four strategic objectives must be understood to appreciate the efficiency of the Board’s operating plan and corresponding organizational alignment. The “lessons learned” from the Board’s health and safety oversight activities cut across each of these four areas. For example, in order to oversee safety at the Savannah River Site the Board must assess the safety of nuclear material processing and stabilization activities such as disposing of high-level waste and the safety of nuclear weapon support activities involving tritium operations (Strategic Goal 1), including the adequacy of standards (Strategic Goal 2), while also assessing the construction of new defense nuclear facilities such as the Salt Waste Processing Facility (Strategic Goal 3). Performing these assessments requires effective management controls, the recruitment and retention of scientific and technical staff members with outstanding qualifications, and effective and transparent communication with stakeholders (Strategic Goal 4).

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

The FY 2014 performance goals and accomplishments associated with each of these strategic objectives are shown in full in Chapter 2 of this report. A summary is as follows:

Strategic Goal 1

Strategic Objective 1.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
1.1.1	Conduct effective oversight through formal, well-planned safety reviews at the NNSA’s defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.	Complete 8 reviews	Achieved
1.1.2	Conduct effective oversight through formal, well-planned reviews of NNSA’s nuclear explosive safety (NES) activities.	Complete 3 reviews	Achieved
1.1.3	Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.	80% of letters result in positive NNSA response	Achieved
1.1.4	Maintain a near-continuous oversight presence at each of the following sites: Los Alamos National Laboratory (LANL), Y-12 National Security Complex (Y-12), and Pantex.	220 days	Achieved

The Board achieved its four goals related to safety of operations involved in the maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. Goal 1.1.4 was achieved by ensuring coverage from headquarters staff when the permanent site representatives at the locations were away due to leave, travel, etc.

Strategic Objective 1.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
1.2.1	Conduct effective oversight through formal, well-planned safety reviews at DOE-Office of Environmental Management operating defense nuclear facilities and facilities undergoing decommissioning and decontamination.	Complete 8 reviews	Achieved
1.2.2	Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.	80% of letters result in positive NNSA response	Achieved
1.2.3	Maintain a near-continuous oversight presence at the Hanford Site and Savannah River Site (SRS).	220 days	Achieved

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

Strategic Goal 2

Strategic Objective 2.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2.1.1	Strengthen DOE's Directives by providing timely oversight and comments to improve revised and newly issued DOE Directives (as noted on the list of "Orders of Interest to the Board").	90%	Not Achieved
2.1.2	Conduct effective oversight of the implementation of DOE Directives (as noted on the list of "Orders of Interest to the Board") through formal, well-planned safety reviews at DOE defense nuclear facilities.	Complete 2 reviews	Achieved

For goal 2.1.1, the Board was only able to review 74% of the Directives within the Review Date Deadline, versus the goal of 90%. The timeliness of Board reviews of DOE Standards improved significantly after the implementation of new internal control processes at mid-year (during the 3rd and 4th quarters of the fiscal year, the timeliness response rate to DOE from the Board was 100%). Future performance is expected to meet the target for timeliness.

For goal 2.1.2, the Board achieved its goal related to the effective oversight of the implementation of DOE Directives.

Strategic Objective 2.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2.2.1	Conduct effective oversight through formal, well-planned reviews of DOE's establishment and implementation of safety programs at defense nuclear facilities.	Complete 3 reviews	Achieved
2.2.2	Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities.	80% of letters result in positive DOE response	Achieved

The Board achieved its goal of conducting effective oversight of DOE's establishment and implementation of safety programs at defense nuclear facilities by completing three reviews. The Board exceeded its goal for notifying DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities, as 100% of Board letters (for which a DOE response was received in FY 2014) resulted in a positive DOE response.

Strategic Goal 3

Strategic Objective 3.1

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

For goal 3.1.1, the Board achieved its goal by documenting in a staff report a review of the associated safety design basis document for 100% of significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4). For goal 3.1.2, the Board did not achieve its goal as a project letter to DOE in advance of the Critical Decision milestone (for significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4)) was provided only 33% of the time. The Board is revising the target for this goal for FY 2015 and 2016 to measure issuance of project letters within 60 days of DOE's Critical Decision milestones, instead of in advance of the milestones, because DOE, not the Board, controls when Critical Decision milestones are approved.

Strategic Objective 3.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
3.2.1	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE's defense nuclear facilities.	Complete 6 reviews	Achieved
3.2.2	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities.	80% of letters result in positive DOE response	Achieved

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

Strategic Goal 4

Strategic Objective 4.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
4.1.1	Within OTD, develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities.	100% complete for Phase 1 procedures	Not Achieved
4.1.2	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	33% Complete	Not Achieved
4.1.3	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	40% Complete	Not Achieved

The Board did not achieve its goals under this objective. For goal 4.1.1, implementation of Phase 1 procedures (which includes most of the OTD day-to-day work processes), was scheduled to be complete by the end of FY 2014. Phase 1 includes 29 Instructions, Operating Procedures, and Notices. Those documents were divided into six implementation packages. Three of the Phase 1 implementation packages comprising 48% of the Phase 1 documents have been implemented. Phase 1 is now expected to be complete by March 13, 2015. One of the reasons that the goal was not met was due to a pause in the implementation initiated May 1, 2014, and lifted in August 2014. See Chapter 2 for a further discussion on the need for that pause.

For goal 4.1.2, eight of OGM's 25 significant work processes (32%) were assessed as having effective procedures, just shy of the 33% goal. For goal 4.1.3, OGC identified 14 work activities requiring the development and implementation of formal procedures and internal controls, or updated existing internal controls. OGC completed those actions on three (21%) activities. Vacancies in key management areas and unanticipated workload in both OGM and OGC contributed to the inability to reach these goals.

Strategic Objective 4.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
4.2.1	Achieve a more results-oriented performance culture.	Develop a revised GS performance management system to ensure higher standards and employee accountability by August 31, 2014.	Ongoing
4.2.2	Address human capital gaps identified in critical mission functions.	Critical mission functions are defined within each position (entry-, mid-, and senior-career level) by June 30, 2014.	Achieved

For goal, 4.2.1, the Division of Human Resources (DHR) developed a draft of a new General Schedule (GS) performance management system that adheres to the requirements in the OPM Performance Appraisal Assessment Tool (PAAT). PAAT helps federal agencies develop and implement effective appraisal programs that are fair, credible, and transparent. The Board is targeting obtaining OPM approval during the 2nd quarter of FY 2015 and then revising current policies and operating procedures in preparation for rolling out the revised system for the performance year beginning on July 1, 2015. Goal 4.2.2 was achieved. DHR defined the mission critical functions within each of the Board offices. Additionally, generic core competencies have been developed for entry-level, mid-career, and senior-level positions and technical competencies have been drafted for the chemical, electrical, mechanical, and and civil/structural engineering functions.

Strategic Objective 4.3

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
4.3.1	Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE's nuclear weapons sites.	80%	Achieved
4.3.2	Inform the Congress and other stakeholders of potential safety issues early in the design and construction phases of DOE defense nuclear facilities.	3 reports	Achieved
4.3.3	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC.	3 public hearings	Achieved

Goal 4.3.1 was achieved as 229 of the 260 (88%) Site Representative Weekly reports documenting direct oversight of nuclear facilities at DOE's nuclear weapons sites were posted to the Board's public webpage within 35 days. Goal 4.3.2 was also achieved as three *Reports to Congress on the Status of Significant Unresolved Technical Differences between the Board and the Department of Energy on Issues*

Concerning the Design and Construction of DOE's Defense Nuclear Facilities were published and submitted to Congress. Goal 4.3.3 was also achieved as the Board held three public hearings in FY 2014.

All performance goals were established in FY 2014, and thus there is no trend data. However, although they are new performance goals in FY 2014, the Board has been tracking the Goal 4.3.2 and 4.3.3 measures for multiple years. Trend data is as follows:

Goal	Measure	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010
4.3.2	# of reports	3	2	2	2	3
4.3.3	# of hearings	3	2	3	4	2

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

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

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

FINANCIAL PERFORMANCE OVERVIEW

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

As of September 30, 2014, the financial position of the Board was sound with respect to having sufficient funds to meet program needs and the Board had adequate control of these funds in place to conduct its health and safety oversight mission and to ensure that obligations did not exceed budget authority.

Sources of Funds

The Board receives an annual appropriation for Salaries and Expenses, with the funds made available for two years. The sources of funds available for obligation in FY 2014 and FY 2013 are listed as follows:

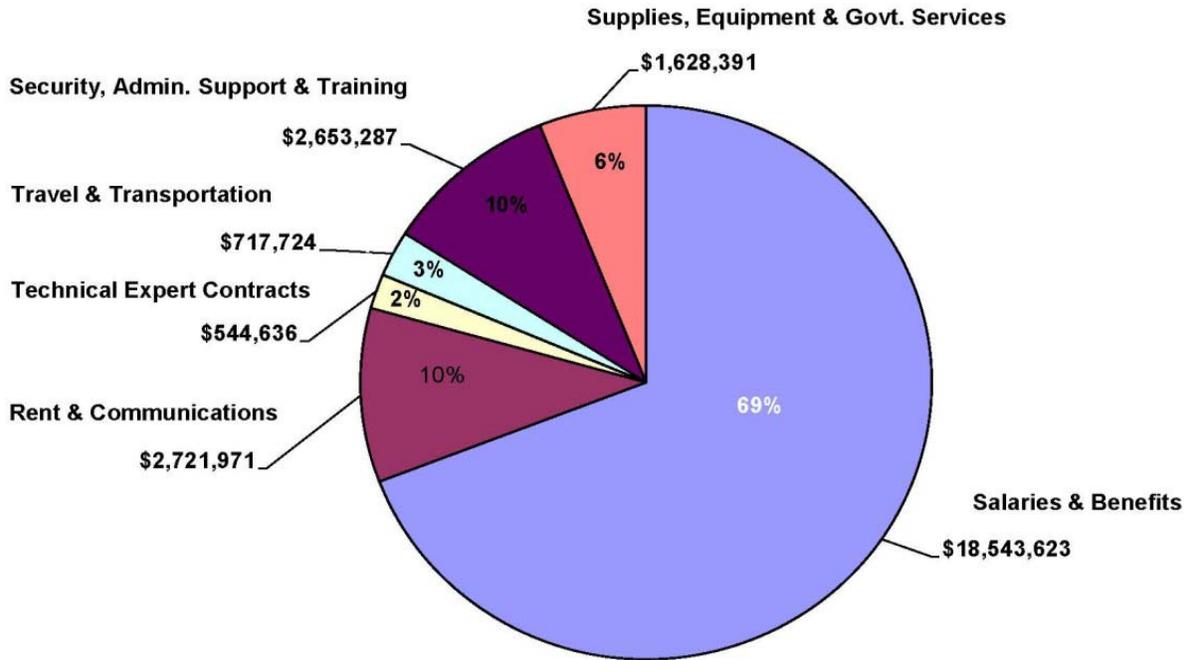
	<u>FY 2014</u>	<u>FY 2013</u>
New Budget Authority	\$28,000,000	\$26,713,571
Prior Year Unobligated Balance	4,051,254	924,672
Recovery of Prior Year Obligations & Offsetting Collections	465,449	2,665,045
Total Budgetary Resources	\$32,516,703	\$30,303,288

The increase in total budgetary resources of \$2,213,415 (7.3%) from FY 2013 was mostly due to the \$1,286,429 increase in new budget authority. In FY 2013, the Board's appropriation of \$29,130,000 was offset by a \$2,416,429 (8.3%) reduction resulting from sequestration and a rescission of fund returned to the U.S. Treasury. A \$926,986 increase in prior year unobligated balance and recoveries provided additional FY 2014 budgetary resources.

Uses of Funds by Function

The Board incurred obligations of \$26,809,632 in FY 2014. As shown below, FY 2014 budgetary resources were primarily used to pay the salaries and benefits of the Board's employees, with most of the remaining resources dedicated to rent and the logistical support of the Board Members and employees as they conducted oversight operations.

FY 2014 Obligations = \$26,809,632



AUDIT RESULTS

The Board received an unmodified audit opinion on its FY 2014 financial statements. The auditors disclosed no instances of noncompliance with laws and regulations and identified no material internal control weaknesses.

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

LIMITATION OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of the Board, pursuant to the requirements of the Accountability of Tax Dollars Act of 2002. While the statements have been prepared from the books and records of the Board in accordance with generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records. The statements should be read with the realization that they are used for a component of the U.S. Government, a sovereign entity.

FINANCIAL STATEMENT HIGHLIGHTS

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

Analysis of the Balance Sheet

	<u>FY 2014</u>	<u>FY 2013</u>
Total Assets	\$10,759,893	\$8,438,531
Total Liabilities	\$2,291,594	\$2,231,808
Net Position	\$8,468,299	\$6,206,723

The Board's assets were \$10,759,893 as of September 30, 2014, an increase of \$2,321,362 from the end of FY 2013. Its total liabilities and net position (which together equal total assets) were \$2,291,594 and \$8,468,299, respectively, as of the end of FY 2014, increases of \$59,786 and \$2,261,576, respectively, from the end of FY 2013. The Fund Balance with Treasury (FBWT) represents the Board's largest asset. This account represents appropriated funds maintained at the Treasury to pay for current liabilities and to finance authorized purchase commitments. An increased FBWT (due to increased budgetary resources as explained on page 12) was the primary reason for the increase in Total Assets. As there was little change in Total Liabilities, the increase in total assets resulted in a comparable change in Net Position.

Analysis of the Statement of Net Cost

	<u>FY 2014</u>	<u>FY 2013</u>
Net Cost of Operations	\$26,595,721	\$27,483,544

The Board's net cost of operations for the year ended September 30, 2014, was \$26,595,721, a decrease of \$887,823 or 3.2% from FY 2013 costs. The decrease in net cost can be attributed to the fact that the Board operated at a lower FTE level in FY 2014 (107) than in FY 2013 (113) due to a higher level of attrition than historically experienced by the Board.

Analysis of the Statement of Changes in Net Position

The Statement of Changes in Net Position reports the changes in net position during the reporting period. Net Position is affected by changes in its two components: Cumulative Results of Operations and Unexpended Appropriations. The Board's Net Position significantly increased by \$2,261,576 or 36.4% from FY 2013 to FY 2014, primarily due to comparable change in Unexpended Appropriations. Unexpended Appropriations rose as Budgetary Resources increased while Net Cost of Operations declined.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the sources of budgetary resources available and the status at the end of the period. It presents the relationship between budget authority and budget outlays, and reconciles obligations to total outlays. For FY 2014, the Board had Total Budgetary Resources available of \$32,516,703, the majority of which was derived from new appropriations. Total Budgetary Resources increased by \$2,213,415 or 7.3% from the FY 2013 amount of \$30,303,288, due to the \$1,286,429 increase in new budget authority and \$926,986 increase in prior year unobligated balance and recoveries.

Note: In fiscal year 2014, the Board identified \$1,893,522 of Unpaid Obligations reported in the FY 2013 SBR that should have been reclassified as funds available for use. The FY 2013 SBR is being restated to make this correction and maintain

consistency in the comparative financial statements. Therefore, the amount of budgetary resources shown for FY 2013 is \$1,893,522 higher than the amount presented in the Board's FY 2013 PAR. See Note 18 of the financial statements for more detail.

For FY 2014, the Statement of Budgetary Resources showed the Board incurred obligations of \$26,809,632, an increase of \$557,598 or 2.1% from FY 2013 obligations of \$26,252,034. Although obligations associated with personnel compensation declined due to the lower number of FTE, higher obligations in other areas such as rent, contracts, Government services, and capitalized assets resulted in the overall increase.

Net Outlays for FY 2014 were \$25,430,696, a \$2,520,721 or 9.0% decrease from FY 2013 outlays of \$27,951,417. The reduction in outlays is primarily attributed to the lower personnel compensation costs (which outlay in the year obligated) and several large obligations in FY 2012 that did not outlay until FY 2013.

COMPLIANCE WITH THE INSPECTOR GENERAL ACT OF 1978

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

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

The Board reports as follows for Fiscal Year 2014:

- (A) The Board did not establish an IG office. However the Consolidated Appropriations Act for FY 2014 assigned the NRC IG to also serve as the Board's IG.
- (B) The Board (prior to the assignment of the IG) conducted an independent audit of its FY 2013 financial statements in accordance with the Accountability of Tax Dollars Act of 2002, which was completed in November of 2013. The OIG completed two audits on Board programs in FY 2014: an audit of the Board's Purchase Card program and an audit of the Board's Freedom of Information Act Process. There were no significant findings, although recommendations to improve internal control in each program were made. The Board agrees with the recommendations and plans to close them out in FY 2015.
- (C) The Board referred no matters to prosecutorial authorities.

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Management Assurance and Internal Control

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

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

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

Assurance Statement (FMFIA)

The Defense Nuclear Facilities Safety Board's (Board) management is responsible for establishing and maintaining effective internal controls that meet the obligations of FMFIA within their areas of responsibility. The Board conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on the results of this evaluation, the Board can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2014 was operating effectively, and no material weaknesses were found in the design or operation of the internal controls.

As stated below, the Board is engaged in a multi-year effort to better document control activities for its major work activities, and is continuing its progress toward developing well-defined documented processes for these activities that can be assessed and verified.



Peter S. Winokur, Ph.D.
Chairman

11-14-14

Date

The Board has made significant progress in strengthening its program internal controls. In late FY 2012, the Board hired a contractor with specialized experience in auditing internal government controls to prepare a Risk Assessment of the Board's operations. The contractor (in a November 2012 report) found that although technical reports generated by OTD are "highly-regarded" by DOE, the Office needed to

better document its assessment of technical mission activities in its annual review of internal controls under A-123. The Board agreed, and began a multi-year effort to address that finding. A number of controls were documented in FY 2013, and implementation of those controls (including staff training) began in early FY 2014. As outlined in the Program Performance section of this report (specifically, performance goal 4.1.1), additional controls were documented and staff was trained on those controls in FY 2014. In FY 2015, these efforts will continue under the guidance and direction of the ECIC.

Prompt Payments Act

The *Prompt Payment Act of 1982*, as amended, requires Federal agencies to make timely payments to vendors for supplies and services, to pay interest penalties when payments are made after the due date, and to take cash discounts when they are economically justified. In FY 2014, the Board paid virtually all of its invoices subject to the Act on time, incurring \$275 in interest penalties.

Improper Payments Information Act

The Board is considered to be at low risk for improper payments since the functional payment areas are limited to traveler reimbursement, commercial vendors for supplies and services, and the payroll electronic funds transfer payments. The Board does not administer any entitlement, grant, or loan programs. During FY 2014, GSA and the National Finance Center made net total payments of \$25,430,698 on behalf of the Board. Neither the GSA accounting staff, nor the Board's finance staff, has identified any improper payments during this period.

Government Accountability Office (GAO) Investigations and Reports

Audit follow-up is an integral part of good management. In accordance with OMB Circular A-50, *Audit Followup*, each agency must establish systems to assure the prompt and proper resolution and implementation of audit recommendations. In early FY 2014, GAO began a review of the Board that originally encompassed the following objectives: (1) the extent to which the Board has policies and procedures governing its oversight of DOE facilities; (2) the extent to which the Board has policies and procedures governing its internal operations, including addressing employees' or others' concerns; and (3) the actions which the Board has taken to obtain independent oversight of its internal operations, and the results of the those actions. Midway through the audit the objectives were changed to: (1) to what extent does the Board have policies and procedures in place governing the activities of Board Members and technical staff; (2) to what extent has the Board assessed its internal controls; (3) to what extent are Board meeting and voting practices transparent to the public; and 4) to what extent has the Board taken steps to obtain IG oversight and what are the results of those steps. That review has not yet concluded. There are no open audit recommendations from previous GAO reviews.

Chapter 2 Program Performance

INTRODUCTION

This chapter presents detailed information on the performance of the Board in achieving its mission during FY 2014. It describes the Board's performance results and program achievements in accomplishing its strategic goals and objectives. The Board's *Annual Performance Plan for FY 2014* identified annual performance goals for each strategic objective.

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

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

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

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

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

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

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

The Board uses its Strategic Plan and Annual Performance Plan to ensure that its resources remain focused on the most significant safety challenges and the DOE activities that warrant the most external review. All of the Board's safety activities are closely tied to goals and objectives embodied in these plans. This approach gives the Board confidence that its staff (107 FTEs in FY 2014, including Board Members) and budget (approximately \$26.8 million in FY 2014 obligations) are dedicated to the highest risk activities in defense nuclear facilities. The Board's strategic plan may be viewed in its entirety on the Board's website at www.dnfsb.gov.

The information in this PAR is also provided directly to Congress in the Board's statutorily required Annual Report, also available on the Board's website. There are slight differences between the two reports because the Annual Report covers calendar years rather than fiscal years. The Board's *Twenty-Fifth Annual Report to Congress* will be issued during the first quarter of CY 2015. The Board also provides periodic reports to Congress and DOE on the status of significant unresolved technical differences between the Board and DOE on issues concerning (1) the design and construction of DOE's defense nuclear facilities, and (2) the infrastructure of aging DOE defense nuclear facilities.

Assessment of the Reliability and Completeness of Performance Data

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

Comparison of Fiscal Year 2014 Actual Performance with Planned Performance

The following pages provide detailed information comparing the Board's actual performance driving safety improvements at DOE to its plans for FY 2014. Information concerning the Board's performance accomplishments in FY 2010 through FY 2013 is contained in the Board's FY 2015 Budget Request to Congress, which is published on the Board's website at www.dnfsb.gov.

STRATEGIC GOAL 1, IMPROVE SAFETY OF OPERATIONS

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

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

Performance Goal 1.1.1

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

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of conducting effective oversight of NNSA defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. The FY 2014 goal was to complete a minimum of eight safety oversight reviews. That goal was accomplished.

1. Los Alamos National Laboratory (LANL) Area G Basis for Interim Operation (BIO) Review, January 2014. Scope: Follow-up review of the BIO at LANL Area G transuranic waste facilities to discuss actions taken since the November 19, 2012, Board letter on the Area G BIO, review the details of the latest revision to the Area G BIO, and validate planned improvements in the safety basis and the configuration of the facilities.
2. Los Alamos National Laboratory TA-55 Criticality Safety Follow-up Review, April 2014 and June 2014. Scope: Evaluate actions taken by LANL and NNSA to address weaknesses in conduct of operations and criticality safety that led to suspending operations at the LANL Plutonium Facility in June 2013.
3. Nevada National Security Site (NNSS) Conduct of Operations and Maintenance Review, December 2013. Scope: Review the conduct of operations and maintenance programs at the following Hazard Category 2 and Hazard Category 3 facilities: Device Assembly Facility,

including the National Criticality Experiments Research Center; Joint Actinide Shock Physics Experimental Research Facility (JASPER); Ula Complex; and the Radiological Waste Management Complex.

4. Pantex Electrical Distribution System and Electrical Safety Program Review, December 2013. Scope: The review focused on system modifications, maintenance, physical condition, and supporting engineering evaluations (e.g., calculations and assessments).
5. Y-12 National Security Complex (Y-12) Nuclear Operations and Maintenance Field-Based Assessment, January 2014. Scope: Evaluate the performance of nuclear operations and maintenance work in Y-12's defense nuclear facilities through field-based observations in Buildings 9212, 9215, 9204-2E, 9204-2, and 9720-82.
6. Y-12 National Security Complex Criticality Safety Review, March 2014. Scope: Evaluate the Y-12 contractor's processes for developing, designing, implementing, maintaining, ensuring quality assurance of, and performing configuration management of non-credited criticality safety controls as compared to safety-significant controls (the term "non-credited criticality safety controls" refers to those controls identified by a criticality safety evaluation, but not elevated for inclusion in a facility's documented safety analysis and technical safety requirements).
7. Y-12 National Security Complex Building 9204-2E/9720-82 Toxicological Hazard Analysis and Material Storage Review, April 2014. Scope: Evaluate the adequacy of hazard/accident analyses, control strategies, and disposition planning for storage of unique hazardous materials at Y-12 defense nuclear facilities.
8. Y-12 National Security Complex Conduct of Maintenance Review, June 2014. Scope: Evaluate the programmatic elements and field implementation of aging infrastructure maintenance at Y-12's highest hazard facilities (Buildings 9212, 9204-2, 9204-2E, and 9215).

Additionally, the following significant staff reviews completed during FY 2014 were not explicitly counted in this performance metric.

Lawrence Livermore National Laboratory

1. Probabilistic Seismic Hazard Analysis Update
2. Oversight of Radiation Protection
3. Oversight of Vital Safety Systems

Los Alamos National Laboratory

1. Oversight of DOE Office of Safety and Emergency Management (HS-45) review of Radiological Control Implementation
2. Plutonium Facility (PF-4) Operations During Laboratory Pause (Los Alamos National Laboratory Plutonium Seismic Safety)
3. PF-4 Material-at-Risk
4. Confinement Vessel Disposition Project and Operations
5. PF-4 Alternate Seismic Analysis
6. DOE actions to address Recommendation 2009-2
7. Radioassay and Nondestructive Testing Facility Documented Safety Analysis
8. Area G Basis for Interim Operations Review Part 2
9. Oversight of Seismic Exploratory Testing for Update of Probabilistic Seismic Hazard Analysis

Pantex Plant

1. Fire Protection Systems Reliability
2. W76 Weapon Response Technical Basis
3. Oversight of Two Annual Emergency Management Exercises
4. Conduct of Operations
5. Falling Man Weapon Impacts Methodology
6. Unreviewed Safety Question/Potential Inadequacy in Safety Analysis Process
7. Oversight of Management & Operating Contract Transition

Y-12 National Security Complex

1. Missing Lateral Bracing at Building 9215
2. Direct Electrolytic Reduction (DER) and Electrolytic Refining (ER)
3. Aging Infrastructure: Buildings 9204-2E and 9215 Structural Systems
4. Management & Operating Contract Transition
5. 2014 Annual Site Emergency Exercise

Performance Goal 1.1.2

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

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of effective oversight of NNSA’s nuclear explosive safety activities. The FY 2014 goal was to complete a minimum of three safety oversight reviews. That goal was accomplished.

1. Onsite Transportation and Staging NES Master Study, November 2013. Scope: Reviewed input documents, the study report, and close-out results.
2. W88 NES Operational Safety Review (OSR), January–February 2014. Scope: Reviewed input documents, two OSR study reports, and close-out results.
3. Approved Equipment Program NES Master Study Module II (Special Tooling), November–May 2014. Scope: Reviewed input documents, observed development of the study report, the presentation of the study report to NNSA management, the NNSA management disposition of all

NES inadequacies identified, final closure of the NES study, and authorization of nuclear explosive operations. Held video-teleconferences with NNSA to discuss concerns that arose when NNSA downgraded a pre-start finding.

Additionally, the following significant staff reviews completed during FY 2014 were not explicitly counted in this performance metric:

1. Bays and Cells NES Master Study Observation
2. Approved Equipment Program NES Master Study Modules 3 and 4 (Supplemental Equipment Program, the Qualified Container Program, and the Category 2 and 3 Electrical Equipment Programs)
3. Proposed Changes to NES Directives
4. Special Purpose Facilities NES Master Study
5. W78 NES Study
6. Support Activities NES Master Study

Performance Goal 1.1.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations. Target: Ensure Board letters regarding potential safety deficiencies sent to NNSA result in a positive NNSA response to assess the safety issues.	80% of letters result in positive NNSA response	Achieved 100% of letters resulted in positive NNSA response.
Actual Results for Preceding Fiscal Years			
	N/A (New goal in FY 2014)		

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE/NNSA field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE/NNSA, or in the form of a letter with a reporting requirement or a Board Recommendation, both of which require a written response. The correspondence issued to NNSA on potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations during FY 2014, and the response by NNSA, are listed below:

1. Y-12 and Pantex M&O Contract Transition. Board correspondence date: April 30, 2014. DOE/NNSA response date: Written response not required. Assessment of response: Positive.
2. SNL Conduct of Operations and Maintenance. Board correspondence date: May 12, 2014. DOE/NNSA response date: Written response not required. Assessment of response: Positive.

3. LANL Criticality Safety. Board correspondence date: May 16, 2014. DOE/NNSA response date: May 30, 2014. Assessment of response: Positive.
4. Pantex Falling Man Special Tooling Concerns. Board correspondence date: June 2, 2014. DOE/NNSA response date: Written response received July 11, 2014; briefing due in FY 2015. Assessment of response: To be determined based on briefing.
5. NNSA Administrator Welcome Letter. Board correspondence date: August 7, 2014. DOE/NNSA response date: Written response not required, but provided by NNSA on September 16, 2014. Assessment of response: Positive.

Performance Goal 1.1.4

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

Discussion:

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

- At LANL, the Board’s site representatives and technical staff members conducted 235 days of safety oversight, which exceeded the performance goal of 220 days.
- At Y-12, the Board’s site representatives and technical staff members conducted 239 days of safety oversight, which exceeded the performance goal of 220 days.
- At Pantex, the Board’s site representative and technical staff members conducted 236 days of safety oversight, which exceeded the performance goal of 220 days.

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

Performance Goal 1.2.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	<p>Conduct effective oversight through formal, well-planned safety reviews at DOE-Office of Environmental Management operating defense nuclear facilities and facilities undergoing decommissioning and decontamination.</p> <p>Target: Complete reviews that comply with the Board's new Technical Staff Instructions, Operating Procedures, and Internal Controls.</p>	Complete 8 reviews	Achieved 8 Reviews
Actual Results for Preceding Fiscal Years			
	N/A (New goal in FY 2014)		

Discussion:

The Board's technical staff conducted the following reviews to meet the above objective of conducting effective oversight of DOE-Office of Environmental Management (EM) facilities. The FY 2014 goal was to complete a minimum of eight oversight reviews. That goal was accomplished. Additionally, events at the Waste Isolation Pilot Plant in February 2014 resulted in an adjustment in priorities with an accompanying significant effort to provide effective, real-time assessment of EM's initial response and subsequent efforts to develop and begin implementation of a recovery plan.

1. Hanford Tank AY-102 Decanting Impacts, October 2013. Scope: At the request of senior DOE Management (EM-1), review the safety implications of removing most of the liquid radioactive waste from Hanford's leaking Double-Shell Tank AY-102.
2. Hanford 242-A Evaporator Safety Basis, March 2014. Scope: Review the newly revised safety basis and safety systems for the 242-A Evaporator Facility at the Hanford site.
3. Hanford Waste Encapsulation and Storage Facility Aging Infrastructure, May 2014. Scope: Review safety significant systems, structures, and components at Hanford's Waste Encapsulation and Storage Facility.
4. Savannah River Site (SRS) H-Canyon and Tank Farms Ventilation Systems, December 2013. Scope: Review ventilation systems at the Tank Farms and H-Canyon facilities, including aging and maintenance issues.
5. SRS H-Canyon/HB-Line Ground Level Release Accident Scenario, July 2014. Scope: Review changes to the safety basis of the H-Canyon facility made by DOE after discovering the possibility that radiological material could be released at ground level instead of stack level following a seismically-induced accident.

6. SRS Maintenance Programs, July 2014 and August 2014. Scope: Review site maintenance programs, including backlogs and reliability of safety systems.
7. Idaho National Laboratory, DOE Readiness Assessment for the Integrated Waste Treatment Unit (IWTU), March 2014. Scope: Observe and assess the DOE Readiness Assessment team’s evaluation of the readiness of the IWTU facility to commence operations involving radioactive waste.
8. Waste Isolation Pilot Plant (WIPP), Oversight of Recovery and Investigation into Fire and Radioactive Material Release Events, February–June 2014. Scope: In response to two February 2014 events at WIPP, a salt haul truck fire on February 5, 2014, and a radiological release event on February 14, 2014, provide continuous coverage of recovery actions and accident investigations, with nearly continuous presence on site from February 2014 through June 15, 2014, with analytical support by a team at the Board’s Washington, DC, headquarters.

Additionally, the following significant staff reviews completed during FY 2014 were not explicitly counted in this performance metric:

Hanford Site

1. Justification for Continued Operations for Hanford Tanks with Deep Sludge
2. Hanford Tank AY-102 Continuing Leak Assessment
3. Hanford Emergency Preparedness and Response

Idaho National Laboratory

1. IWTU Startup Testing

Savannah River Site

1. Electrical Distribution Systems

Performance Goal 1.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations. Target: Ensure Board letters regarding potential safety deficiencies sent to DOE result in a positive DOE response to assess the safety issues.	80% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response.
Actual Results for Preceding Fiscal Years			
	N/A (New goal in FY 2014)		

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to

the appropriate DOE field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. The correspondence issued to DOE on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations during FY 2014, and the response by DOE, are listed below:

1. Safety and Integrity Implications of Decanting Liquid from Hanford Tank 241-AY-102. Board correspondence date: November 1, 2013. DOE response date: Written response not required. Assessment of response: Positive.
2. Waste Isolation Pilot Plant Confinement Ventilation System. Board correspondence date: March 12, 2014. DOE response date: Written response not required. Assessment of response: Positive.
3. State of Operations at Savannah River Site. Board correspondence date: May 16, 2014. DOE response date: Written response not required. Assessment of response: Positive.
4. Idaho National Laboratory Integrated Waste Treatment Unit Readiness. Board correspondence date: May 23, 2014. DOE response date: June 20, 2014. Assessment of response: Positive.
5. Safety Basis Review of Hanford 242-A Evaporator at Hanford Site. Board correspondence date: June 18, 2014. DOE response date: August 28, 2014. Assessment of response: Positive.

Performance Goal 1.2.3

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

Discussion:

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

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

STRATEGIC GOAL 2, STRENGTHEN SAFETY STANDARDS

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

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

Performance Goal 2.1.1

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

Discussion:

During FY 2014, the Board’s staff completed reviews of 27 DOE directives, with 20 of the reviews (74%) completed by the Review Date Deadline.

Information on Unmet Target:

The timeliness of Board reviews of DOE Standards improved significantly after the implementation of new internal control processes at mid-year. During the 3rd and 4th quarters of the fiscal year, the timeliness response rate to DOE from the Board was nearly 100%. Future performance is expected to meet the target for timeliness.

Performance Goal 2.1.2

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

Discussion:

In FY 2014, two reviews were completed to provide independent oversight to strengthen the development, implementation, and maintenance of DOE regulations, requirements, and guidance for providing adequate protection of public health and safety at defense nuclear facilities. These reviews covered the following topics:

1. Sandia National Laboratories Conduct of Operations and Maintenance, February 4–6, 2014.
 Scope: Review the conduct of operations and maintenance programs at Sandia National Laboratories’ Annular Core Research Reactor Facility, Auxiliary Hot Cell Facility, and Sandia Pulsed Reactor Facility.

2. Savannah River Site Salt Waste Processing Facility Quality Assurance Program, January 2014 and June 2014. Scope: Observe and evaluate DOE-Headquarters audits and assessments of the SWPF quality assurance program.

Each of these reviews identified shortcomings in which DOE was not meeting the expectations outlined in DOE directives and guidance documents.

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

Performance Goal 2.2.1

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

Discussion:

In FY 2014, three reviews were completed to evaluate the establishment and implementation of safety programs at defense nuclear facilities. These reviews covered the following topics:

1. Hanford Plutonium Finishing Plant Activity-Level Work Planning and Control, April 1–3, 2014.
 Scope: Review activity-level work planning and control for deactivation activities at the Hanford Plutonium Finishing Plant.
2. Savannah River Nuclear Solutions Activity-Level Work Planning and Control, June 17–19, 2014.
 Scope: Review activity-level work planning and control at Savannah River National Laboratory, H-Canyon, and the Tritium Facility.
3. DOE Headquarters Emergency Response Function, April 28, 2014. Scope: Review the readiness of the DOE Headquarters Emergency Response Team to respond to an emergency at a DOE site.

Each of these reviews resulted in information exchanges between the Board, DOE, and its contractors that identified potential improvements to the safety programs that were reviewed at each site or facility.

Performance Goal 2.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities. Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE that result in a positive DOE response to assess the safety issues.	80% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response
Actual Results for Preceding Fiscal Years			
	N/A (New goal in FY 2014)		

Discussion:

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

1. Closure of Recommendation 2005-1, Nuclear Material Packaging, and Reporting Requirements on DOE Manual 441.1-1, Nuclear Material Packaging Manual. Board correspondence date: March 31, 2014. DOE response date: July 30, 2014. Assessment of response: Positive.
2. Resources to Augment Waste Isolation Pilot Plant Emergency Response Capabilities and Specific Preconditions and Contingency Plans to Ensure Protection of the Public and Workers. Board correspondence date: March 28, 2014. DOE response date: April 4, 2014. Assessment of response: Positive.
3. Process to Revise, Update, and Improve the DOE Directives and Technical Standards of Interest to the Board. Board correspondence date: April 4, 2014. DOE response date: July 17, 2014. Assessment of response: Positive.
4. Closure of Recommendation 2004-1, Oversight of Complex, High-Hazard Nuclear Operations. Board correspondence date: May 1, 2014. DOE response date: To be determined, expected 1st quarter FY 2015. Assessment of response: To be determined (and reported on) in FY 2015.
5. Recommendation 2014-1, Emergency Preparedness and Response. Board correspondence date: September 3, 2014. DOE response date: To be determined. Assessment of response: To be determined (and reported on) in FY 2015.

STRATEGIC GOAL 3, STRENGTHEN SAFETY IN DESIGN

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

Strategic Objective 3.1: Accomplish independent oversight to strengthen the use of approved nuclear standards in the design and construction of defense nuclear facilities and major modifications to existing facilities.

Performance Goal 3.1.1

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

Discussion:

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

Performance Goal 3.1.2

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

Discussion:

During FY 2014, the Board issued project letters for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone (CD-1, 2, 3, or 4). These projects include one that achieved the CD-1 preliminary design milestone in October 2014, Sludge Processing Facility Buildouts (DOE Project # 15-D-405), and two that achieved the CD-3 final design milestone in FY 2014, Transuranic (TRU) Waste Facility (DOE Project # 12-D-301) and KW Basin Sludge Removal Project (DOE Project # 15-D-401). One of the project letters was issued in advance of the CD milestone. This corresponds to a success rate of 33% for this performance goal.

Information on Unmet Target

In the Board’s and DOE’s July 2007 joint report to Congress titled *Improving the Identification and Resolution of Safety Issues During the Design and Construction of DOE Defense Nuclear Facilities*, the Board committed to issue project letters to DOE to “summarize unresolved safety issues and Board view of safety status of projects at appropriate critical decisions.” To promote effective communication to DOE on issues identified by the Board, the Board strives to provide project letters in advance of DOE’s approval of a CD milestone. This allows for DOE to possess a complete understanding of the Board’s concerns with the project when considering approval of the CD milestone. The Board issued project letters for the Transuranic (TRU) Waste Facility (DOE Project # 12-D-301) and KW Basin Sludge Removal Project (DOE Project # 15-D-401) 20 and 88 days after those projects achieved their respective CD milestones. Given that the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls are still in the process of being implemented, the Board expects improved performance for this performance goal in FY 2015. Additionally, the Board is revising the target for this goal for FY 2015 and 2016 to measure issuance of project letters within 60 days of DOE’s Critical Decision milestones, instead of in advance of the milestones, because DOE, not the Board, controls when Critical Decision milestones are approved.

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

Performance Goal 3.2.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE’s defense nuclear facilities. Target: Number of reviews of safety systems completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls.	Complete 6 reviews	Achieved 6 Reviews
Actual Results for Preceding Fiscal Years			
	N/A (New goal in FY 2014)		

Discussion:

In FY 2014, six reviews of safety systems were completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls. These reviews covered the following topics:

- Probabilistic Seismic Hazard Analysis at the Idaho National Laboratory
- Probabilistic Seismic Hazard Analysis at the Hanford site
- Aging management of waste transfer lines at the Savannah River Site
- Ammonia Hazards at the Hanford Waste Treatment and Immobilization Plant Project
- Safety Design Strategy for the High Level Waste Facility at the Hanford Waste Treatment and Immobilization Plant Project
- Volcanic Ashfall Hazard at the Hanford Waste Treatment and Immobilization Plant Project

Given that the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls relevant to these reviews were in effect for about two-thirds of FY 2014, the Board established an increased target of 10 reviews for FY 2015 and FY 2016. Further, the description of this performance goal will be clarified for FY 2015 and beyond to be consistent with the important nuclear safety design criterion that safety systems must be able to perform their safety function when called upon in an accident condition. This clarification ensures that future reviews will consider both the capability of the safety systems and the severity of the accident conditions to which the systems must be designed.

Performance Goal 3.2.2

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

Discussion:

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

1. Transuranic Waste Processing Center Sludge Processing Facility Buildouts Project at Oak Ridge National Laboratory. Correspondence date: November 8, 2013. DOE response date: Written response not required. Assessment of response: Positive.
2. Transuranic Waste Facility Project at Los Alamos National Laboratory. Correspondence date: August 7, 2014. DOE response date: September 15, 2014. Assessment of response: Positive.

STRATEGIC GOAL 4: ACHIEVE EXCELLENCE IN MANAGEMENT AND COMMUNICATION WITH STAKEHOLDERS

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

Performance Goal 4.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Within the Office of the Technical Director (OTD), develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities. Target: Percentage completion of implementation of new procedures.	100% complete for Phase 1 procedures	Not Achieved 48% Complete
Actual Results for Preceding Fiscal Years			
	N/A (New goal in FY 2014)		

Discussion:

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

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

This large effort was divided into three phases, with implementation planned to occur over three years.

- Phase 1, which includes most of the Technical Staff day-to-day work processes, was scheduled to be complete by the end of FY 2014;
- Phase 2, which includes less frequently used Technical Staff work process and knowledge transfer documents, was planned to be complete by the end of FY 2015; and
- Phase 3, which includes processes that support Technical Staff development and human capital management, was scheduled to be complete in FY 2016.
- Phase 1 includes 29 Instructions, Operating Procedures, and Notices. Those documents were divided into six implementation packages. Three of the Phase 1 implementation packages comprising 48% of the Phase 1 documents have been implemented. Phase 1 is now expected to be complete by March 13, 2015.

Information on Unmet Target

In April 2014, the Technical Director evaluated the status of Technical Staff Internal Control (TSIC) implementation efforts. Based on that evaluation, he reached three conclusions:

- More time was necessary to complete implementation activities related to recently approved processes;
- The technical staff needed additional time to integrate the newly established procedures into their normal work flow before implementing additional procedures; and
- The technical staff needed some uninterrupted time for mission execution.

The Technical Director also determined that it would be appropriate to evaluate the effectiveness of ongoing implementation efforts and make adjustments or improvements to the implementation process at a relatively early stage to help improve the efficiency and effectiveness of the overall effort. Consequently, on May 1, 2014, the Technical Director paused the implementation of new Phase 1 documents. The pause was lifted in August 2014, and implementation training resumed in September 2014. Although the pause delayed the Phase 1 completion date, the pause also helped improve Technical Staff implementation of the new procedures and allowed a more complete integration of the new procedures into the Technical Staff work flow. Additionally, the results of evaluations conducted during the pause are expected to support more efficient accomplishment of the remaining TSIC effort.

Performance Goal 4.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board’s mission. Target: Percentage completion of significant OGM work processes with effective procedures. ¹ ¹ Note this target has been clarified from the target published in the FY 2014 APR	33% Complete	Not achieved 32% Complete
Actual Results for Preceding Fiscal Years			
	NA (new goal in FY 2014)		

Discussion

The Board’s Internal Control Program Operating Procedures identify twenty-five (25) significant work processes within OGM. The following ten (10) work processes received internal control assessments in FY 2014 and were reviewed by the Board’s Executive Committee of Internal Controls (ECIC).

- | | |
|--|------------------------------|
| Time and Attendance | Drug Free Workplace |
| Employee Relations | Equal Employment Opportunity |
| Transportation Fringe Benefits Program | Purchase Card Program |

Travel Charge Card Program
 Records Management Program

Classified Document Program
 Security Clearance Program

Eight of these processes or 32% of all OGM work processes (i.e., 8 of 25) were assessed by the ECIC as having effective internal controls. Equal Employment Opportunity and Records Management Program require enhanced procedures.

Information on Unmet Target

Vacancies in key OGM management areas for much of FY 2014 were a major reason the goal was not achieved. Although progress has been made for both programs, certain actions remain to be implemented as of the end of the fiscal year. Drafting of updated procedures under the Equal Employment Opportunity program has begun, and approval of those procedures is targeted by the 3rd quarter of FY 2015.

The Board has entered into an Interagency Agreement with the National Archives and Record Administration for an assessment of its records management program. The assessment is scheduled to be completed in the 1st quarter of FY 2015. Based on the assessment, the Board will develop a corrective action plan for implementation during FY 2015.

Performance Goal 4.1.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board’s mission. Target: Percentage completion of new procedures.	40% Complete	Not Achieved 21% Complete
Actual Results for Preceding Fiscal Years			
	NA (new goal in FY 2014)		

Discussion

To meet its goal, OGC needed to identify and prioritize OGC internal control activities and develop and implement formal procedures and internal controls or update existing internal controls. OGC identified 14 activities, and 40% completion would have equated to six procedures. OGC completed three: reviewing, updating, and publishing corrections to the Board’s Government in the Sunshine Act rule; publishing the second notice of the Board’s proposed rule concerning procedures for safety investigations; and reviewing the Board’s rule regarding testimony by employees and production of official records in legal proceedings.

Information on Unmet Target

Reviews of three other activities were conducted, but not completed as of the end of the year. OGC expended unanticipated assets and time responding to a Government Accountability Office audit that had a broader scope than originally expected; leading efforts to identify an IG and then respond to the designation of NRC’s IG as the Board’s IG; working with the Office of Government Ethics and the Senate Armed Services Committee on three Board Member nominations and one confirmation; and assisting in the development, legal examination and explication, and implementation of new Board and staff procedures. Vacancy in a key OGC management area for much of FY 2014 also contributed to the reasons the goal was not achieved.

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

Performance Goal 4.2.1

Fiscal Year	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2014	Achieve a more results-oriented performance culture.	Develop a revised GS performance management system to ensure higher standards and employee accountability by August 31, 2014.	Ongoing
Actual Results for Preceding Fiscal Years			
	NA (new goal in FY 2014)		

Discussion

The Division of Human Resources (DHR) has developed a revised General Schedule (GS) performance management system that adheres to the requirements in the Office of Personnel Management’s (OPM) Performance Appraisal Assessment Tool (PAAT). PAAT helps federal agencies develop and implement effective appraisal programs that are fair, credible, and transparent. The development of a GS performance management system using PAAT not only helps ensure a result-oriented performance culture at the Board, it will also help support the Board’s FY 2015 goal of attaining OPM certification of the SES performance appraisal system.

Information on Unmet Target

The revised GS performance management system is currently in draft form and will be shared with Board Members and managers in the 1st quarter of FY 2015. Employees will be given an opportunity to provide feedback in the 2nd quarter. OPM approval will be obtained during the 2nd quarter and current policies and operating procedures will be revised, accordingly, in preparation for rolling out the revised system for the performance year beginning on July 1, 2015.

The revised system ties all performance standards to the strategic goals of the Board, embeds accountability into each employee’s performance plan, and includes defined standards that give employees and managers a roadmap for performance expectations at each level.

Performance Goal 4.2.2

Fiscal Year	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2014	Address human capital gaps identified in critical mission functions.	Critical mission functions are defined within each position (entry-, mid-, and senior-career level) by June 30, 2014.	Achieved
Actual Results for Preceding Fiscal Years			
	NA (new goal in FY 2014)		

Discussion

DHR, with input from OTD and OGC, defined the mission critical functions within each of the Board offices. Additionally, generic core competencies have been developed for entry-level, mid-career, and senior-level positions and technical competencies have been drafted for the chemical, electrical, mechanical, and civil/structural engineering functions.

In FY 2015, additional technical competencies will be developed and vetted. Once this process is complete, the data will be migrated to an electronic workforce planning tool that will allow the Board to identify gaps in core competencies and adjust its recruitment and development plans accordingly.

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

Performance Goal 4.3.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites. Target: Percentage of Site Representative Weekly reports documenting direct oversight posted to the Board’s public webpage within 35 days of the date of the report.	80%	Achieved 88% posted within 35 days
Actual Results for Preceding Fiscal Years			
	N/A (New goal in FY 2014)		

Discussion:

The Board provided timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites by posting its Site Representative Weekly reports to the Board’s public webpage within 35 days of the date of the report. Of 260 Site Representative Weekly reports, the Board posted 229 to its public webpage within 35 days of the date of the report for an overall percentage of 88%.

Performance Goal 4.3.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Inform the Congress and other stakeholders of potential safety issues early in the design and construction phases of DOE defense nuclear facilities. Target: Number of <i>Reports to Congress on the Status of Significant Unresolved Technical Differences between the Board and the Department of Energy on Issues Concerning the Design and Construction of DOE’s Defense Nuclear Facilities</i> published and submitted to Congress.	3 reports	3 reports submitted to Congress Achieved

Actual Results for Preceding Fiscal Years			
2013		N/A	2
2012		N/A	2
2011		N/A	3
2010		N/A	3

Discussion:

The Board published three reports during FY 2014 and submitted them to Congress in December 2013, May 2014, and September 2014. In the September 2014 report, the Board informed Congress that it henceforth will produce the reports semiannually. The FY 2015 and 2016 targets have been further modified to reduce the minimum number of reports to one per year, and to count for purposes of meeting this goal the inclusion of this subject matter within the Board’s annual report to Congress. New issues will continue to be identified promptly by Board correspondence to DOE and by posting the correspondence on the Board’s public website.

Performance Goal 4.3.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2014	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC. Target: Number of public hearings.	3 public hearings	3 public hearings Achieved
Actual Results for Preceding Fiscal Years			
2013		N/A	2
2012		N/A	3
2011		N/A	4
2010		N/A	2

Discussion:

The Board held three public meetings in FY 2014, satisfying its target. The Board held its first public hearing and meeting of the fiscal year on *Safety in Design, Operations, and Emergency Preparedness at the Y-12 National Security Complex*, on December 10, 2013, in Knoxville, Tennessee. The Board held its second public hearing and meeting on May 28, 2014, in Washington, DC, on *Safety Culture and Board Recommendation 2011-1*. The Board convened its third public hearing and meeting, the second regarding *Safety Culture and Board Recommendation 2011-1*, in Washington, DC, on August 27, 2014.

Chapter 3
CFO Letter, Auditor's Report, and Financial Statements

CFO LETTER

I am pleased to report that the Board's FY 2014 financial statements received an unmodified opinion from its independent auditors, the Board's ninth consecutive "clean" opinion since its FY 2004 financial statements were initially audited pursuant to the Accountability of Tax Dollars Act (ATDA) of 2002. In addition, FY 2014 marked the eighth consecutive year that the Board's clean opinion was coupled with no instances of non-compliance with laws and regulations and no material internal control weaknesses identified in the accompanying report.

The financial statements that follow were prepared and audited as part of this performance and accountability report within 45 days after the end of the fiscal year. To ensure that resources are dedicated to fulfilling the demanding health and safety oversight mission, the Board has adopted the "economies of scale" philosophy for obtaining needed administrative support services and "contracts" (through Interagency Agreements) with GSA to act as its accounting services provider. The Board's financial staff worked diligently with its GSA accountants in preparing our FY 2014 financial statements and providing the necessary supporting documentation to its auditors, and credit should be given to both those organizations for achieving these accomplishments.

Compliance with Laws and Regulations

The auditors tested the Board's compliance with certain provisions of laws and regulations, non-compliance which could have a direct and material effect on the determination of financial statement amounts, and certain other laws in regulations specified in OMB Bulletin 14-02, *Audit Requirements for Federal Financial Statements*. For the eighth consecutive year, the auditors found no instances of non-compliance with such laws or regulations.

Internal Controls

In planning and performing the financial statements audit, the independent auditors considered the Board's internal control over financial reporting by obtaining an understanding of the Board's internal controls, determining if internal controls had been placed in operation, assessing controls risk, and performing tests of controls. Testing of internal controls was limited to those controls necessary to achieve objectives described in OMB Bulletin 14-02. The auditors noted no internal control material weaknesses for the eighth consecutive year. The auditors did identify two significant deficiencies in the Board's internal control over financial reporting. We are developing and implementing corrective actions to mitigate the risks identified by the auditors, and will continue to work to enhance our system of internal control and to ensure the reliability of the Board's financial reporting.

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



Mark T. Welch, Chief Financial Officer



Office of the
Inspector General

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

November 14, 2014

MEMORANDUM TO: Chairman Winokur

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

SUBJECT: RESULTS OF THE AUDIT OF THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD'S FINANCIAL STATEMENTS FOR FISCAL YEARS 2014 AND 2013 (DNFSB-15-A-03)

The Accountability for Tax Dollars Act of 2002 (ADTA), requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the Defense Nuclear Facilities Safety Board's (Board) financial statements in accordance with applicable standards. In compliance with this requirement, the Office of the Inspector General (OIG) contracted with Acuity Consulting, Inc. (Acuity), to conduct this annual audit. Transmitted with this memorandum are the following Acuity reports:

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

The Board's Performance and Accountability Report includes comparative financial statements for FY 2014 and FY 2013.

Objective of a Financial Statement Audit

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

Acuity's audit was conducted in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. The audit included, among other things, obtaining an understanding of the Board and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; and testing relevant internal controls over financial reporting. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FY 2014 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion.

Internal Controls Over Financial Reporting

- Unqualified opinion, with two significant deficiencies.

Compliance with Laws, Regulations, Contracts, and Grant Agreements

- No reportable instances of noncompliance.

OIG Oversight of Acuity Performance

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

- Reviewing Acuity's audit approach and planning.
- Evaluating the qualifications and independence of Acuity's auditors.
- Monitoring audit progress at key points.
- Examining the working papers related to planning and performing the audit and assessing the Board's internal controls.
- Reviewing Acuity's audit reports for compliance with U.S. generally accepted government auditing standards and OMB Bulletin No. 14-02.
- Coordinating the issuance of the audit reports.

Acuity is responsible for the attached auditor's reports, dated November 7, 2014, and the conclusions expressed therein. OIG is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight, as differentiated from an audit in conformance with *Government Auditing Standards*, was not intended to enable us to express, and accordingly we do not express, an opinion on:

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

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

Meeting with the General Manager

At the exit conference on November 12, 2014, the General Manager of the Board and representatives of both OIG and Acuity discussed the results of the audit.

Comments of the General Manager

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

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

Attachments: As stated

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



To: Hubert T. Bell
Inspector General

Chairman Winokur
Defense Nuclear Facilities Safety Board

Introduction

As a result of our audit of the Defense Nuclear Facilities Safety Board's (Board) comparative financial statements for fiscal years 2014 and 2013, we found the following:

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

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

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

We have audited the accompanying financial statements of the Defense Nuclear Facilities Safety Board, which comprise the balance sheets as of September 30, 2014, and 2013; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. We have also audited the Board's internal control over financial reporting as of September 30, 2014, based on criteria established under 31 U.S.C. § 3512(c and d), commonly known as the Federal Managers' Financial Integrity Act (FMFIA), and applicable sections of the Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Internal Control*.

We conducted our audits in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 14-02, *Audit Requirements for Federal Financial Statements*. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.



Management's Responsibility

Board management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the U.S.; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; (5) evaluating the effectiveness of internal control over financial reporting based on the criteria established under FMFIA and applicable sections of OMB Circular A-123; and (6) providing its assertion about the effectiveness of internal control over financial reporting as of September 30, 2014, based on its evaluation, included in the accompanying Management Report on Internal Control Over Financial Reporting (See Appendix I).

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the Board's internal control over financial reporting based on our audits. We conducted our audits in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 14-02, *Audit Requirements for Federal Financial Statements*. U.S. generally accepted government auditing standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures to the RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audit of internal control also considered the entity's process for evaluating and reporting on internal control over financial reporting based on criteria established under FMFIA and applicable sections of OMB Circular A-123. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.



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

Definitions and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with accounting principles generally accepted in the U.S., (2) assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (3) transactions are executed in accordance with laws governing the use of budget authority and with other applicable laws, regulations, contracts, and grant agreements that could have a direct and material effect on the financial statements.

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

Opinion on Financial Statements

In our opinion, the Board's financial statements present fairly, in all material respects, the Board's financial position as of September 30, 2014, and 2013, and its net cost, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the U.S.

Matter of Emphasis

As described in Note 18, the Board has restated its fiscal year 2013 financial statements to recognize an adjustment of \$1.9 million to its unobligated balances presented on the statement of budgetary resources. The fiscal year 2013 financial statements were audited by a predecessor auditor who issued an unmodified opinion, dated November 25, 2013, on the financial statements. We applied audit procedures to the adjustments made to restate the Board's comparative fiscal year 2013 financial statements in our report. In our opinion such adjustments are appropriate and have been properly applied. Our audit opinion on the Board's financial statements is not modified with respect to this matter.



Opinion on Internal Control Over Financial Reporting

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

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

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

Significant Deficiency Over Undelivered Orders

During our fiscal year 2014 audit, we found that the Board did not consistently implement effective internal control over its aged population of undelivered orders to determine whether they remained valid. Specifically, the Board did not always timely identify expired contracts (and purchases) and take actions to deobligate appropriated funds that were no longer needed for their originally intended purposes. Such funds are reported as used in the budgetary records and are no longer available for other purposes. We identified \$1.9 million of no-year funds that should be deobligated and made available for other use. The Board agreed to take corrective actions in fiscal year 2015 and, in the meantime, made correcting adjustments of \$1.9 million in its fiscal year 2014 financial statements and \$1.9 million in its fiscal year 2013 financial statements, to reclassify these funds as unused and, if not expired, available for future Board use.

We conclude that the Board has a significant deficiency in its internal control over undelivered orders that merits the attention of management and those charged with governance.

We recommend that the Board:

1. Design and implement procedures that include the review and evaluation of obligations for validity on a regular basis and the deobligation of inactive obligations after a reasonable period of inactivity.



Significant Deficiency Over Internal Control Assessment Process

We also found, during our fiscal year 2014 audit, that the Board did not utilize robust procedures in its internal control over its financial reporting assessment process performed under OMB Circular A-123. Citing its limited resources, the Board relied on its managers' self-assessments of their operations and did not perform any testing of internal controls to independently verify they were operating effectively. As a result, the Board faced increased risk that material weaknesses in internal controls would not be identified.

We conclude that the Board has a significant deficiency in its internal control over the A-123 process that merits the attention of management and those charged with governance.

We recommend that the Board:

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

Other Matters

Required Supplementary Information

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

Although not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

The Board's other information accompanying our audit report contains information, some of which is not directly related to the financial statements.

This information is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the Board's



financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Compliance With Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the Board's financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with the auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

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

Auditor's Responsibility

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

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

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance for fiscal year 2014 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Board. Accordingly, we do not express such an opinion.

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

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



Agency Comments

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

Acuity Consulting, Inc.

Acuity Consulting, Inc.

November 7, 2014

Appendix I

Peter S. Winokur, Chairman
Jessie H. Roberson, Vice Chairman
Sean Sullivan

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



November 7, 2014

Mr. Stephen D. Dingbaum
Assistant Inspector General for Audits
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852

Dear Mr. Dingbaum:

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

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

As the General Manager, I am responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. I have evaluated the effectiveness of the Board's internal control over financial reporting as of September 30, 2014, based on the criteria established under the applicable sections of Office of Management and Budget Circular A-123.

Based on that evaluation, I conclude that as of September 30, 2014, the Board's internal control over financial reporting was effective.

Sincerely,

A handwritten signature in black ink, appearing to read "Mark T. Welch".

Mark T. Welch
General Manager

Peter S. Winokur, Chairman
Jessie H. Roberson, Vice Chairman
Sean Sullivan

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



November 7, 2014

Mr. Stephen D. Dingbaum
Assistant Inspector General for Audits
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852

Dear Mr. Dingbaum:

I appreciate the opportunity to respond to the Independent Auditor's Report of the Defense Nuclear Facilities Safety Board (Board) Fiscal Years 2014 and 2013 financial statements, and want to thank your staff and the auditors for working with the Board's financial staff to meet the audit requirements. I agree with the results of the audit.

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

The auditors identified two significant deficiencies regarding the review process for Undelivered Orders and a lack of independent testing in internal controls over financial reporting. We are developing and implementing corrective actions to mitigate the risks identified by the auditors, and will continue to work to enhance our system of internal control and to ensure the reliability of the Board's financial reporting.

Sincerely,

Mark T. Welch
General Manager

Defense Nuclear Facilities Safety Board
BALANCE SHEET

As Of September 30, 2014 and 2013

		2014	2013
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 10,429,252	\$ 7,859,949
Other:	(Note 5)		
Advances and Prepayments		18,789	13,750
Total Intragovernmental		10,448,041	7,873,699
Assets With The Public:			
Accounts Receivable, net	(Note 3)	71	17,892
General Property, Plant and Equipment, Net	(Note 4)	311,781	546,940
Total Assets		\$ 10,759,893	\$ 8,438,531
Liabilities:	(Note 6)		
Intragovernmental:			
Accounts Payable	(Note 7)	\$ 108,341	\$ 27,770
Other:	(Note 9)		
Employer Contributions and Payroll Taxes Payable	(Note 8)	82,302	78,759
Other Unfunded Employment Related Liability	(Note 10)	8,778	22,013
Total Intragovernmental		199,421	128,542
Liabilities With the Public:			
Accounts Payable		439,105	535,952
Other:	(Note 9)		
Accrued Funded Payroll and Leave		424,860	346,122
Employer Contributions and Payroll Taxes Payable		17,112	15,990
Unfunded Leave		1,211,096	1,205,202
Total Liabilities		\$ 2,291,594	\$ 2,231,808
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		\$ 9,376,321	\$ 6,869,106
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		(908,022)	(662,383)
Total Net Position - All Other Funds (Consolidated Totals)		8,468,299	6,206,723
Total Net Position		\$ 8,468,299	\$ 6,206,723
Total Liabilities and Net Position		\$ 10,759,893	\$ 8,438,531

The accompanying notes are an integral part of these statements.

Defense Nuclear Facilities Safety Board
STATEMENT OF NET COST
As Of And For The Years Ended September 30, 2014 and 2013

	2014	2013
Program Costs:		
DNFSB:		
Gross Costs	\$ 26,595,721	\$ 27,483,544
Net Program Costs	(Note 12) 26,595,721	27,483,544
Net Cost of Operations	\$ 26,595,721	\$ 27,483,544

The accompanying notes are an integral part of these statements.

Defense Nuclear Facilities Safety Board
STATEMENT OF CHANGES IN NET POSITION
 As Of And For The Years Ended September 30, 2014 and 2013

	2014	2013
Cumulative Results of Operations:		
Beginning Balances	\$ (662,383)	\$ (862,560)
Beginning balance, as adjusted	(662,383)	(862,560)
Budgetary Financing Sources:		
Appropriations used	25,492,785	26,818,384
Other Financing Sources (Non-Exchange):		
Imputed financing	857,297	865,337
Total Financing Sources	26,350,082	27,683,721
Net Cost of Operations	26,595,721	27,483,544
Net Change	(245,639)	200,177
Cumulative Results of Operations	(908,022)	(662,383)
Unexpended Appropriations:		
Beginning Balance	6,869,106	6,973,919
Beginning Balance, as adjusted	6,869,106	6,973,919
Budgetary Financing Sources:		
Appropriations received	28,000,000	29,130,000
Other adjustments		(2,416,429)
Appropriations used	(25,492,785)	(26,818,384)
Total Budgetary Financing Sources	2,507,215	(104,813)
Total Unexpended Appropriations	9,376,321	6,869,106
Net Position	\$ 8,468,299	\$ 6,206,723

The accompanying notes are an integral part of these statements.

Defense Nuclear Facilities Safety Board
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2014 and 2013

	2014	2013
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 4,051,254	\$ 924,672
Unobligated balance brought forward, October 1, adjusted	4,051,254	924,672
Recoveries of prior year unpaid obligations (unobligated balances)	465,344	2,661,238
Unobligated balance from prior year budget authority, net	4,516,598	3,585,910
Appropriations (discretionary and mandatory)	28,000,000	26,713,571
Spending authority from offsetting collections	105	3,807
Total budgetary resources	\$ 32,516,703	\$ 30,303,288
 STATUS OF BUDGETARY RESOURCES		
Obligations incurred	(Note 13) \$ 26,809,632	\$ 26,252,034
Apportioned	3,759,346	2,249,710
Unapportioned	1,947,725	1,801,544
Unobligated balance brought forward, end of year	5,707,071	4,051,254
Total budgetary resources	\$ 32,516,703	\$ 30,303,288
 CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 3,808,696	\$ 8,173,124
Obligations incurred	26,809,632	26,252,034
Outlays (gross) (-)	(25,430,803)	(27,955,224)
Recoveries of prior year unpaid obligations (-)	(465,344)	(2,661,238)
Unpaid obligations, end of year	(Note 14) 4,722,181	3,808,696
Obligated balance, start of year (net)	3,808,696	8,173,124
Obligated balance, end of year (net)	\$ 4,722,181	\$ 3,808,696
 BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 28,000,105	\$ 26,717,378
Actual offsetting collections (discretionary and mandatory) (-)	(105)	(3,807)
Budget authority, net (discretionary and mandatory)	28,000,000	26,713,571
Outlays, gross (discretionary and mandatory)	25,430,803	27,955,224
Actual offsetting collections (discretionary and mandatory) (-)	(105)	(3,807)
Outlays, net (discretionary and mandatory)	25,430,698	27,951,417
Agency outlays, net (discretionary and mandatory)	\$ 25,430,698	\$ 27,951,417

The accompanying notes are an integral part of these statements.

DEFENSE NUCLEAR FACILITIES SAFETY BOARD

APPROPRIATED FUND

Note 1 – Significant Accounting Policies

(a) Reporting Entity

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

(b) Basis of Presentation

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

Circular A-136 requires agencies to prepare principal statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2014, amounts of future economic benefits owned or managed by the Board (assets), amounts owed by the Board (liabilities), and amounts, which comprise the difference (net position). The Statement of Net Cost reports the full cost of the Board's operations and the Statement of Budgetary Resources reports Board's budgetary activity.

(c) Basis of Accounting

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

(d) Revenues and Other Financing Sources

The Board receives its funding needed to support its activities through annual congressional appropriations. FY 2014 and FY 2013 appropriated funds are available for obligation until September 30, 2015 and September 30, 2014, respectively (i.e., two year funds). None of the appropriations is a "funds from dedicated collections" fund. An imputed financing source is recognized to offset costs incurred by the Board and funded by another Federal source (see Notes 1(i) and 8).

(e) Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

The Board owns no land and leases its office space from GSA. The lease costs approximate commercial lease rates for similar properties.

(h) Annual, Sick, and Other Leave

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

(i) Federal Employee Benefits

The Board recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render service to the Board. The pension expense recognized in the financial statement equals the current service cost for the Board's employees for the accounting period less the

amount contributed by the employees. The Office of Personnel Management (OPM), the administrator of the plan, supplies the Board with factors to apply in the calculation of the service cost. These factors are derived through actuarial cost methods and assumptions. The excess of the recognized pension expense represents the amount being financed directly by OPM. This amount is considered imputed financing to the Board (see Note 8).

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

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

(j) Contingencies

The Board is subject to potential liabilities in various administrative proceedings, legal actions, and claims brought against it. In the opinion of the Board’s management, the ultimate resolution of these proceedings, actions, and claims will not materially affect the financial position or net cost to the Board. Thus, there is no provision for such losses in its statements. The Board has not entered into any contractual arrangements which may require future financial obligations.

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

The Board’s funds with the U.S. Treasury consist only of appropriated funds. Worksheet adjustments were made for credits of \$0.01 and \$648,770 for FY 2014 and FY 2013, respectively, for payroll charges that were reflected in the U.S. Treasury cash balance at year end but were not yet recorded in the GSA accounting system. The status of these funds as of September 30, 2014 and 2013 are as follows:

	<u>FY 2014</u>	<u>FY 2013</u>
A. Fund Balance with Treasury		
Appropriated Fund	\$10,429,252	\$7,859,949
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
(a) Available	3,734,739	2,157,732
(b) Unavailable	54,203	
2) Obligated Balance not yet Disbursed	<u>6,640,310</u>	<u>5,702,218</u>
Total	\$10,429,252	\$7,859,949*
<i>*Rounding</i>		

Note 3 – Accounts Receivable, Net

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

Accounts Receivable	FY 2014	FY 2013
Claims	\$71	\$17,892

Note 4 - General Property, Plant and Equipment, Net

The Board's total cost, accumulated depreciation, and net book value for PPE for the years ending September 30, 2014 and 2013 are as follows.

2014	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	\$1,151,670	\$40,174	\$673,273	\$0	\$1,865,117
Accum. Depr.	(\$867,202)	(\$40,174)	(\$645,960)	(\$0)	(\$1,553,336)
Net Book Value	\$284,468	\$0	\$27,313	\$0	\$311,781

2013	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	\$1,096,055	\$40,174	\$673,273	\$0	\$1,809,502
Accum. Depr.	(\$622,624)	(40,174)	(599,764)	(\$0)	(1,262,562)
Net Book Value	\$473,431	\$0	\$73,509	\$0	\$546,940

Note 5 – Other Assets

The FY 2014 Other Assets amount represents an unliquidated advance.

	FY 2014	FY 2013
Intragovernmental	\$18,789	\$13,750
With the Public – Associates	\$0	\$0
Total Other Assets	\$18,789	\$13,750

Note 6 – Liabilities Not Covered by Budgetary Resources

The liabilities on the Board's Balance Sheets as of September 30, 2014 and 2013 include liabilities not covered by budgetary resources, which are liabilities for which congressional action is needed before budgetary resources can be provided. Although future appropriations to fund these liabilities are likely and anticipated, it is not certain that appropriations will be enacted to fund these liabilities. The composition of liabilities not covered by budgetary resources as of September 30, 2014 and 2013 is as follows:

	<u>2014</u>	<u>2013</u>
Unfunded Leave	\$1,211,096	\$1,205,202
Workers' Compensation	\$ 8,778	\$ 22,013
Total liabilities not covered by budgetary resources	\$1,219,874	\$1,227,215
<u>Total liabilities covered by budgetary resources</u>	<u>\$1,071,720</u>	<u>\$1,004,593</u>
Total Liabilities	\$2,291,594	\$2,231,808

Note 7 - Intragovernmental Liabilities

Intragovernmental liabilities arise from transactions with other federal entities. As of September 30, 2014, the Board had accounts payable intragovernmental liabilities of \$108,341 with the Pension Benefit Guarantee Corporation (\$25,000), the United States Department of Agriculture (\$44,805), GSA (\$12,879) and the Department of Energy (\$25,657). The Board's FY 2013 account payable intragovernmental liabilities of \$27,770 were with OPM (\$13,000) and GSA (\$14,770). Employee benefits are the amounts owed to OPM and Treasury as of September 30, 2014 and 2013 for Federal Employees Health Benefits Program (FEHBP), Federal Employees' Group Life Insurance Program (FEGSIP), Federal Insurance Contributions Act (FICA), Federal Employees Retirement System (FERS), and Civil Service Retirement System (CSRS) contributions (reference Note 8).

Note 8 – Federal Employee Benefits

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

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

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

Note 9– Other Liabilities

Other liabilities with the public for the years ending September 30, 2014 and 2013 consist of Accrued Funded Payroll and Leave, Withholdings Payable (to employees), and Unfunded Leave in the amounts shown below. Other liabilities Intragovernmental for the years ending September 30, 2014 and 2013 consist of Withholdings Payable (to Government agencies) and Workers' Compensation in the amounts shown below:

	With the Public	Non-Current	Current	Total
2014	Other Liabilities	\$1,211,096	\$ 441,972	\$1,653,068
2013	Other Liabilities	\$1,205,202	\$ 362,112	\$1,567,314

	Intragovernmental	Non-Current	Current	Total
2014	Other Liabilities	\$0	\$ 91,080	\$ 91,080
2013	Other Liabilities	\$0	\$100,772	\$100,772

Note 10 – Workers’ Compensation

The Federal Employees’ Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Board employees under FECA are administered by the Department of Labor and are paid, ultimately, by the Board. The Board recorded an estimated liability for claims incurred, but not reported as of September 30, 2014 and 2013, as follows:

	FY 2014	FY 2013
Worker’s Compensation	\$8,778	\$22,013

Note 11 – Leases

The Board has not entered into any existing capital leases and thus has incurred no liability resulting from such leases. The Board’s one operating lease is for headquarters office space from GSA. Lease costs for office space for FY 2014 and FY 2013 under the terms of its leases amounted to \$2,452,306 and \$2,256,815, respectively. The Board entered into a new ten year lease agreement effective March 8, 2006 which is due to expire on March 7, 2016. The Board is currently in discussions with GSA concerning renewing the lease. Estimated future minimum lease payments under the terms of the lease are as follows:

Fiscal Year Ending September 30	Payment
2015	\$2,258,809
2016 (through March 7)	\$ 984,811
Total Estimated Future Lease Payments	\$3,243,620

Note 12 – Intragovernmental Costs

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

	Intragovernmental Costs	Costs with the Public	Total Program Costs
FY 2014	\$7,752,828	\$18,842,893	\$26,595,721
FY 2013	\$6,730,804	\$20,752,740	\$27,483,544

Note 12 – Intragovernmental Costs (continued)

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

OC	Description	FY 2014	FY 2013
11	Personnel Compensation	\$14,135,419	\$14,809,298
12	Personnel Benefits	\$ 5,023,704	\$ 5,292,487
13	Former Personnel Benefits	\$ 359	\$ 2,513
21	Travel & Transportation of Persons	\$ 629,283	\$ 622,277
22	Transportation of Things	\$ 29,135	\$ 100,810
23	Rent, Communications, & Utilities	\$ 2,687,422	\$ 2,507,369
24	Printing & Reproduction	\$ 22,853	\$ 12,972
25	Other Contractual Services	\$ 3,310,092	\$ 3,437,100
26	Supplies & Materials	\$ 197,931	\$ 218,014
31	Acquisition of Assets	\$ 559,523	\$ 480,703
	Total	\$26,595,721	\$27,483,544

Note 13 – Apportionment Categories of Obligations Incurred

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

	FY 2014	FY 2013
Direct		
Category A	\$26,809,632	\$26,252,034

Note 14 – Undelivered Orders at the End of the Period

The amount of Unpaid Obligated Balance, Net, End of Period shown on the Statement of Budgetary Resources includes obligations relating to Undelivered Orders (goods and services contracted for but not yet received at the end of the year) and Accounts Payable (amounts owed at the end of the year by the Board for goods and services received). The FY 2013 Undelivered Orders amount has been restated, see Note 18. The amount of each is as follows:

	Undelivered Orders	Accounts Payable	Unpaid Obl. Balance, Net
FY 2014	\$3,650,461	\$1,071,720	\$4,722,181
FY 2013	\$2,804,103	\$1,004,593	\$3,808,696

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

Budgetary resources made available to the Board include current appropriations, unobligated appropriations and recoveries of prior year obligations. For FY 2013, no material differences exist between the amounts on the Statements of Budgetary Resource and the amounts in the FY 2015 President’s Budget which are rounded to the nearest million. As the FY 2016 President’s Budget is not yet available, comparison between the Statement of Budgetary Resources and the actual FY 2014 data in the FY 2016 Budget cannot be performed.

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

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

FY 2014

	FY 2013	FY 2014	Change
Unfunded Annual Leave	\$1,205,202	\$1,211,096	(\$ 5,894)
Workers Compensation	\$ 22,013	\$ 8,778	\$13,235
Total	\$1,227,215	\$1,219,874	\$7,341

FY 2013

	FY 2012	FY 2013	Change
Unfunded Annual Leave	\$1,155,828	\$1,205,202	\$49,374
Workers Compensation	\$ 22,013	\$ 22,013	\$ 0
Total	\$1,177,841	\$1,227,215	\$49,374

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

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

Budgetary Resources Obligated are obligations for personnel, goods, services, benefits, etc. made by the Board in order to conduct operations or acquire assets. Other (i.e., non-budgetary) financing resources are also utilized by Board in its program (proprietary) operations. For example, Spending Authority from Recoveries and Offsetting Collections are financial resources from the recoveries of prior year obligations (e.g., the completion of a contract where not all the funds were used) and refunds or other collections (i.e., funds used to conduct operations that were previously budgeted). As explained in Notes 1(i) and 8, an Imputed Financing Source from Costs Absorbed by Others is recognized for future federal employee benefits costs incurred for Board employees that will be funded by OPM. Changes in Budgetary

Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided represents the difference between the beginning and ending balances of undelivered orders (i.e., goods and services received during the year based on obligations incurred the prior year represent a cost of operations not funded from budgetary resources). Resources that Finance the Acquisition of Assets are budgetary resources used to finance assets and not cost of operations (e.g., increases in accounts receivables or capitalized assets). Financing Sources Yet to be Provided represents financing that will be provided in future periods for future costs that are recognized in determining the net cost of operations for the present period. Finally, Components not Requiring or Generating Resources are costs included in the net cost of operations that do not require resources (e.g., depreciation and amortized expenses of assets previously capitalized).

A reconciliation between Budgetary Resources Obligated and Net Cost of Operations (i.e., providing an explanation between budgetary and financial (proprietary) accounting) is as follows (note: in prior years this information was presented as a separate financial statement (the Statement of Financing)):

	FY 2014	FY 2013
Budgetary Resources Obligated	\$26,809,632	\$26,252,034
Spending Authority from Recoveries and Offsetting Collections	(440,842)	(771,523)
Imputed Financing from Costs Absorbed by Others	857,297	865,337
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(876,005)	1,337,873
Resources that Finance the Acquisition of Assets	(37,793)	(494,641)
Financing Sources Yet to be Provided (see Note 16)	(7,341)	49,374
Components Not Requiring or Generating Resources	290,773	245,089
Net Cost of Operations	\$26,595,721	\$27,483,544

Note 18 – Restatements

In prior years, the Board did not adjust its accounts or financial statements for long-outstanding obligations that should have been de-obligated and reclassified as available for use. In fiscal year 2014, the Board identified \$1,893,522 of obligations reported in the fiscal year 2013 financial statements that should have been reclassified as funds available for use. The fiscal year 2013 financial statements are being restated to make this correction and maintain consistency in the comparative financial statements. The Statement of Budgetary Resources will be affected as the Unobligated Balance Brought Forward End of Year would increase, and Unpaid Obligations End of Year would decrease, on the Statement of Budgetary Resources and in Note 14. There will be no change in the financial statements as a whole as the status of unexpended funds would change, but the Board’s overall net position will remain the same.



Office of the
Inspector General

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

October 1, 2014

MEMORANDUM TO: Chairman Winokur

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

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE MOST
SERIOUS MANAGEMENT AND PERFORMANCE
CHALLENGES FACING THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD (DNFSB-OIG-15-A-01)

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

BACKGROUND AND OBJECTIVES

On January 24, 2000, Congress enacted the *Reports Consolidation Act of 2000*, requiring Federal agencies to provide financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. The act requires the Inspector General of each Federal agency annually to summarize what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges.

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

OIG has provided audit and investigative oversight of the Board, this initial management challenges report is based on the following:

- OIG audit and investigative activities performed to date pertaining to the Board and its operations.
- OIG's review of the Board's FY 2013 Performance and Accountability Report, which lists the Board's self-identified challenges at the time the document was issued.
- OIG interviews with the Board's management to obtain their views on what challenges the agency is facing and what efforts the agency has taken or are underway to address identified challenges.
- OIG review of two separate assessments performed in 2012 by private consultants under contract to the Board to provide such assessments and the Board's response to these assessments.

RESULTS

Congress in 1988 (PL 100-456) created the Board as an independent Executive Branch agency to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's (DOE) defense nuclear facilities, elevate those issues to the highest levels of authority, and inform the public. In operation since October 1989, the Board reviews and evaluates the content and implementation of health and safety standards, as well as other requirements, relating to the design, construction, operation, and decommissioning of the Department's defense nuclear facilities.

Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspectors General. I have defined serious management and performance challenges as *mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals.*

Based on this definition, and the basis for this report as described under "Background and Objectives," above, I have identified the following as the most serious management and performance challenges¹ facing the Board as of October 1, 2014:

¹ The challenges are not ranked in any order of importance.

1. Human capital management.
2. Internal controls.
3. Change management.

Challenge 1 – Human Capital Management

Overview

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

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

Assessment

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

Furthermore, the Board will need to continue developing agencywide internal guidance on succession planning. When retirees leave, their knowledge potentially goes with them and the Board will be at a serious disadvantage if the staff's knowledge is not documented in written form. According to assessments conducted for the Board in 2012 by a private consulting firm under contract with the Board, the Board does not regularly update future staffing requirements as part of an ongoing business planning process and needs to improve technical staff succession planning. OIG plans to address the Board's documentation of policies and procedures, which address knowledge transfer, in planned audits for FY 2015.

Challenge 2 – Internal Controls

Overview

Internal controls are the plans, methods, policies, and procedures an organization employs to ensure effective resource use in fulfilling its mission, goals, objectives, and strategic plan. A quality internal control program promotes operational efficiency, ensures that established policies are followed, safeguards assets, prevents fraud, minimizes errors, and verifies the accuracy and reliability of data.

Internal controls are essential to strong organizational performance and affect all of the Board's strategic areas and management objectives. Internal controls are vital for the Board's continued and successful completion of its mission related activities. According to the Board, internal controls for the following areas have been evaluated over the years with no significant or reportable issues: Time and Attendance, Transportation Fringe Benefits Subsidies, Purchase Cards, Employee Travel Cards, Property Accountability, Classified Documents, Security Clearances, Retention and Relocation Bonuses Program, Telework Program, Advisory and Assistance Contracts, Government in the Sunshine Act, and Information Systems Security. Furthermore, no material weaknesses were found during the FY 2013 audit of the Board's financial statements.

Assessment

While the Board states that it has a formal internal control policy, the agency did identify a lack of formal controls in its technical operations. Specifically, an assessment conducted in 2012 by a private consulting firm under contract with the Board suggests that the Board needs to strengthen internal controls and reviews of established internal controls in order for the agency to meet the primary objectives of Office of Management and Budget (OMB) Circular A-123² for providing reasonable assurance that its objectives are being accomplished in accordance with its enabling legislation and Federal regulations. Also, the process for and documentation of internal controls reviews conducted by the Board's Office of the Technical Director as part of the Board's annual assessment of internal controls is not well documented. The Board's senior management has confirmed with OIG that the agency has not done a good job of documenting procedures but they are in the process of updating existing policies and procedures. Ongoing and planned OIG audits at the Board are aimed at addressing internal control issues. For example, for FY 2015, OIG plans to review the Board's process for developing, implementing, and maintaining guidance.

² OMB Circular A-123 – Management's Responsibility for Internal Control.

Challenge 3 – Change Management

Overview

Change Management is a structured process and set of tools to facilitate change in an organization. A formalized change management process is particularly important in addressing communications, coordination, and other challenges in a changing environment.

Key aspects of a change management process include identification of stakeholders to the change, assessing the readiness of the organization for the change, and establishing a team to effect change with oversight by management. Change management also includes identifying and putting into place targeted training and new procedures to assist staff throughout the transition process. The situations where change management is called for are typically defined, and a graded approach (with the change management effort commensurate with the importance of the success of the change) is built into the process.

An organization's management is responsible for facilitating and enabling change by preparing staff to understand the purpose of the change. This requires management to effectively communicate and involve staff early in the process to facilitate a sentiment of trust and openness. Management must clearly articulate to affected staff what their role is in facilitating the change, including the new roles and responsibilities they will be expected to perform and how they will interact with other entities within the organization. Furthermore, management is responsible for identifying the potential barriers to change and developing plans to address them, in addition to providing a systematic transition plan and schedule to guide the change.

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

Assessment

The Board organization is facing multiple significant changes. These include human capital challenges as experienced technical staff retire, changes in DOE infrastructure and requirements, a new Board member, developing new guidance for ongoing activities, and others. For example,

Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Board

- The combination of an aging workforce and high demand for experienced scientists and engineers by other organizations is a challenge for the Board. Sixteen percent of the Board's technical staff is eligible for regular retirement. The Board must compete with other Federal agencies to attract and retain the highly qualified technical talent to continue to carry out its mission.
- The Board is challenged to conduct in-depth reviews of new defense nuclear facilities during design and construction to ensure the safety of the public and workers is addressed early in the design process. One prominent example of a high risk, new facility undergoing both design and construction is the multi-billion dollar Waste Treatment and Immobilization Plant in Richland, Washington.
- The Board also faces the challenge of oversight of DOE's transition to new facilities as aging, unsound facilities are replaced. For example, the Chemical and Metallurgy Research Facility at Los Alamos National Laboratory and the 9212 Complex at the Y-12 National Security Complex are of particular concern because of their deficient structures and advanced age.
- The Board is also challenged to continue to provide oversight support to the National Nuclear Security Administration as they continue to reform, enhance, and mature their oversight of contractor assurance and governance systems.
- The Secretary of Energy issued a memorandum titled "Enterprise Risk Management Framework for Directives," announcing a new framework for development, revision, and review of all DOE directives. The Board will be reviewing the process and evaluating proposed changes to nuclear safety requirements.
- The Board will need to closely monitor DOE to ensure DOE's safety program remains viable and adequately protective of public health and safety as DOE undergoes significant organizational change.
- DOE has developed actions responding to the Board's letter of August 28, 2012, that forwarded technical report DNFSB/TECH-37, "Integrated Safety Management at the Activity Level." The Board will continue reviews at DOE defense nuclear facilities to assess the implementation of these DOE improvement actions and the overall conduct of work planning and control.
- The Board will also be challenged to ensure changes are made by DOE in response to the accident at Fukushima Dai-ichi nuclear power plants in the areas of emergency response to severe events.

CONCLUSION

The challenges contained in this report are distinct, yet are interdependent to accomplishing the Board's mission. For example, the challenge of managing human capital affects the other management and performance challenges.

The agency's continued progress in taking actions to address the challenges presented should facilitate achievement of the agency's mission and goals.

BOARD COMMENTS

A discussion draft version of this report was provided to the Board on September 8, 2014, for review and comment. On September 25, 2014, the Board informed OIG it had no formal or informal comments to provide in connection with this report.

SCOPE AND METHODOLOGY

This report presents the IG's assessment of the most serious management and performance challenges facing the Board. The challenges represent critical areas or difficult tasks that warrant high level management attention. To accomplish this work, the OIG focused on determining (1) current challenges, (2) the Board's efforts to address the challenges during FY 2014, and (3) planned efforts to address the challenges. OIG reviewed and analyzed pertinent laws and authoritative guidance, the Board's FY 2013 Performance and Accountability Report, and two separate assessments performed in 2012 by private consultants under contract to the Board to provide such assessments and the Board's response to these assessments. OIG also sought input from Board officials concerning agency accomplishments relative to the challenge areas. Specifically, because challenges affect mission critical areas or programs that have the potential to impact agency operations or strategic goals, Board members, senior management officials of the Board, and the Chief Financial Officer were afforded the opportunity to share any information and insights on this subject.

OIG staff conducted this assessment from June through August 2014 at Board headquarters.