

FY 2016 PERFORMANCE AND ACCOUNTABILITY REPORT



TABLE OF CONTENTS

Chairman’s Message

Chapter 1: Management’s Discussion and Analysis

Introduction.....	1
About the Defense Nuclear Facilities Safety Board	1
Future Challenges	3
Program Performance Overview	4
Financial Performance Overview	11
Audit Results.....	12
Limitation of the Financial Statements.....	12
Financial Statement Highlights	13
Compliance with the Inspector General Act of 1978	14
Systems, Controls, and Legal Compliance.....	15

Chapter 2: Program Performance

Introduction.....	17
Strategic Goal 1: Improve Safety of Operations	19
Strategic Goal 2: Strengthen Safety Standards	30
Strategic Goal 3: Strengthen Safety in Design.....	35
Strategic Goal 4: Achieve Excellence in Management and Communication with Stakeholders	40

Chapter 3: CFO Letter, Auditor’s Reports, and Financial Statements

Chief Financial Officer (CFO) Letter.....	51
Inspector General’s Letter Transmitting Independent Auditor’s Report.....	52
Financial Statements	63

Appendix A – Inspector General’s Assessment of the Most Serious Management and Performance Challenges Facing the Board	76
---	----

Appendix B – Summary of Management Assurances	92
---	----

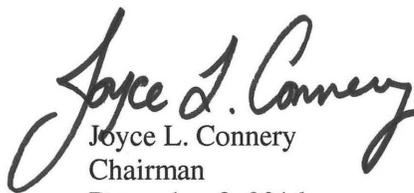
Chairman's Message

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) 2016. The report presents the Board's FY 2016 performance accomplishments, as well as key financial and performance information on our resource utilization. The Board's mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy in his role as operator and regulator of Department of Energy (DOE) defense nuclear facilities, to ensure adequate protection of public health and safety at such defense nuclear facilities. The Board is required by statute to review and evaluate the content and implementation of standards relating to the design, construction, operation, and decommissioning of DOE defense nuclear facilities, and to review the design of new DOE defense nuclear facilities and recommend to the Secretary modifications of design considered necessary to ensure adequate protection of public health and safety.

During FY 2016, the Board continued to make significant progress in ensuring the safety of the public and the workers at or near DOE defense nuclear facilities. Among its activities, the Board issued Recommendation 2015-1, *Emergency Preparedness and Response at Pantex*, to ensure that DOE corrected specific emergency response deficiencies at the Pantex Plant in Amarillo, Texas. In addition, the Board held a public hearing on the Management of Transuranic (TRU) Waste at the Los Alamos National Laboratory (LANL) on March 22, 2016, in Santa Fe, New Mexico. The purpose of the hearing was to gather information regarding hazards to the public and workers related to the management of anomalous TRU waste drums at LANL and to examine DOE's actions taken or planned to resolve known inadequacies found in the various TRU waste facilities.

The Board is committed to ensuring that public resources in its trust are used wisely. I am pleased to report that based on Federal Managers Financial Integrity Act (FMFIA) assessments, I have concluded (as required by Office of Management and Budget (OMB) Circular A-136) that the agency is in substantial compliance with FMFIA, and the financial and performance data published in this report are complete and reliable.

The Board remains committed to its nuclear safety mission at our nation's defense nuclear facilities. I am proud to lead our dedicated employees whose standard of excellence in carrying out this important mission mirrors the best of American excellence, values, and ideals.


Joyce L. Connery
Chairman
December 8, 2016

Chapter 1 Management's Discussion and Analysis

INTRODUCTION

This Performance and Accountability Report (PAR) summarizes the Board's oversight activities and associated resource expenditures for the period from October 1, 2015 through September 30, 2016 (FY 2016). 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 2016 is the 13th 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 2017 and FY 2018, as well as accomplishments for FY 2013 through 2016, will be included in its FY 2018 Budget Request to the Congress in accordance with the requirements of OMB Circular A-11. For FY 2016, the GPRA requirement to submit an annual performance report is satisfied by this PAR. The Board also published its *Twenty-Sixth Annual Report to Congress* on March 30, 2016, which highlighted achievements of the Board from Calendar Year 2015.

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

ABOUT THE DEFENSE NUCLEAR FACILITIES SAFETY BOARD

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

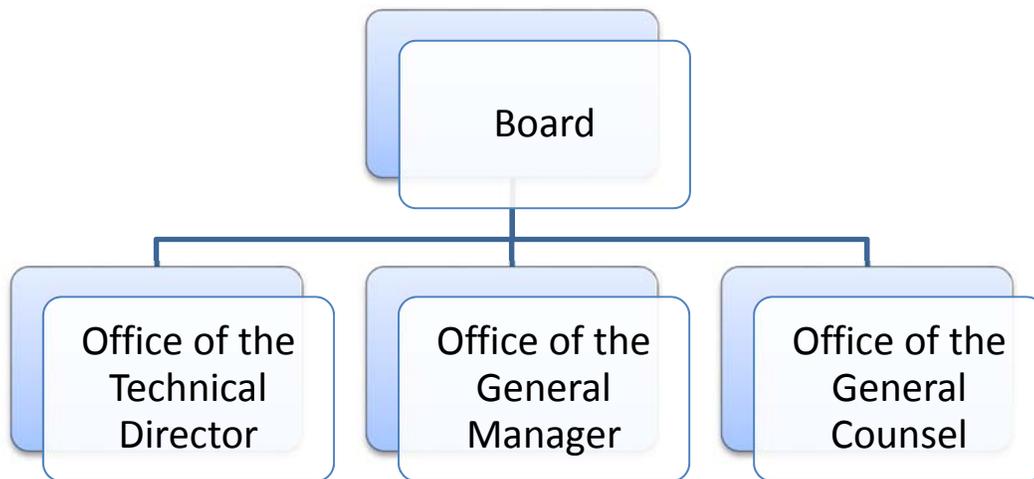
Provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in his/her role as operator and regulator of DOE defense nuclear facilities, in providing adequate protection of public health and safety at such defense nuclear facilities.

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

Organization

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

The Board's health and safety oversight activities are funded exclusively from a direct appropriation included in the annual Energy and Water Development Appropriations Act. The Board is composed of a budgeted staff of 120 positions (excluding the five Board members) arranged in a relatively flat management structure.



More than 85 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 assigning experienced technical staff members to full-time duty at priority DOE defense nuclear sites. As of September 30, 2016, ten full-time site representatives were stationed at the following DOE sites:

- Hanford Site (2)
- LANL (2)
- Pantex Plant (2)
- Savannah River Site (SRS) (2)
- Y-12 National Security Complex (Y-12) (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 is continuing its focus on DOE's ability to effectively respond to an emergency at one of its defense nuclear facilities. The Board issued Recommendation 2014-1, *Emergency Preparedness and Response*, on September 3, 2014, identifying problems with emergency preparedness and response of DOE sites with defense nuclear facilities and making recommendations on DOE actions to address weaknesses in its oversight capabilities and its associated safety directives. The Board followed up with Recommendation 2015-1, *Emergency Preparedness and Response at Pantex*, on October 5, 2015, to ensure that DOE corrected specific deficiencies at the Pantex Plant. DOE accepted both recommendations, has issued an acceptable implementation plan for 2015-1, and has issued an implementation plan for 2014-1 that is currently being evaluated. The Board will continue monitoring actions taken as part of the implementation plans, including performing focused reviews at major DOE defense nuclear sites to further assess site-level deficiencies and the effectiveness of DOE's corrective measures.

Second, the Board needs to continue its oversight of operations throughout the DOE defense nuclear complex to ensure operations are conducted safely. These operations include assembly and disassembly of nuclear weapons, fabrication of plutonium pits and weapon secondaries, production and recycling of tritium, criticality experiments, subcritical experiments, and a host of maintenance and other activities to address the radioactive legacy of more than 70 years of these operations. Continued effective oversight of the conduct of operations is the only way the Board may ascertain whether operations are being conducted with the appropriate formality, identify potential safety problems promptly, and advise the Secretary of Energy in order to ensure adequate protection of public and worker safety at DOE defense nuclear facilities. Moreover, DOE's numerous design and construction projects are beginning to culminate in the commissioning and startup of new facilities, which will pose a specific set of operational safety concerns requiring oversight by the Board. Upcoming and in-progress startups include the Integrated Waste Treatment Unit at Idaho National Laboratory (INL), the Transuranic Waste Facility at LANL, and the Salt Waste Processing Facility at SRS, with many more to come in future years.

Third, many DOE facilities are unsound, and the transition to new facilities will take decades. The Chemistry and Metallurgy Research Facility at LANL and facilities at Y-12 such as the 9212 Complex, 9204-2E, and the 9215 Complex are of particular concern because of their deficient structures and advanced age. The Board will need to evaluate the rigor and maintenance of a robust safety posture in such facilities and inform the Secretary of potential threats to public health and safety.

Fourth, in addition to conducting nuclear safety oversight of hundreds of existing defense nuclear operations, the Board is obligated by statute to conduct reviews of new defense nuclear facilities during design and construction to ensure the safety of the public and workers is addressed timely in the design process. DOE has more than a dozen major design and construction projects currently underway or planned for the near future. The Board will continue to expend resources to review the ongoing design efforts 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. The scope of these design and construction projects combined with the requirement for timely reviews will present a continued challenge.

Lastly, the Board's independent safety oversight remains essential in light of weaknesses in contractor assurance systems and federal safety oversight by DOE and NNSA. A 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 report notes that, despite five years of effort, NNSA and its support offices and site contractors had not yet implemented fully functional and effective contractor assurance systems. Particularly troubling was the recognition that contractor self-assessments were not effective in identifying safety weaknesses subsequently identified by independent reviews, and that federal site-level officials felt the contractor governance approach prohibited them from intervening in contractor activities. The U.S. Government Accountability Office (GAO) issued its own report in 2015 (GAO-15-216, May 22, 2015) that documented continued problems in NNSA's governance approach, including a lack of fully established policies or guidance and unresolved questions regarding the adequacy of federal staffing. DOE identified weaknesses in contractor assurance systems and federal oversight as root causes of (1) the fire and radiation contamination event at the Waste Isolation Pilot Plant (WIPP) which have shut down waste disposal operations since February 2014 and (2) the deficiencies in nuclear criticality safety and conduct of operations at LANL which led to a prolonged suspension of fissile materials operations at the laboratory's Plutonium Facility.

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

PROGRAM PERFORMANCE OVERVIEW

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

- **Strategic Goal 1, Improve Safety of Operations:** Perform independent oversight of operational safety of DOE's defense nuclear facilities to develop analysis, advice, and recommendations that will inform the Secretary of Energy in providing adequate protection of public health and safety at such defense nuclear facilities.
 - Strategic Objective 1.1-Accomplish independent and timely oversight to strengthen safety of operations involved in the maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.
 - Strategic Objective 1.2-Accomplish independent and timely oversight to strengthen safety of operations in cleanup of legacy defense nuclear wastes and facilities.
- **Strategic Goal 2, Strengthen Safety Standards:** Recommend and promote effective safety standards for the Secretary of Energy to apply in providing adequate protection of public health and safety at such defense nuclear facilities.
 - Strategic Objective 2.1-Accomplish independent oversight to strengthen the development, implementation, and maintenance of DOE regulations, requirements, and guidance for providing adequate protection of public health and safety at defense nuclear facilities.
 - Strategic Objective 2.2-Accomplish independent oversight to improve the establishment and implementation of safety programs at defense nuclear facilities.
- **Strategic Goal 3, Strengthen Safety in Design:** Recommend and promote safety in design for new and modified defense nuclear facilities.

- Strategic Objective 3.1-Accomplish independent oversight to strengthen the use of approved nuclear standards in the design and construction of defense nuclear facilities and major modifications to existing facilities.
- Strategic Objective 3.2-Accomplish independent safety oversight to enhance the clear and deliberate implementation of the principles and core functions of integrated safety management in the design, construction, and upkeep of safety systems in defense nuclear facilities.
- **Strategic Goal 4, Achieve Excellence in Management and Communication with Stakeholders:** Operate in a manner that is accountable to the public and achieves the mission efficiently and effectively.
 - Strategic Objective 4.1-Improve management controls to achieve the Board’s mission efficiently and effectively.
 - Strategic Objective 4.2-Improve the alignment of human capital strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.
 - Strategic Objective 4.3-Improve and sustain effective, transparent two-way communications between the Board and its stakeholders on safety issues in DOE’s defense nuclear complex and on the Board’s operations.

Interrelationship of the Strategic Objectives

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

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

The FY 2016 performance goals and accomplishments associated with each of these strategic objectives, as well as prior-year data, are shown in full in Chapter 2 of this report. A summary is as follows:

Strategic Goal 1

Strategic Objective 1.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
1.1.1	Conduct effective oversight through formal, well-planned safety reviews of the NNSA's defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.	Complete 10 reviews	Achieved > 10 Reviews
1.1.2	Conduct effective oversight through formal, well-planned reviews of NNSA's nuclear explosive safety activities.	Complete 3 reviews	Achieved > 3 Reviews
1.1.3	Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.	90% of letters result in NNSA assessment of the safety issue	Achieved 100% of letters resulted in NNSA assessment.
1.1.4	Maintain a near-continuous oversight presence at each of the following sites: LANL, Y-12, and Pantex.	220 days	Achieved Coverage at all three sites exceeded 220 days

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. The Board achieved its goal of conducting effective oversight of NNSA facilities by completing nineteen (versus the goal of ten) reviews, and achieved its goal of conducting effective oversight of nuclear explosive activities by completing four (versus the goal of three) reviews. The Board also achieved its goal of providing effective notification of potential safety issues as 100 percent of applicable Board letters resulted in a NNSA assessment of the safety issue. 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-EM operating defense nuclear facilities and facilities undergoing decommissioning and decontamination. Instructions, Operating Procedures, and Internal Controls.	Complete 10 reviews	Achieved > 10 Reviews

1.2.2	Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.	90% of letters result in DOE assessment of the safety issue	Achieved 100% of letters resulted in DOE assessment.
1.2.3	Maintain a near-continuous oversight presence at the Hanford Site and SRS.	220 days	Achieved Coverage at both sites exceeded 220 days

The Board achieved its three goals related to safety of operations involved in the cleanup of legacy defense nuclear wastes and facilities. The Board achieved its goal of conducting effective oversight of DOE-EM’s facilities by completing fourteen (versus the goal of ten) reviews and achieved its goal of providing effective notification of potential safety issues as 100 percent of applicable Board letters resulted in a DOE assessment of the safety issue. 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 “Directives of Interest to the Board”).	95%	Achieved 100%
2.1.2	Conduct effective oversight of the implementation of DOE Directives (as noted on the list of “Directives of Interest to the Board”) through formal, well-planned safety reviews of DOE defense nuclear facilities.	Complete 3 reviews	Achieved > 3 Reviews

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

Strategic Objective 2.2

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

2.2.2	Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities.	90% of letters result in DOE assessment of the safety issue	Achieved 100% of letters resulted in DOE assessment.
-------	---	---	---

The Board achieved its goal of conducting effective oversight of DOE’s establishment and implementation of safety programs at defense nuclear facilities by completing four reviews. The Board also achieved its goal for improving establishment and implementation of safety programs at DOE defense nuclear facilities, as 100 percent of Board letters providing notification actions to improve programs resulted in a DOE assessment of the potential action.

Strategic Goal 3

Strategic Objective 3.1

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
3.1.1	Promote and strengthen the early integration of safety into the design and construction of DOE’s defense nuclear facilities by reviewing the adequacy of safety design basis documents at major project Critical Decision milestones.	100%	Achieved 100% Complete
3.1.2	Provide early notification to DOE of safety issues at DOE design and construction projects by issuing project letters within 60 days of major Critical Decision milestones to document the Board’s assessment of the project’s safety strategy and readiness to proceed with the next project stage.	Within 60 days	Achieved Average of 57 days

For goal 3.1.1, the Board achieved its goal by documenting in a staff report a review of the associated safety design basis document for 100 percent of significant Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4). For goal 3.1.2, the Board also achieved its goal as the issuance of project letters to DOE documenting the Board’s assessment of each project’s safety strategy and readiness to proceed averaged 57 days from the major Critical Decision milestone.

Strategic Objective 3.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
3.2.1	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE’s defense nuclear facilities.	Complete 10 reviews	Achieved > 10 Reviews

3.2.2	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities.	90% of letters result in DOE assessment of the safety issue	Achieved 100% of letters resulted in DOE assessment.
-------	---	---	---

The Board achieved its two goals under this strategic objective by completing sixteen (versus the goal of ten) reviews of safety systems, and as 100 percent of Board letters providing notification regarding potential safety issues regarding design and construction projects resulted in a DOE assessment of the potential issue.

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 2 procedures	Not Achieved 80% Complete for Phase 2 procedures
4.1.2	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	75% Complete	Achieved 77% Complete
4.1.3	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	50% Complete	Achieved 50% Complete

For goal 4.1.1, the Board did not complete an update to one of five remaining OTD Phase 2 procedures. The Board achieved its other two goals under this strategic objective related to improving its internal control procedures in the OGM and OGC offices.

Strategic Objective 4.2

Goal	Goal Statement	Target Measure, Milestone, or Deliverable	Result
4.2.1	Achieve a more results-oriented performance culture.	Develop and implement electronic performance management systems for DN, General Schedule (GS) and Senior Executive Service (SES) performance appraisal systems by August 31, 2016.	Not Achieved

4.2.2	Address human capital gaps identified in critical mission functions.	Develop a useful and flexible workforce management plan to address human capital gaps identified by the Board's Office Directors for the entire Board and execute the plan by January 1, 2016.	Achieved
-------	--	--	----------

The Board achieved its goal for 4.2.2 by developing and executing the workforce management plan, and made progress against its goal for 4.2.1 by selecting an OPM-offered system; however, implementation is pending an agreement with OPM and system authorization. In terms of achieving a more results-oriented performance culture, the Board completed development of a new SES performance appraisal system that was approved for certification by OPM for immediate implementation. The Board also developed a new results-oriented GS performance management system that was approved by OPM and will be implemented in FY 2017, so that in FY 2017 all Board employees will be covered by results-oriented performance management systems.

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.	95% of reports posted with no more than 21 calendar days of processing time	Not 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.	1 report	Achieved 1 report submitted to Congress
4.3.3	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC.	3 public hearings	Not Achieved 1 public hearing

Goal 4.3.1 was not achieved. During FY 2016, the Board continued to produce and post Site Representative Weekly and site monthly reports on the Board's public website, but the timeliness metric was not achieved due to impacts from turnover in security staff and changes in approach for the work processes involved in this metric. The process for completing timely internal staff review along with external DOE classification and sensitivity reviews has been revised. Based on the revised process, the Board will propose a new metric for FY 2017.

Goal 4.3.2 was achieved as the Board published its 26th Annual Report to Congress on March 30, 2016, and this report included a section titled, *Status of Significant Unresolved Issues with DOE's Design and Construction Projects*, which satisfied the performance goal. Goal 4.3.3 was not achieved as the Board decided to hold only one public hearing in FY 2016.

The three-year trend data for all performance goals is shown in Chapter 2.

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

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

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

FINANCIAL PERFORMANCE OVERVIEW

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

As of September 30, 2016, 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.

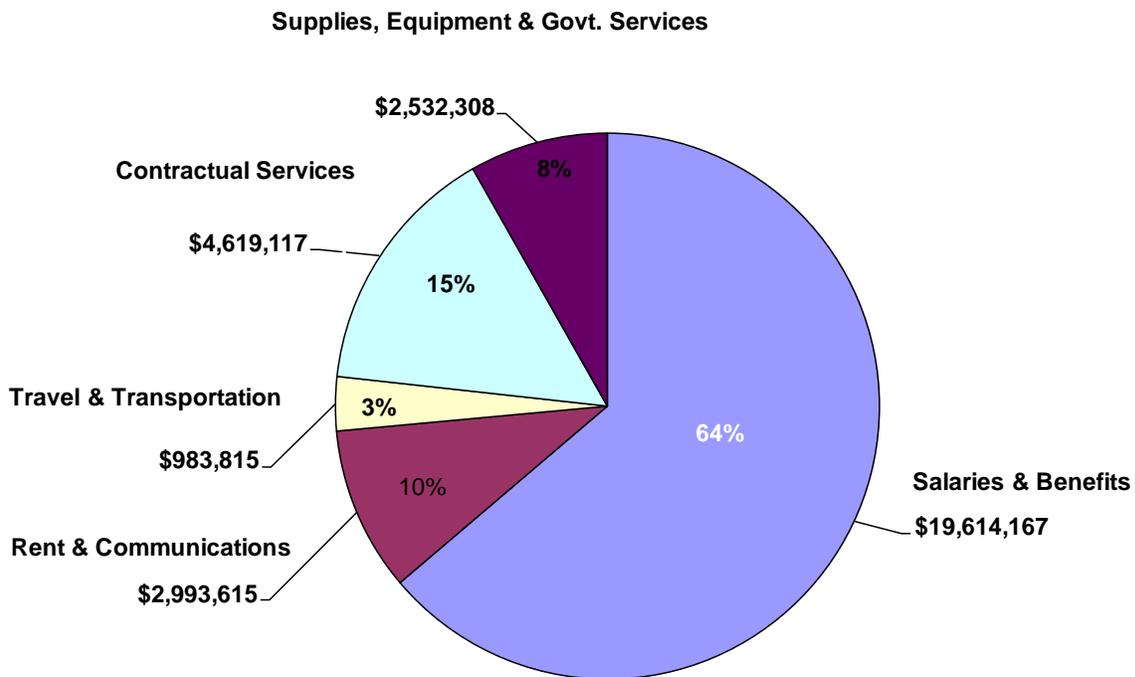
Sources of Funds

The Board receives an annual appropriation for Salaries and Expenses, with the funds made available for two years, i.e., unobligated appropriations are available for obligation in the next year before expiring for new obligations. Available sources of funds in FY 2016 totaled \$33,557,498, comprised of \$29,150,000 in new budget authority and \$4,407,498 in available funds from both the prior year unobligated balance and available prior year recoveries and offsetting collections.

Uses of Funds by Function

The Board incurred obligations of \$30,743,022 in FY 2016. As shown below, FY 2016 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 2016 Obligations = \$30,743,022



AUDIT RESULTS

The Board received an unmodified audit opinion on its FY 2016 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 2016</u>	<u>FY 2015</u>
Total Assets	\$13,716,673	\$13,105,953
Total Liabilities	\$ 3,343,013	\$ 2,877,393
Net Position	\$10,373,660	\$10,228,560

The Board's assets were \$13,716,673 as of September 30, 2016, an increase of \$610,720 from the end of FY 2015. Its total liabilities and net position (which together equal total assets) were \$3,343,013 and \$10,373,660, respectively, as of the end of FY 2016, increases of \$465,620 and \$145,100, respectively, from the end of FY 2015. 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 a \$650,000 increase in FY 2016 new budget authority (\$29,150,000 from \$28,500,000 in FY 2015)) was the primary reason for the increase in Total Assets. Larger accrued payroll expenses resulting from increased staff (the Board ended FY 2016 with 116 employees versus 106 at the end of FY 2015) was the primary reason for the increases in Total Liabilities. The increase in Total Assets offset by the increase in Total Liabilities resulted in the change in Net Position.

Analysis of the Statement of Net Cost

	<u>FY 2016</u>	<u>FY 2015</u>
Net Cost of Operations	\$29,672,359	\$27,403,584

The Board's net cost of operations for the year ended September 30, 2016, was \$29,672,359, an increase of \$2,268,775 or 8.3 percent from FY 2015 costs. The increase in net cost can primarily be attributed to higher personnel costs due to the increased personnel and an increase in the amount the Board is required to contribute for retirement and other personnel benefits, higher rent costs resulting from a new lease for the Board's office space, and increases in contractor costs.

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 FY 2016 Net Position of \$10,373,660 remained relatively unchanged, increasing slightly by \$145,100 or 1.4 percent from \$10,228,560 in FY 2015.

Analysis of the Statement of Budgetary Resources

The Statement of Budgetary Resources (SBR) shows the sources of budgetary resources 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 2016, the Board had Total Budgetary Resources of \$37,257,702, although not all of it was available for obligation as expired funds are included in both the prior year unobligated balance and much of the recoveries of prior year unpaid obligations. Total Budgetary Resources increased by \$2,486,668 or 7.2 percent from the FY 2015 amount of \$34,771,034.

For FY 2016, the Statement of Budgetary Resources showed the Board incurred obligations of \$30,743,022, an increase of \$2,829,001 or 10.1 percent from FY 2015 obligations of \$27,914,021. Higher obligations were primarily associated with higher personnel costs due to more personnel, as well as an increase in the amount the Board is required to contribute for retirement and other personnel benefits, higher rent costs resulting from a new lease for the Board's office space, and increases in contractor and asset obligations.

Net Outlays for FY 2016 were \$28,452,536, a \$2,107,100 or 8.0 percent increase from FY 2015 outlays of \$26,345,436. The increase in outlays is primarily attributed to the higher personnel and rent (which outlay in the year obligated).

COMPLIANCE WITH THE INSPECTOR GENERAL ACT OF 1978

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

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

The Board reports as follows for Fiscal Year 2016:

- (A) 42 U.S.C §2286k provides that the Inspector General of the Nuclear Regulatory Commission (NRC) serves as the Inspector General for the Board.
- (B) The NRC Office of Inspector General (OIG) completed six audits on Board programs during FY 2016, the first of which was the Audit of the Board's Information Security Program, (DNFSB-16-A-02). The Board has closed one of the three recommendations to update information security guidance to address security breaches, and to implement technical controls to limit access to sensitive information on a need-to-know basis. OIG also completed its Audit of DNFSB's Process for Developing, Implementing, and Updating Policy Guidance, (DNFSB-

16-A-05) and issued six recommendations to improve DNFSB's processes. Also, the OIG's Audit of DNFSB's Oversight of Nuclear Facility Design and Construction Projects, (DNFSB-16-A-06) resulted in six recommendations aimed at strengthening the efficiency and effectiveness of DNFSB's approach to oversight of defense nuclear facility design and construction projects. The Cybersecurity Act of 2015 Audit, (DNFSB-16-A-07) contains two recommendations to bring DNFSB into compliance with the Privacy Act of 1974 and the E-Government Act of 2002. The Board agrees with IG's recommendations from all the reports and plans to fully implement and close them out in FY 2017. No recommendations were issued from the OIG's Audit of the Board's Financial Statements for Fiscal Years 2015 and 2014, (DNFSB-16-A-04), and the Independent Evaluation of DNFSB's Implementation of the Federal Information Security Modernization Act (FISMA) of 2014 for FY 2015, (DNFSB-16-A-03).

In regard to prior year audits, the Board fully implemented and closed out the remaining four recommendations from the Audit of the Board's Travel Card and Travel Program, (DNFSB-15-A-05), and seven of the nine recommendations from the IG's Evaluation of the Board's Implementation of the Federal Information Security Management Act (FISMA) for Fiscal Year 2014. The remaining two recommendations were implemented in late FY 2016 and subsequently closed in October, 2016.

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

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Management Assurance and Internal Control

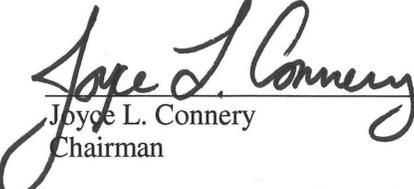
This section provides information on the Board's compliance with FMFIA, as well as other management information, initiatives, and issues. FMFIA requires that agencies establish controls that provide reasonable assurance that: (1) obligations and costs comply with applicable law; (2) assets are safeguarded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

Internal control is the organization, policy, and procedures that help managers achieve intended results and safeguard the integrity of their programs. The Board evaluated its internal control program for the fiscal year ending September 30, 2016. 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 OIG audits and reports.

The ECIC consists of the General Manager, the Technical Director, the General Counsel, and two Board Members. The NRC-OIG participates as an observer. The ECIC met to review the reasonable assurance assertions provided by the Office Directors and the reported internal control deficiencies. Based on the information provided, the ECIC reported to the Chairman that there were no internal control deficiencies serious enough to require reporting as a material weakness or non-compliance.

Unmodified Statement of Assurance (FMFIA)

The Defense Nuclear Facilities Safety Board's (DNFSB) management is responsible for managing risks and maintaining effective internal control to meet the objective of Section 2 of the Federal Managers' Financial Integrity Act (FMFIA). DNFSB conducted its assessment of risk and internal control in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, DNFSB can provide reasonable assurance that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2016.



Joyce L. Connery
Chairman

12/7/16
Date

Prompt Payment Act

The *Prompt Payment Act*, 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 2016, the Board incurred a minor interest penalty for one late payment.

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 2016, the Board's Government service providers made net total payments of \$28,452,536 on its behalf. Neither its service providers, nor the Board's finance staff, has identified any improper payments during this period.

GAO Investigations and Reports

In accordance with OMB Circular A-50, Audit Follow-up, ensuring prompt and proper resolution and implementation of audit recommendations is important to Board management. GAO report 15-181, *Defense Nuclear Facilities Safety Board: Improvements Needed to Strengthen Internal Control and Promote Transparency*, as revised March 2, 2015, contained six recommendations, one of which the Board disagreed with. The Board has taken actions to implement the other five recommendations. Four of the recommendations were closed by the GAO in FY 2016 and the fifth is pending further review. The report and the recommendation status can be found at <http://www.gao.gov/products/GAO-15-181>.

Chapter 2 Program Performance

Introduction

This chapter presents detailed information on the performance of the Board in achieving its mission during FY 2016. 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 2016* 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. 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 Board plans this type of oversight in advance, and those plans are generally not affected by 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 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 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 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 2016, including Board Members) and budget (approximately \$30.7 million in FY 2016 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 provided 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-Seventh Annual Report to Congress* will be issued during the first quarter of CY 2017.

Assessment of the Reliability and Completeness of Performance Data

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

Comparison of Fiscal Year 2016 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 2016, as well as prior-year trend data for FY 2015 and FY 2014. Detailed information concerning the Board's performance accomplishments in FY 2012 and FY 2013 is contained in the Board's FY 2017 Budget Request to Congress, which is published on the Board's website at www.dnfsb.gov.

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

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

Performance Goal 1.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	Conduct effective oversight through formal, well-planned safety reviews of the NNSA defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. Target: Number of reviews completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls	Complete 10 reviews	Achieved > 10 Reviews
Actual Results for Preceding Fiscal Years			
2015	Conduct effective oversight through formal, well-planned safety reviews of the NNSA defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.	Complete 10 reviews	Achieved 10 Reviews
2014	Conduct effective oversight through formal, well-planned safety reviews of the NNSA defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing.	Complete 8 reviews	Achieved 8 Reviews

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of conducting effective oversight of NNSA defense nuclear facilities engaged in the maintenance of the nuclear

weapons stockpile and in weapons-related research, development, and testing. The FY 2016 goal was to complete a minimum of ten safety oversight reviews. That goal was accomplished.

1. Lawrence Livermore National Laboratory (LLNL) Safety Basis Process and Implementation of Technical Safety Requirements (TSRs) Review, December 2015. Scope: Reviewed and assessed the implementation of important TSRs and other credited safety controls.
2. LLNL Probabilistic Seismic Hazard Analysis Review, May 2016. Scope: Reviewed LLNL's hazard category 2 facilities for seismic resilience. The primary focus was on the Plutonium Facility (B332) and its structural and nonstructural components credited for seismic safety.
3. LANL Plutonium Facility (PF-4) Nuclear Operations Restart – Pit Flowsheet Federal Readiness Assessment (FRA), November 2015. Scope: Reviewed the DOE Readiness Assessments that were performed as part of the resumption process following the Laboratory Director's operational pause on June 27, 2013.
4. LANL Safety Posture of Inappropriate Remediated Nitrate Salt Waste at Area G, June 2016. Scope: Tracked the LANL efforts to characterize the hazard posed by the existing storage configuration and assess any actions taken to stabilize and treat remaining drums of waste.
5. Nevada National Security Site (NNSS) Coring Project FRA, March 2016. Scope: Observed the FRA for the new coring project being introduced to the Device Assembly Facility (DAF). This included observing interviews with all coring project management and operations personnel and simulations of coring operations.
6. NNSS Review of National Criticality Experiments Research Center (NCERC) Instrumentation and Controls (I&C), August 2016. Scope: I&C subject matter expert reviewed the revision to the NCERC safety basis in order to determine if the I&C issues raised in the August 2010 Board Letter have been resolved.
7. Pantex Plant Structural Infrastructure Review, May 2016. Scope: Evaluated the current state of structural infrastructure at Pantex, focusing on facilities authorized for nuclear explosive operations and special nuclear material staging.
8. Pantex Plant August 2016 Site-Wide, Full Participation Emergency Exercise, September 2016. Scope: Evaluated the adequacy of the 2015 Pantex Full Participation Exercise and improvements resulting from Recommendation 2015-1.
9. Y-12 National Security Complex Building 9212 Confinement Ventilation, June 2016. Scope: Assessed the significance of any gaps, the risk of continued operations, and the effectiveness of actions taken to reduce this risk.
10. Y-12 National Security Complex Calciner Critical Decision-1/3A Package and Conceptual Design Review, June 2016. Scope: Evaluated the Calciner Conceptual Design to ensure that all radiological, chemical, and worker hazards had adequate controls to ensure that safety is integrated early in the design.

Additionally, the following staff reviews were completed during FY 2016:

LANL

1. Weapons Engineering Tritium Facility Nuclear Operations Restart
2. PF-4 Nuclear Operations Restart - Furnace Operations/ARIES/Casting FRA

Pantex Plant

1. Probabilistic Seismic Hazard Analysis
2. 2015/16 Emergency Response Exercise Review
3. Software Quality Assurance Implementation Review – Weapons Response Code
4. Review of Safety Basis Implementation
5. W84 FRA

Sandia National Laboratory (SNL)

1. Shadow EA-30 Research Reactor Review

Y-12 National Security Complex

1. NNSA Production Office Oversight

In FY 2015, the Board’s technical staff conducted more than ten reviews to meet the above objective of conducting effective oversight of NNSA defense nuclear facilities engaged in maintenance of the nuclear weapons stockpile and in weapons-related research, development, and testing. The technical staff conducted reviews at all NNSA sites including LANL Area G (Remediated Nitrate Salt-Bearing Waste Storage Phase, LLNL (Conduct of Operations and Maintenance), Pantex (Emergency Management Program), and Y-12 National Security Complex (Highly Enriched Uranium Materials Facility DSA).

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

Performance Goal 1.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<p>Conduct effective oversight through formal, well-planned reviews of NNSA’s nuclear explosive safety activities.</p> <p>Target: Number of reviews completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls</p>	Complete 3 reviews	<p>Achieved</p> <p>> 3 Reviews</p>

Actual Results for Preceding Fiscal Years			
2015	Conduct effective oversight through formal, well-planned reviews of NNSA’s nuclear explosive safety activities.	Complete 3 reviews	Achieved 3 Reviews
2014	Conduct effective oversight through formal, well-planned reviews of NNSA’s nuclear explosive safety activities.	Complete 3 reviews	Achieved 3 Reviews

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of effective oversight of NNSA’s nuclear explosive safety activities. The FY 2016 goal was to complete a minimum of three safety oversight reviews. That goal was accomplished.

1. W87 Nuclear Explosive Safety (NES) Study, June 2016. Scope: Observed the meeting of the subject NES study including the demonstrations and deliberations. The staff reviewed all input documents for the subject NES study, 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.
2. W78 Special Tooling NES Change Evaluation (NCE), September 2016. Scope: Observed the NCE or NES study including any demonstrations and deliberations. The staff reviewed all input documents for the subject NCE or NES study, 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
3. PT3854 Electrical Tester NES Study, September 2016. Scope: Ensured 1) that the tester met the requirements of the tester design guide; 2) that the safety study was conducted in accordance with the DOE Directive for NES and NNSA supplemental guidance; and 3) that the results of the safety study were appropriately captured and conveyed to the NNSA Production Office and Consolidated Nuclear Security contractor.

Additionally, the following staff review was completed during FY 2016:

1. W88 Valve Replacement NCE

In FY 2015, the Board’s technical staff conducted three reviews to meet the above objective of effective oversight of NNSA’s nuclear explosive safety activities. The technical staff conducted a W80 and B61 A/N Can Electrostatic Discharge NCE, a W87 Tester and W76 Isolator NCE, and UV/IR System Upgrade NCE.

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

Performance Goal 1.1.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<p>Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.</p> <p>Target: Percentage of Board letters regarding potential safety deficiencies sent to NNSA (for which the Board receives a response in the target year) that result in a NNSA assessment of the safety issues.</p>	90% (measured collectively with goals 1.2.2, 2.2.2, 3.2.2)	<p>Achieved</p> <p>100% of letters resulted in NNSA assessment of the safety issue</p>
Actual Results for Preceding Fiscal Years			
2015	<p>Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.</p>	85% of letters result in positive NNSA response	<p>Achieved</p> <p>100% of letters resulted in positive NNSA response</p>
2014	<p>Notify NNSA of potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations.</p>	80% of letters result in positive NNSA response	<p>Achieved</p> <p>100% of letters resulted in positive NNSA response</p>

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE/NNSA field office personnel, many of which resulted in DOE/NNSA actions to assess and take action in response to a safety issues. 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, and the response from NNSA received during FY 2016, are listed below:

1. Opportunities for Risk Reduction at the LANL Plutonium Facility through Minimization of Material-at-Risk (MAR). Board correspondence date: September 21, 2015. DOE/NNSA response date: None required. NNSA briefed Board members on 13 January, 23 March, 30 March, and 15 July, 2016 regarding actions taken to implement opportunities for MAR minimization. DOE/NNSA completed assessment of the safety issue: Yes.

2. Pantex Plant: Deficiencies in the Maintenance Program. Board correspondence date: November 12, 2015. DOE/NNSA response date: None required. DOE/NNSA completed assessment of the safety issue: Yes.
3. Safety Issues in the Safety Basis for Tritium Extraction Facility at SRS. Board correspondence date: January 7, 2016. DOE/NNSA response date: None required. DOE/NNSA completed assessment of the safety issue: Yes.
4. Seismic Qualification of Fire Suppression System at the Plutonium Facility, LANL. Board correspondence date: May 12, 2016. DOE/NNSA response date: Written response received August 29, 2016. DOE/NNSA completed assessment of the safety issue: Yes.

In FY 2015 and FY 2014, this performance goal was used to track NNSA positive response to Board correspondence. In each year, the correspondence issued to NNSA on potential safety issues at NNSA defense nuclear facilities and in nuclear weapons operations included five specific items of correspondence. Of these, four were determined to result in a positive response from DOE and one was indeterminate.

Performance Goal 1.1.4

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	Maintain a near-continuous oversight presence at each of the following sites: LANL, 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			
2015	Maintain a near-continuous oversight presence at each of the following sites: LANL, Y-12, and Pantex.	220 days	Not Achieved Coverage at Pantex less than 220 days
2014	Maintain a near-continuous oversight presence at each of the following sites: LANL, Y-12, and Pantex.	220 days	Achieved Coverage exceeded the target of 220 days

Discussion:

The Board’s site representatives and technical staff members conducted safety oversight and maintained a near-continuous oversight presence at LANL, Y-12, and Pantex during FY 2016.

- At LANL, the Board’s site representatives and technical staff members conducted 224 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 231 days of safety oversight, which exceeded the performance goal of 220 days.
- At Pantex, the Board’s site representative and technical staff members conducted 230 days of safety oversight, which exceeded the performance goal of 220 days.

In FY 2015, 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. Although coverage at LANL and Y-12 exceeded 220 days, only 218 days of coverage was conducted at Pantex. In FY 2014, coverage at all three site exceeded 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
2016	Conduct effective oversight through formal, well-planned safety reviews at DOE-EM operating defense nuclear facilities and facilities undergoing decommissioning and decontamination. Target: Number of reviews completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Control.	Complete 10 reviews	Achieved > 10 Reviews
Actual Results for Preceding Fiscal Years			
2015	Conduct effective oversight through formal, well-planned safety reviews at DOE-EM operating defense nuclear facilities and facilities undergoing decommissioning and decontamination.	Complete 10 reviews	Achieved 10 Reviews
2014	Conduct effective oversight through formal, well-planned safety reviews at DOE-EM operating defense nuclear facilities and facilities undergoing decommissioning and decontamination.	Complete 8 reviews	Achieved 8 Reviews

Discussion:

The Board’s technical staff conducted the following reviews to meet the above objective of conducting effective oversight of DOE-Office of Environmental Management (EM) facilities. The FY 2016 goal was to complete a minimum of ten oversight reviews. That goal was accomplished.

1. INL – IWTU Safety Instrumented System, November 2015. Scope: This review focused on the INL Integrated Waste Treatment Unit’s (IWTU) Safety Instrumented Systems (SIS). The review’s lines of inquiry focused on applicable portions of the DSA, design of the SIS, and the Technical Surveillance Requirements including SIS surveillance.
2. INL – Advance Mixed Waste Treatment Plant (AMWTP) Safety Basis Review, November 2015. Scope: Reviewed INL AMWTP facility nuclear safety basis including DOE Idaho (DOE-ID) review and approval. Review led to two Potential Inadequacies in the Safety Analysis (PISA) and a Board letter.
3. WIPP – ESS/Safety Basis Review, December 2015. Scope: Reviewed the consolidated Evaluation of the Safety of the Situation (ESS) for WIPP in order to determine whether the hazards analysis and control selection adequately protect the public and workers for underground work activities planned prior to resuming waste operations.
4. Oak Ridge National Laboratory (ORNL) – Transuranic Waste Processing Center (TWPC) Conduct of Operations Review, December 2015. Scope: Evaluated the contractor’s (Wastren Advantage, Inc.) programmatic elements and field implementation of conduct of operations and maintenance at ORNL’s TWPC, as well as federal oversight by the Oak Ridge Office of Environmental Management (OR-EM). Particular attention was paid to nuclear and high hazard operations (e.g., remote- and contact-handled drum activities) and maintenance activities (e.g., preventive, predictive, or corrective maintenance of safety systems) that supported radioactive waste handling, treatment, packaging, and storage missions. The staff prepared by reviewing safety basis, programmatic, and operational documents, as well as recent assessment reports, and followed up by observing operations and maintenance activities at TWPC.
5. Hanford – AY-102 Leakage Extent of Condition, January 2016. Scope: Reviewed the actions taken by Department of Energy—Office of River Protection (DOE-ORP) and Washington River Protection Solutions (WRPS) personnel in response to an extent of condition (EOC) assessment of the Hanford Tank Farms, 242-A Evaporator, and 222-S Laboratory hazards analyses.
6. WIPP – Documented Safety Analysis Rev 5 Review, March 2016. Scope: Reviewed the adequacy of the safety basis documents and safety systems to support safe restart of WIPP TRU waste disposal.
7. Hanford – REDOX Seismic Review, May 2016. Scope: The ‘Reduction-Oxidation’ or REDOX facility at Hanford includes the 202-S Canyon building. This canyon is a former fuel processing facility that began operations in 1952, was shut down in 1967, and was deactivated in 1969. The facility is currently in a surveillance and maintenance mode although DOE-Richland Operations Office (DOE-RL) and CH2M-Hill Plateau Remediation Company (CHPRC) personnel have noted that significant migrating contamination within the facility limits areas that are accessible.
8. SRS – H-Canyon Target Residue, May 2016. Scope: Reviewed the SRS H-Canyon facility nuclear safety basis that supports processing the target residue material (TRM) including limited review of the DOE Savannah River (DOE-SR) review and approval process.

9. Hanford – Waste Compatibility Program, July 2016. Scope: WCA program is a key safety management program called out by the Tank Farms DSA and ensures that safety basis assumptions of waste properties are protected.
10. Hanford – WESF K-3 Ventilation System Replacement Review, September 2016. Scope: Reviewed the project to stabilize the Waste Encapsulation and Storage Facility hot cells at the Hanford Site. The project scope included grouting the hot cells and existing high efficiency particulate air (HEPA) filter housings to fix residual contamination in place and installation of a new HEPA filter housing.
11. SRS Defense Waste Processing Facility (DWPF) follow-up review, September 2016. Scope: Performed a review of flammable gas hazards at the DWPF at SRS. Follow-up on a previous review that led to two PISAs and a Board letter.
12. Hanford – Plutonium Finishing Plant (PFP) Demolition Planning and Readiness Activities, August 2016. Scope: Studied the adequacy of CH2M Hill Plateau Remediation Company plans to deactivate and demolish the PFP.
13. SRS Nuclear Criticality Safety Program, September 2016. Scope: Reviewed the SRS criticality safety program and H-area implementation and issues.
14. WIPP Electrical Systems Follow-up, August 2016. Scope: Assessed physical condition and maintenance of facility level electrical distribution systems supporting surface and underground operations, evaluated resolution of previously identified issues, and discussed impact of implementing a safety-significant ventilation system on normal and backup power requirements.

In FY 2015, the Board’s technical staff conducted twenty reviews to meet the above objective of conducting effective oversight of DOE-EM facilities. The technical staff conducted reviews at the Hanford site (6), SRS (3), INL (5), and WIPP (6). In FY 2014, the Board’s technical staff conducted eight reviews to meet the above objective of conducting effective oversight of DOE-EM facilities. The technical staff conducted reviews at the Hanford site (3), SRS (3), INL (1), and WIPP (1).

Performance Goal 1.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<p>Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.</p> <p>Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE (for which the Board receives a positive response in the target year) that result in a DOE assessment of the safety issue.</p>	90% (measured collectively with goals 1.1.3, 2.2.2, 3.2.2)	<p>Achieved</p> <p>100% of letters resulted in NNSA assessment of the safety issue</p>

Actual Results for Preceding Fiscal Years			
2015	Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.	85% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response
2014	Notify DOE of potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations.	80% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. The correspondence issued to DOE on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations, and the response from DOE received during FY 2016, are listed below.

1. Board Recommendation 2012-2 Implementation Plan. Board correspondence date: December 5, 2014. DOE response date: October 26, 2015. DOE/NNSA completed assessment of the safety issue: Yes.
2. DWPF Safety Basis Review. Board correspondence date: August 3, 2015. DOE response date: December 16, 2015. DOE/NNSA completed assessment of the safety issue: Yes.
3. Recommendation 2012-1 Implementation Progress (SRS Building 235-F). Board correspondence date: November 10, 2016. DOE response date: January 15, 2016. DOE/NNSA completed assessment of the safety issue: Yes.

In FY 2015 and FY 2014, this performance goal was used to track NNSA positive response to Board correspondence. The Board issued DOE four pieces of correspondence on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations during FY 2015 and four during FY 2014. All nine pieces of correspondence were assessed to result in a positive response.

Performance Goal 1.2.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	Maintain a near-continuous oversight presence at the Hanford Site and 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			
2015	Maintain a near-continuous oversight presence at the Hanford Site and SRS.	220 days	Achieved Coverage exceeded the target of 220 days
2014	Maintain a near-continuous oversight presence at the Hanford Site and SRS.	220 days	Achieved Coverage exceeded the target of 220 days

Discussion:

The Board’s site representatives and technical staff members conducted safety oversight and maintained a near-continuous oversight presence at Hanford and SRS during FY 2016.

- At Hanford, the Board’s site representatives and technical staff members conducted 241 days of safety oversight, which exceeded the performance goal of 220 days.
- At SRS, the Board’s site representatives and technical staff members conducted 237 days of safety oversight, which exceeded the performance goal of 220 days.

In both FY 2015 and FY 2014, coverage at each site exceeded the target of 220 days.

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

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

Performance Goal 2.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	Strengthen DOE’s Directives by providing timely oversight and comments to improve revised and newly issued DOE Directives (as noted on the list of “Directives of Interest to the Board”). Target: Percentage of DOE Directives entering the review- comment period for which the Board provides comments on or before the Review Date Deadline.	95%	Achieved 100%
Actual Results for Preceding Fiscal Years			
2015	Strengthen DOE’s Directives by providing timely oversight and comments to improve revised and newly issued DOE Directives (as noted on the list of “Orders of Interest to the Board”).	95%	Achieved 100%
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”).	90%	Not Achieved 74%

Discussion:

During FY 2016, the Board’s staff completed 52 reviews of 59 DOE directives with all of the reviews completed by the Review Date Deadline.

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

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

significantly after the implementation of new internal control processes at mid-year. During the 3rd and 4th quarters of the fiscal year, the timeliness response rate to DOE from the Board was nearly 100%.

Performance Goal 2.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	Conduct effective oversight of the implementation of DOE Directives (as noted on the list of “Directives of Interest to the Board”) through formal, well-planned safety reviews of 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 3 reviews	Achieved > 3 Reviews
Actual Results for Preceding Fiscal Years			
2015	Conduct effective oversight of the implementation of DOE Directives (as noted on the list of “Directives of Interest to the Board”) through formal, well-planned safety reviews of DOE defense nuclear facilities.	Complete 3 reviews	Achieved 3 Reviews
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.	Complete 2 reviews	Achieved 2 Reviews

Discussion:

In FY 2016, five 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. NNSS Quality Assurance (QA) Review, December 23, 2015. Scope: Review of compliance with QA and Software Quality Assurance (SQA) requirements and included the QA Program of both the Nevada Field Office and the prime contractor, National Security Technologies, LLC.
2. Emergency Exercise Observation at LANL, February 24, 2016. Scope: Initial staff review of LANL exercise scenarios, exercise execution and control, emergency communications, and facility response.

3. Emergency Exercise Observations at INL, September 22, 2016. Scope: Staff review of INL exercise scenarios, exercise execution and control, emergency communications, and facility response.
4. Additional Emergency Exercise Observations at LANL, September 8, 2016. Scope: Staff review of LANL site wide exercise scenarios, exercise execution and control, emergency communications, and facility response.
5. Emergency Exercise Observation at Hanford, June 23, 2016. Scope: Staff review of Hanford exercise scenarios, exercise execution and control, emergency communications, and facility response.

In FY 2015, three such reviews were completed covering the following topics: 1) Review of the SQA in a Packaging and Transportation Computer Code; 2) Emergent Review of the RadCalc 4.1.1 Safety Calculation Advisory; and 3) SQA Audit of Boston Government Services.

In FY 2014, two such reviews were completed covering the following topics: SNL Conduct of Operations and Maintenance, and SRS SWPF Quality Assurance Program.

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

Performance Goal 2.2.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<p>Conduct effective oversight through formal, well-planned reviews of DOE’s establishment and implementation of safety programs at defense nuclear facilities.</p> <p>Target: Number of reviews completed that comply with the Board’s new Technical Staff Instructions, Operating Procedures, and Internal Controls.</p>	Complete 4 reviews	Achieved 4 Reviews
Actual Results for Preceding Fiscal Years			
2015	<p>Conduct effective oversight through formal, well-planned reviews of DOE’s establishment and implementation of safety programs at defense nuclear facilities.</p>	Complete 4 reviews	Achieved 4 Reviews

2014	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 3 Reviews
------	--	--------------------	---------------------------

Discussion:

In FY 2016, four reviews were completed to evaluate the establishment and implementation of safety programs at defense nuclear facilities. These reviews covered the following topics:

1. Safety Culture Improvement Action at the Hanford Waste Treatment and Immobilization Plant (WTP), October 19, 2015. Scope: Review of the safety culture improvement plans and corrective actions the DOE ORP and WTP Contractor performed.
2. 2015 Annual Site Emergency Exercise SNL, November 10, 2015. Scope: Review of the Annual Site Emergency Exercise at SNL including pre-exercise training, incident command and emergency operations center, and participant hot wash and evaluator after-action sessions.
3. LANL Emergency Preparedness and Response Program, April 15, 2016. Scope: Review of the LANL EP&R Program including drills and exercises, training, incident command and emergency operations center, and participant hot-wash and evaluator after-action sessions.
4. Emergency Exercise Observations at Y-12 National Security Complex, June 10, 2016. Scope: Staff review of Y-12 exercise scenarios, exercise execution and control, emergency communications, and facility response.

In FY 2015, four such reviews were completed covering the following topics: 1) Follow-on Review of LANL Work Planning and Control; 2) Review actions associated with safety culture assessments at WTP in Hanford, Washington; 3) Emergency Preparedness and Response at the Pantex Plant; and 4) DOE’s Deliverables on Sustainment Tools for Recommendation 2011-1.

In FY 2014, three such reviews were completed covering the following topics: 1) Hanford Plutonium Finishing Plant Activity-Level Work Planning and Control; 2) Savannah River Nuclear Solutions Activity-Level Work Planning and Control; and 3) DOE Headquarters Emergency Response Function.

Performance Goal 2.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<p>Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities.</p> <p>Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE (for which the Board receives a response in the target year) that result in a DOE assessment of the safety issues.</p>	90% (measured collectively with goals 1.1.3, 1.2.2, 3.2.2)	<p>Achieved</p> <p>100% of letters resulted in NNSA assessment of the safety issue</p>
Actual Results for Preceding Fiscal Years			
2015	Notify DOE of potential actions to improve establishment and implementation of safety programs at DOE defense nuclear facilities.	85% of letters result in positive DOE response	<p>Achieved</p> <p>100% of letters resulted in positive DOE response</p>
2014	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	<p>Achieved</p> <p>100% of letters resulted in positive DOE response.</p>

Discussion:

The metric used to evaluate this goal is limited to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board staff concerns to the appropriate DOE headquarters or field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. The correspondence issued to DOE regarding actions to improve establishment and implementation of safety programs, and the response from DOE during FY 2016, are listed below:

1. Recommendation 2015-1, Emergency Preparedness and Response at Pantex. Board correspondence date: November 24, 2015. DOE response date: January 13, 2016. DOE/NNSA completed assessment of the safety issue: Yes.
2. Annual Criticality Safety Reporting Requirement Modification. Board correspondence date: February 26, 2016. DOE response date: April 19, 2016. DOE/NNSA completed assessment of the safety issue: Yes.

In FY 2015 and FY 2014, this performance goal was used to track NNSA positive response to Board correspondence. The Board issued DOE four pieces of correspondence regarding actions to improve establishment and implementation of safety programs during FY 2015. All four of those were assessed to result in a positive response. The Board issued DOE three pieces of correspondence regarding actions to improve establishment and implementation of safety programs which were assessed to result in a positive response during FY 2014

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.

Performance Goal 3.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<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			
2015	<p>Promote and strengthen the early integration of safety into the design and construction of DOE's defense nuclear facilities by reviewing the adequacy of safety design basis documents at major project Critical Decision milestones.</p>	100%	<p>Achieved</p> <p>100% Complete</p>
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>	100%	<p>Achieved</p> <p>100% Complete</p>

Discussion:

During FY 2016, the Board’s technical staff completed and documented reviews of the safety design basis documents for four 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 CD-1 preliminary design milestone in December 2015 (WIPP Underground Ventilation System [DOE Project # 15-D-411]) and one that expects to achieve CD-2/3 approval date during fiscal year 2017 (LANL Plutonium Facility Equipment Installation Phase 1 [DOE Project # 04-D-125-05]). In the latter case, an Information Paper and review were conducted prior to the CD approval date. The Board staff will continue to follow NNSA’s efforts to integrate safety in design as the PEI project proceeds through design and construction in FY 2017. There were also two projects within the LANL complex that completed reviews on safety design basis documents in anticipation of the CD-4 project completion milestone for each. The projects with their corresponding documents were as follows: Transuranic Waste Facility (DOE Project # 12-D-301-02) DSA review and the Transuranic Liquid Waste Treatment Facility (DOE Project # 07-D-220-03) PSDR review.

During FY 2015, the Board’s technical staff completed and documented reviews of the safety design basis document for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone which corresponded to an actual result of 100%. These projects include two that achieved the CD-1 preliminary design milestone: Low Activity Waste Pretreatment System and the Electrorefining piece of the Y-12 Metal Purification Process, a major modification to an existing Hazard Category 2 defense nuclear facility. There were two projects that achieved the CD-4 project completion milestone: the Waste Solidification Building and the SRS Purification Area Vault Project. In the case of the Waste Solidification Building, an oversight review was unnecessary as this project immediately entered cold standby and DOE did not produce an approved DSA.

During FY 2014, the Board’s technical staff completed and documented reviews of the safety design basis document for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone which corresponded 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), and two that achieved the CD-3 final design milestone during FY 2014 (Transuranic Waste Facility and KW Basin Sludge Removal Project).

Performance Goal 3.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<p>Provide early notification to DOE of safety issues at DOE design and construction projects by issuing project letters within 60 days of major Critical Decision milestones to document the Board’s assessment of the project’s safety strategy and readiness to proceed with the next project stage.</p> <p>Target: The average number of days for the Board to issue a project letter to DOE for Hazard Category 2 projects achieving a Critical Decision milestone (CD-1, 2, 3, 4).</p>	Within 60 days	<p>Achieved</p> <p>Average of 57 days.</p>

Actual Results for Preceding Fiscal Years			
2015	Provide early notification to DOE of safety issues at DOE design and construction projects by issuing project letters within 60 days of major Critical Decision milestones to document the Board's assessment of the project's safety strategy and readiness to proceed with the next project stage.	100%	Not Achieved 66% Complete
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.	100%	Not Achieved 33% Complete

Discussion:

During FY 2016, the Board issued project letters for two 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: WIPP Underground Ventilation System (DOE Project # 15-D-411). Another project letter was written for a project that received a CD-1/3A milestone approval in September of FY 2015: Metal Purification Project Major Modification at Y-12. In both cases, the project letters were completed within 60 days and had a successful average of 57 days. The third project had an info paper that was completed prior to the CD-2/3 milestone approval date for the LANL Plutonium Facility Equipment Installation (DOE Project # 04-D-125-05). A project letter has been drafted and will be sent once a CD approval date is reached in early FY 2017.

During FY 2015, the Board issued project letters for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone. These projects include one that achieved the CD-1 preliminary design milestone: Low Activity Waste Pretreatment System. There were two projects that achieved the CD-4 project completion milestone during FY 2015: the Waste Solidification Building and the SRS Purification Area Vault Project. Two of the project letters were issued within 60 days of the CD milestone. This corresponded to a success rate of 66% for this performance goal.

During FY 2014, the Board issued project letters for three significant Hazard Category 2 projects that were approaching a Critical Decision milestone. These projects included one that achieved the CD-1 preliminary design milestone, Sludge Processing Facility Buildouts, and two that achieved the CD-3 final design milestone, Transuranic (TRU) Waste Facility and KW Basin Sludge Removal Project. One of the project letters was issued in advance of the CD milestone (the FY 2014 target measure), which corresponded to a success rate of 33%.

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
2016	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE's defense nuclear facilities. Target: Number of reviews completed of safety systems that comply with the Board's new Technical Staff Instructions, Operating Procedures, and Internal Controls.	Complete 10 reviews	Achieved > 10 Reviews
Actual Results for Preceding Fiscal Years			
2015	Conduct effective oversight through formal, well-planned reviews of the design, construction, and upkeep of safety systems at DOE's defense nuclear facilities.	Complete 10 reviews	Achieved 10 Reviews
2014	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 6 Reviews

Discussion:

In FY 2016, sixteen reviews of safety systems were completed that comply with the Board's Technical Staff Instructions, Operating Procedures, and Internal Controls. These reviews covered the following topics:

- A System for the Analysis of Soil-Structure Interaction Final Calculation Package
- WTP Emergency Turbine Generators Qualifications
- WTP Process for Delayed Safety-Related Structures, Systems and Components Installation
- INL Probabilistic Seismic Hazard Analysis Update Plan
- Uranium Processing Facility Confinement Strategy
- WTP Pipeline Plugging
- WIPP Permanent Ventilation System
- Salt Waste Processing Facility (SWPF) Radiography Testing
- WTP Analytical Laboratory Facility Preliminary Documented Safety Analysis (PDSA) Update
- SWPF Fire Protection Review
- Y-12 Extended Life Program Recommendations
- WTP Preliminary Co-Precipitated Plutonium Criticality Control Strategy

- WTP Direct Feed Low Activity Waste Facility (LAW) PDSA Update (Effluent Management Facility PDSA)
- WTP LAW Design & Operability Report
- LANL Plutonium Facility Technical Area 55 Reinvestment Project Uninterruptible Power Supply
- LAW Confinement Strategy

In FY 2015, ten reviews of safety systems were completed that comply with the Board’s Technical Staff Instructions, Operating Procedures, and Internal Controls. These reviews covered topics including Safety Instrumented Systems at SWPF, Confinement Ventilation at the Uranium Processing Facility, and a Nuclear Safety Initiatives Review for the Sludge Treatment Project. There were a total of six reviews performed at WTP. These review topics included Melter Accidents and Hazard Analysis, Seismic Classification of the Confinement Boundary, Hydrogen Control Strategy, and Sampling for Waste Feed Delivery.

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

Performance Goal 3.2.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities. Target: Percentage of Board letters regarding potential safety deficiencies sent to DOE (for which the Board receives a response in the target year) that result in a DOE assessment of the safety issues.	90% (measured collectively with goals 1.1.3, 1.2.2, 2.2.2)	Achieved 100% of letters resulted in NNSA assessment of the safety issue
Actual Results for Preceding Fiscal Years			
2015	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities.	85% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response.
2014	Notify DOE of potential safety issues regarding design and construction projects at defense nuclear facilities.	80% of letters result in positive DOE response	Achieved 100% of letters resulted in positive DOE response.

Discussion:

The metric used to evaluate this goal is applied to reviews that resulted in official Board correspondence to DOE. Each of the reviews described above resulted in the communication of Board to the appropriate DOE field office personnel, many of which resulted in action intended to effect improvement. This goal focuses on those issues that were evaluated as significant enough to merit correspondence. Board correspondence can be in the form of a letter that does not request a written response from DOE, or in the form of a letter with a reporting requirement or a Board recommendation, both of which require a written response. There was one Board letter produced for design and construction projects that applies to the performance goal. In this case, DOE assessed the issue and gave enough information to warrant a positive response. With the addition of the other applicable Board Letters and because this performance goal is measured collectively with performance goals 1.1.3, 1.2.2, and 2.2.2, this metric can be measured at 100 percent for FY 2016.

The correspondence issued to DOE on potential safety issues regarding design and construction projects at DOE defense nuclear facilities, and the response by DOE received during FY 2016, is listed below:

1. Board letter establishing a 45 day reporting requirement for a letter regarding DOE's position on controlling river access and protecting public receptors from accidents during Sludge Treatment Project (STP) slurry transfers. Correspondence date: August 21, 2015. DOE response date: November 18, 2015. DOE/NNSA completed assessment of the safety issue: Yes.

In FY 2015 and FY 2014, this performance goal was used to track NNSA positive response to Board correspondence. The Board issued correspondence to DOE on potential safety issues regarding design and construction projects at defense nuclear facilities in eleven different instances during FY 2015. In all letters that required a DOE response, it was determined that the assessment was positive. In FY 2014, the Board issued correspondence to DOE on potential safety issues at DOE defense nuclear facilities and in nuclear waste remediation operations in two instances: the Transuranic Waste Processing Center Sludge Processing Facility Buildouts Project at ORNL, and the Transuranic Waste Facility Project at LNL. In both instances the response was assessed to be positive

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

Strategic Objective 4.1: Improve internal management controls to achieve the Board's mission efficiently and effectively.

Performance Goal 4.1.1

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	<p>Within OTD, develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities.</p> <p>Target: Percentage completion of implementation of new procedures.</p>	100% complete for Phase 2 procedures	<p>Not Achieved</p> <p>80% Complete for Phase 2 procedures</p>
Actual Results for Preceding Fiscal Years			
2015	<p>Within OTD, develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities.</p>	<p>100% complete for Phase 1 procedures</p> <p>50% complete for Phase 2 procedures</p>	<p>Achieved</p> <p>100% Complete for Phase 1 procedures;</p> <p>50% complete for Phase 2 procedures</p>
2014	<p>Within OTD, develop and implement formal procedures and Internal Controls prescribing effective and efficient safety oversight of DOE defense nuclear facilities.</p>	100% complete for Phase 1 procedures	<p>Not Achieved</p> <p>48% Complete</p>

Discussion:

In FY 2016, the Board completed implementation of four out of the five remaining Phase 2 procedures. The four procedures that were completed and implemented were as follows:

- WP-520.1-0C, *Expectations and Guidance for Design and Construction Project Cognizant Engineers*
- WP-520.1-0D, *Expectations and Guidance for Site Cognizant Engineers*
- OP-542.1-5, *Developing Board Letters*
- OP-532.1-1, *Performing Reviews of New or Revised DOE Directives*

In FY 2015, the Board completed implementation of Phase 1 documents after completing 48% in FY 2014. This included the majority of the technical staff day-to-day work processes. In addition, the technical staff implemented 50 percent of the Phase 2 documents by the end of the fiscal year. Phase 1 included 29 Instructions, Operating Procedures, and Notices. The technical staff redefined Phase 2 to include 10 Operating Procedures and Work Practices that support day-to-day work processes. This occurred after an external survey of the staff indicating that the scope of the originally defined documents

was too complex. Therefore, the technical staff arrived at a reduced number of documents for Phase 2 by consolidating and combining documents.

Information on Unmet Target in FY 2016:

The Board did not complete an update to technical staff procedure OP-542.1-6, *Developing Board Recommendations*, as planned during FY 2016. This revision was intended to capture operating procedures for evaluating and interacting on DOE Implementation Plans associated with Board Recommendations. A revision to the procedure was drafted consistent with the Board’s Policy Statement 1, *Criteria for Judging the Adequacy of DOE Responses and Implementation Plans for Board Recommendations*. However, the procedure was not approved. Late in FY 2016, the National Archives and Records Administration (NARA) released regulations regarding the protection of Controlled Unclassified Information (CUI). The proposed revision to OP-542.1-6 contains steps that involve CUI that need to be aligned with the NARA regulations and guidance. The procedure revision is now planned for FY 2017.

Performance Goal 4.1.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	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.	75% Complete	Achieved 77% Complete
Actual Results for Preceding Fiscal Years			
2015	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board’s mission.	50% Complete	Achieved 60% Complete
2014	Within OGM, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board’s mission.	33% Complete	Not Achieved 32% Complete

Discussion

In FY 2014, OGM embarked on a multi-year goal to assess its operating procedures for significant work processes. The Board’s Internal Control Program Operating Procedures identified 25 significant work processes within OGM. Ten work processes received internal control assessments in FY 2014 and were reviewed by the Board’s ECIC. Of those, eight or 32 percent (i.e., 8 of 25) were assessed by the ECIC as

having effective internal controls. In FY 2015, 13 work processes were assessed for a cumulative total over both years of 16 (seven work processes were assessed both years). Of the 16, 15 or 60 percent (i.e., 15 out of 25) were assessed by the ECIC as having effective internal controls. An additional OGM work process was added in 2016 to bring the total to 26. In FY 2016, 12 of the 26 work processes (3 of which were repeat assessments) were assessed for a cumulative total over all three years of 25. Of the 26, 20 or 77 percent (i.e., 20 out of 26) were assessed as having effective internal controls. Corrective action plans have been established for the remaining work processes with the goal of correcting internal control weaknesses in FY 2017.

Performance Goal 4.1.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission. Target: Percentage completion of newly developed procedures. This indicator does not include other OGC tasks or completed work.	50% Complete	Achieved 50% Complete
Actual Results for Preceding Fiscal Years			
2015	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	33% Complete	Achieved 36% Complete
2014	Within OGC, develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission.	40% Complete	Not Achieved 21% Complete

Discussion

Continued staffing shortfalls and emerging work hampered OGC efforts to develop and implement formal procedures and Internal Controls prescribing effective and efficient support of the Board's mission. However, OGC developed targeted procedures for implementation of the Hatch Act, receipt and processing of safety allegations, and alternative dispute resolution. One procedural update to Touhy implementing regulations governing agency employee testimony and the production of agency records in court cases was deferred by the Board to allow support for emerging work. After an assessment and ECIC review of its internal work process for drafting legal memoranda, the planned development of a procedure on drafting legal memoranda was determined to be unnecessary and was cancelled. Implementation of the three developed procedures will require additional work in FY 2017. Completion

of development, but not implementation, of the three procedures is assessed as 50 percent of the target measure of completion of the newly developed procedures.

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
2016	Achieve a more results-oriented performance culture. Target: Number of employees operating under a performance-based appraisal system.	Develop and implement electronic DN, General Schedule (GS) and Senior Executive Service (SES) performance appraisal systems by August 31, 2016.	Not Achieved
Actual Results for Preceding Fiscal Years			
2015	Achieve a more results-oriented performance culture.	(1) Implement a Senior Executive Service (SES) performance appraisal system that achieves certification by the Office of Personnel Management (OPM) by September 30, 2015; (2) Implement a revised General Schedule (GS) performance management system that supports a results-oriented performance culture at the Board.	Not Achieved
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

Discussion

The Board implemented a more results-oriented performance-based appraisal system for its excepted service staff (engineers and scientists) in FY 2012, and planned to implement a more results-oriented performance appraisal system for its GS staff in FY 2015, along with achieving a certified SES appraisal system. Those goals were achieved in FY 2016. The Board completed development of a new SES performance appraisal system along with the supporting documentation necessary for OPM review (e.g., a new policy on SES pay). OPM approved system certification in August, 2016 for immediate implementation. The Board also developed a new results-oriented GS performance management system that was approved by OPM in May, 2016. The new system will be implemented for FY 2017 performance, so that in FY 2017 all Board employees will be covered by results-oriented performance management systems.

Information on Unmet Target

The Board conducted market research on available systems and tentatively selected an OPM-offered system that will meet the performance goal objectives; however, implementation is pending final execution of an agreement with OPM and system authorization. It is anticipated the new system will be piloted with SES employees during the 1st half of FY 2017, and then rolled out to the rest of the agency before the end of the fiscal year.

Performance Goal 4.2.2

Fiscal Year	Goal Statement	Target Measure, Milestone, or Deliverable	Result
2016	Address human capital gaps identified in critical mission functions. Target: Number of unfulfilled critical mission functions.	Develop a useful and flexible workforce management plan to address human capital gaps identified by the Board's Office Directors for the entire Board and execute the plan by January 1, 2016.	Achieved
Actual Results for Preceding Fiscal Years			
2015	Address human capital gaps identified in critical mission functions. Target: Number of unfulfilled critical mission functions.	Develop a useful and flexible workforce management plan to address human capital gaps in the mission critical positions identified by Board's Office Directors for FY 2015 execution.	Achieved

2014	Address human capital gaps identified in critical mission functions. Target: Number of unfulfilled critical mission functions.	Critical mission functions are defined within each position (entry-, mid-, and senior-career level) by June 30, 2014.	Achieved
------	---	---	----------

Discussion

In FY 2016, the agency planned and executed its most comprehensive and diverse recruitment effort to fill identified mission-critical positions in agency history. Based on identified gaps in the workforce, recruitments and selections for all mission-critical DN positions were performed by the end of the fiscal year. Additionally, based on identified gaps in the OGM workforce, additional resources were requested, justified, and approved in the areas of information technology and security. As a result of agency-wide efforts to recruit and fill mission-critical positions the agency is on target to meet its full-time equivalent budget request of 120 in FY 2017.

In FY 2015, a workforce management plan to address the need to hire for mission critical positions was developed and implemented. The plan was a useful and flexible tool that allowed the use of recruitment resources for targeted positions (e.g., Engineers, IT Security Specialist) and as a result, the Board was able to hire nine new employees in mission-critical positions and make offers of employment to an additional five engineers with diverse levels of education and experience. In terms of mission-critical positions, FY 2015 was the agency’s most successful recruiting year to that date, and much of that success was the result of implementing the workforce management plan that identified the Board’s human capital gaps and recommended strategies to address them.

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

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
-------------	---------------------------	---	--------

FY 2016
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
 Performance and Accountability Report

2016	<p>Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites.</p> <p>Target: Percentage of Site Representative Weekly and Site Monthly reports documenting direct oversight requiring no more than 21 calendar days of processing time by Board staff from the date of the report to post to the Board’s public website (assumes posting within 35 calendar days of the date of the report based on more than 14 calendar days of DOE classification review).</p>	95%	<p>Not Achieved</p> <p>Approximately 66% of reports required no more than 21 calendar day based on data available.</p>
Actual Results for Preceding Fiscal Years			
2015	<p>Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites.</p>	85%	<p>Achieved</p> <p>88.5% posted within 35 days</p>
2014	<p>Provide timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites.</p>	80%	<p>Achieved</p> <p>89% posted within 35 days</p>

Discussion:

During FY 2016, the Board continued to produce and post Site Representative Weekly and site monthly reports on the Board’s public website. While all of these reports are posted, the Board did not achieve the timeliness metric identified for FY 2016 based on the data that is available. During FY 2016, the Board was impacted by turnover in security staff and DOE required changes to the work processes involved in this metric. The process for completing timely internal staff review along with external DOE classification and sensitivity reviews has been revised. Based on the revised process, the Board will propose a new metric for FY 2017.

In FY 2015, the Board provided timely communications of safety observations obtained through direct oversight and maintaining cognizance of nuclear facilities at DOE’s nuclear weapons sites by posting its Site Representative Weekly reports to the Board’s public webpage within 35 days of the date of the report. Of the 260 *Site Representative Weekly* reports, the Board posted 230 to its public webpage within 35 days of the date of the report for an overall percentage of 88.5 percent. In FY 2014, the Board posted 229 of 260 Site Representative Weekly reports to its public website within 35 days of the date of the report.

Information on Unmet Target

As noted above, this performance goal was impacted by staff turnover and process changes in FY 2017. The Board has implemented a new process for completing timely internal staff review and external DOE classification and sensitivity reviews. The revised process will ensure reports are posted promptly after security reviews are completed.

Performance Goal 4.3.2

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	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 Issues with DOE's Design and Construction Projects</i> published and submitted to Congress. Inclusion within the Board's Annual Report to Congress of a separate section bearing this title shall count as a report meeting this goal.	1 report	Achieved 1 report submitted to Congress
Actual Results for Preceding Fiscal Years			
2015	Inform the Congress and other stakeholders of potential safety issues early in the design and construction phases of DOE defense nuclear facilities.	1 report	Achieved 1 report submitted to Congress
2014	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 3 reports submitted to Congress
2013 ¹		N/A	2
2012		N/A	2

Discussion:

¹ Although this performance goal was established in FY 2014, the Board has been tracking this measure for multiple years, and thus actual results for FY 2013 and FY 2012 are also included for this goal.

The Board published its 26th Annual Report to Congress on March 30, 2016, and this report included a section titled, Status of Significant Unresolved Issues with DOE’s Design and Construction Projects, which satisfied the performance goal.

In FY 2015, the Board published its 25th Annual Report to Congress on March 11, 2015, which also included a section titled, Status of Significant Unresolved Issues with DOE’s Design and Construction Projects, which satisfied the FY 2015 performance goal. The Board published three Reports to Congress on the Status of Significant Unresolved Technical Differences between the Board and the Department of Energy on Issues Concerning the Design and Construction of DOE’s Defense Nuclear Facilities during FY 2014 and submitted them to Congress in December 2013, May 2014, and September 2014.

Performance Goal 4.3.3

Fiscal Year	Goal Statement and Target	Target Measure, Milestone, or Deliverable	Result
2016	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	Not Achieved 1 public hearing
Actual Results for Preceding Fiscal Years			
2015	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC.	3 public hearings	Achieved 3 public hearings
2014	Effectively communicate safety issues by conducting public hearings in communities near DOE defense nuclear facilities and in Washington, DC.	3 public hearings	Achieved 3 public hearings
2013 ¹		N/A	2
2012		N/A	3

Discussion:

The Board did not satisfy this performance goal in FY 2016. The Board held a public hearing on the topic of LANL Transuranic (TRU) Waste Management, on March 22, 2016, in Santa Fe, New Mexico. The purpose was to gather information regarding hazards to the public and workers by the management of TRU waste at LANL and also examine DOE’s actions taken or planned to resolve known inadequacies found in the various TRU waste facilities. In addition to this public hearing, the Board held the following:

- A Business Meeting on November 23, 2015 to discuss the Board’s work and staffing plans for FY 2016;
- A closed meeting on December 11, 2015;

- A closed meeting on January 27, 2016;
- A closed meeting on February 28, 2016;
- A closed meeting on April 8, 2016.

The Board satisfied its performance goal in FY 2015 by holding three public hearings. These included public hearings on 1) *Safety Culture and Board Recommendation 2011-1*; 2) *WIPP Safety during Recovery and Resumption of Operations*; 3) *Improving Safety culture at the Waste Treatment and Immobilization Plant*.

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

Information on Unmet Target in FY 2016

Although the Board did not conduct three public hearings, the Board increased its efforts to engage in other activities that inform the public and other stakeholders about safety issues. These activities included meetings with citizen's groups, briefings to DOE and NNSA leadership, engagement with key Congressional Committees and Member offices, and meetings with state and local officials.

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

CFO LETTER

I am pleased to report that the Board's FY 2016 financial statements received an unmodified opinion from its independent auditors, the Board's eleventh consecutive "clean" opinion since its FY 2004 financial statements were initially audited pursuant to the Accountability of Tax Dollars Act of 2002 (ATDA). In addition, the Board received an unqualified opinion on its internal control over reporting. FY 2016 marked the tenth consecutive year that the Board's clean opinion was coupled with no instances of non-compliance with laws and regulations and no material financial internal control weaknesses.

The financial statements that follow were prepared and audited as part of this performance and accountability report within 45 days after the end of the fiscal year. To ensure that resources are dedicated to fulfilling the demanding health and safety oversight mission, the Board has adopted the "economies of scale" philosophy for obtaining needed administrative support services and "contracts" (through Interagency Agreements) with USDA to act as its accounting services provider. The Board's financial staff worked diligently with its USDA accountants in preparing our FY 2016 financial statements and providing the necessary supporting documentation to its auditors, and credit should be given to both those organizations for achieving these accomplishments.

Compliance with Laws and Regulations

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

Internal Controls

In planning and performing the financial statements audit, the independent auditors considered the Board's internal control over financial reporting by obtaining an understanding of the Board's internal controls, determining if internal controls had been placed in operation, assessing controls risk, and performing tests of controls. Testing of internal controls was limited to those controls necessary to achieve objectives described in OMB Bulletin 15-02. The auditors noted no internal control material weaknesses for the tenth consecutive year.

The auditor's report is included in its entirety in this Chapter.



Mark T. Welch, Chief Financial Officer



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

OFFICE OF THE
INSPECTOR GENERAL

December 8, 2016

MEMORANDUM TO: Chairman Joyce L. Connery

FROM: Hubert T. Bell /RA/
Inspector General

SUBJECT: RESULTS OF THE AUDIT OF THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD'S FINANCIAL STATEMENTS FOR
FISCAL YEARS 2016 AND 2015 (DNFSB-17-A-04)

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

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

The Board's Performance and Accountability Report includes comparative financial statements for Fiscal Years (FY) 2016 and FY 2015.

Objective of a Financial Statement Audit

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

Acuity's audit was conducted in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. The audit included, among other things,

obtaining an understanding of the Board and its operations, including internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; and testing relevant internal controls over financial reporting. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control to future periods are subject to the risk that the internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

FY 2016 Audit Results

The results are as follows:

Financial Statements

- Unmodified opinion.

Internal Controls Over Financial Reporting

- Unqualified opinion.

Compliance with Laws, Regulations, and Contracts

- 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 of the Board's FY 2016 and 2015 financial statements 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 as needed.
- Reviewing Acuity's audit reports for compliance with U.S. generally accepted government auditing standards and OMB Bulletin No. 15-02.
- Coordinating the issuance of the audit reports.
- Performing other procedures deemed necessary.

Acuity is responsible for the attached auditor's report, dated November 28, 2016, 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 28, 2016, 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 the auditor's report.

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

Attachment: As stated

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



INDEPENDENT AUDITOR'S REPORT

To: Inspector General
Defense Nuclear Facilities Safety Board

Chairman
Defense Nuclear Facilities Safety Board

Introduction

As a result of our audit of the Defense Nuclear Facilities Safety Board's (Board) comparative financial statements for fiscal years 2016 and 2015, we found the following:

- The financial statements as of and for the fiscal years ended September 30, 2016, and 2015, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America;
- The Board maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016; and
- No reportable noncompliance for fiscal year 2016 with provisions of applicable laws, regulations, and contracts 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, and contracts; 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, 2016, and 2015; 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, 2016, 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 Enterprise Risk Management and Internal Control*.

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



INDEPENDENT AUDITOR'S REPORT, CONTINUED

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, 2016, based on its evaluation, included in the accompanying Management Report on Internal Control Over Financial Reporting (See Appendix I).

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the Board's internal control over financial reporting based on our audits. We conducted our audits in accordance with U.S. generally accepted government auditing standards and OMB Bulletin 15-02, *Audit Requirements for Federal Financial Statements*. U.S. generally accepted government auditing standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement, and whether effective internal control over financial reporting was maintained in all material respects. We are also responsible for applying certain limited procedures to the RSI and other information included with the financial statements.

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



INDEPENDENT AUDITOR'S REPORT, CONTINUED

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, and contracts 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, 2016, and 2015, and its net cost, changes in net position, and budgetary resources for the fiscal years then ended in accordance with accounting principles generally accepted in the U.S.

Opinion on Internal Control Over Financial Reporting

The Board maintained, in all material respects, effective internal control over financial reporting as of September 30, 2016, 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, 2016.

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



INDEPENDENT AUDITOR'S REPORT, CONTINUED

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.

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.



INDEPENDENT AUDITOR'S REPORT, CONTINUED

Report on Compliance With Laws, Regulations, and Contracts

In connection with our audits of the Board's financial statements, we tested compliance with selected provisions of applicable laws, regulations, and contracts 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, and contracts applicable to the Board.

Auditor's Responsibility

Our responsibility is to test compliance with selected provisions of laws, regulations, and contracts 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, and contracts applicable to the Board.

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

Our tests for compliance with selected provisions of applicable laws, regulations, and contracts disclosed no instances of noncompliance for fiscal year 2016 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, and contracts applicable to the Board. Accordingly, we do not express such an opinion.

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

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, and contracts, 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, and contracts is not suitable for any other purpose.



INDEPENDENT AUDITOR'S REPORT, CONTINUED

Agency Comments

In commenting on a draft of this report, the General Manager stated 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 28, 2016



**DEFENSE NUCLEAR FACILITIES
SAFETY BOARD**

Washington, DC 20004-2901

November 28, 2016

Dr. Brett M. Baker
Assistant Inspector General for Audits
11555 Rockville Pike
Rockville, MD 20852

Dear Dr. Baker:

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; (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, 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, 2016, 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, 2016, 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



**DEFENSE NUCLEAR FACILITIES
SAFETY BOARD**

Washington, DC 20004-2901

November 28, 2016

Dr. Brett M. Baker
Assistant Inspector General for Audits
11555 Rockville Pike
Rockville, MD 20852

Dear Dr. Baker:

I appreciate the opportunity to respond to the Independent Auditor's Report of the Defense Nuclear Facilities Safety Board (Board) Fiscal Years 2016 and 2015 financial statements. I agree with the results of the audit.

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

I want to thank your staff and the auditors for working collaboratively with the Board's financial staff to meet the audit requirements.

Sincerely,

A handwritten signature in cursive script that reads "Mark T. Welch".

Mark T. Welch
General Manager

Defense Nuclear Facilities Safety Board
BALANCE SHEET

As Of September 30, 2016 and 2015

		2016	2015
Assets:			
Intragovernmental:			
Fund Balance With Treasury	(Note 2)	\$ 13,281,280.42	\$ 12,583,816.10
Other:	(Note 5)		
Advances and Prepayments		40,513.00	14,435.00
Total Intragovernmental		13,321,793.42	12,598,251.10
Assets With The Public:			
General Property, Plant and Equipment, Net	(Note 4)	394,880.17	506,913.86
Other:	(Note 5)		
Advances and Prepayments		-	788.40
Total Assets		\$ 13,716,673.59	\$ 13,105,953.36
Liabilities:	(Note 6)		
Intragovernmental:			
Accounts Payable	(Note 7)	\$ 234,147.10	\$ 77,929.64
Other:	(Note 9)		
Employer Contributions and Payroll Taxes Payable	(Note 8)	\$ 138,687.51	\$ 99,930.84
Other Unfunded Employment Related Liability	(Note 10)	7,562.00	8,778.00
Total Intragovernmental		380,396.61	186,638.48
Liabilities With the Public:			
Accounts Payable		654,745.16	695,455.87
Other:	(Note 9)		
Accrued Funded Payroll and Leave		892,957.25	744,971.53
Employer Contributions and Payroll Taxes Payable		27,451.25	20,040.90
Unfunded Leave		1,387,463.00	1,230,286.67
Total Liabilities		\$ 3,343,013.27	\$ 2,877,393.45
Net Position:			
Unexpended Appropriations - All Other Funds (Consolidated Totals)		\$ 11,373,805.15	\$ 10,960,710.72
Cumulative Results of Operations - All Other Funds (Consolidated Totals)		(1,000,144.83)	(732,150.81)
Total Net Position - All Other Funds (Consolidated Totals)		10,373,660.32	10,228,559.91
Total Net Position		\$ 10,373,660.32	\$ 10,228,559.91
Total Liabilities and Net Position		\$ 13,716,673.59	\$ 13,105,953.36

Defense Nuclear Facilities Safety Board
STATEMENT OF NET COST

As Of And For The Years Ended September 30, 2016 and 2015

	2016	2015
Program Costs:		
DNFSB:		
Gross Costs	\$ 29,672,358.59	\$ 27,403,584.01
Net Program Costs (Note 12)	29,672,358.59	27,403,584.01
Net Cost of Operations	\$ 29,672,358.59	\$ 27,403,584.01

Defense Nuclear Facilities Safety Board
STATEMENT OF CHANGES IN NET POSITION
As Of And For The Years Ended September 30, 2016 and 2015

	2016	2015
Cumulative Results of Operations:		
Beginning Balances	(732,150.81)	908,022.08
Beginning balance, as adjusted	(732,150.81)	908,022.08
Budgetary Financing Sources:		
Appropriations used	28,736,905.57	26,915,610.28
Other Financing Sources (Non-Exchange):		
Imputed financing	667,459.00	663,845.00
Total Financing Sources	29,404,364.57	27,579,455.28
Net Cost of Operations	29,672,358.59	27,403,584.01
Net Change	(267,994.02)	175,871.27
Cumulative Results of Operations	(1,000,144.83)	(732,150.81)
Unexpended Appropriations:		
Beginning Balance	10,960,710.72	9,376,321.60
Beginning Balance, as adjusted	10,960,710.72	9,376,321.60
Budgetary Financing Sources:		
Appropriations received	29,150,000.00	28,500,000.00
Appropriations used	(28,736,905.57)	(26,915,610.28)
Total Budgetary Financing Sources	413,094.43	1,584,389.72
Total Unexpended Appropriations	11,373,805.15	10,960,710.72
Net Position	\$ 10,373,660.32	\$ 10,228,559.91

Defense Nuclear Facilities Safety Board
STATEMENT OF BUDGETARY RESOURCES

As Of And For The Years Ended September 30, 2016 and 2015

	2016	2015
BUDGETARY RESOURCES		
Unobligated balance brought forward, October 1	\$ 6,857,012.53	\$ 5,707,070.58
Unobligated balance brought forward, October 1, adjusted	6,857,012.53	5,707,070.58
Recoveries of prior year unpaid obligations (unobligated balances)	1,242,836.26	563,912.98
Unobligated balance from prior year budget authority, net	8,099,848.79	6,270,983.56
Appropriations (discretionary and mandatory)	29,150,000.00	28,500,000.00
Spending authority from offsetting collections	7,853.29	50.00
Total budgetary resources	\$ 37,257,702.08	\$ 34,771,033.56
 STATUS OF BUDGETARY RESOURCES		
Obligations incurred (Note 13)	\$ 30,743,021.98	\$ 27,914,021.03
Apportioned	2,817,076.74	6,513,167.54
Unapportioned	3,697,603.36	343,844.99
Unobligated balance brought forward, end of year	6,514,680.10	6,857,012.53
Total budgetary resources	\$ 37,257,702.08	\$ 34,771,033.56
 CHANGE IN OBLIGATED BALANCE		
Unpaid obligations, brought forward, October 1 (gross)	\$ 5,726,803.57	\$ 4,722,181.36
Obligations incurred	30,743,021.98	27,914,021.03
Outlays (gross) (-)	(28,460,388.97)	(26,345,485.84)
Recoveries of prior year unpaid obligations (-)	(1,242,836.26)	(563,912.98)
Unpaid obligations, end of year	6,766,600.32	5,726,803.57
Obligated balance, start of year (net)	5,726,803.57	4,722,181.36
Obligated balance, end of year (net)	\$ 6,766,600.32	\$ 5,726,803.57
 BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (discretionary and mandatory)	\$ 29,157,853.29	\$ 28,500,691.43
Actual offsetting collections (discretionary and mandatory) (-)	(7,853.29)	(50.00)
Budget authority, net (discretionary and mandatory)	29,150,000.00	28,500,641.43
Outlays, gross (discretionary and mandatory)	28,460,388.97	26,345,485.84
Actual offsetting collections (discretionary and mandatory) (-)	(7,853.29)	(50.00)
Outlays, net (discretionary and mandatory)	28,452,535.68	26,345,435.84
Agency outlays, net (discretionary and mandatory) (Note 15)	\$ 28,452,535.68	\$ 26,345,435.84

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 (DOE), in providing adequate protection of public health and safety at such defense nuclear facilities."

(b) Basis of Presentation

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

Circular A-136 requires agencies to prepare principal statements, which include a Balance Sheet, a Statement of Net Cost, a Statement of Changes in Net Position, and a Statement of Budgetary Resources. The balance sheet presents, as of September 30, 2016, 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 2016 and FY 2015 appropriated funds are available for obligation until September 30, 2017 and September 30, 2016, respectively (i.e., two year funds). None of the appropriations is a "funds from dedicated collections" fund. An imputed financing source is recognized to offset costs incurred by the Board and funded by another Federal source (see Notes 1(i) and 8).

(e) Assets and Liabilities

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

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

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

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

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

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

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

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

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

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

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

(h) Annual, Sick, and Other Leave

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

(i) Federal Employee Benefits

The Board recognizes its share of the cost of providing future pension benefits to eligible employees over the period of time that they render service to the Board. The pension expense recognized in the financial

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

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

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

(j) Contingencies

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

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

The Board’s funds with the U.S. Treasury consist only of appropriated funds. The status of these funds as of September 30, 2016 and 2015 are as follows:

	<u>FY 2016</u>	<u>FY 2015</u>
A. Fund Balance with Treasury		
Appropriated Fund	\$13,281,280.42	\$12,583,816.10
B. Status of Fund Balance with Treasury		
1) Unobligated Balance		
(a) Available	2,817,076.74	6,513,167.54
(b) Unavailable	3,697,603.36	343,844.99
2) Obligated Balance not yet Disbursed	<u>6,766,600.32</u>	<u>5,726,803.57</u>
Total	\$13,281,280.42	\$12,583,816.10

Note 3 – Accounts Receivable, Net

The Board has no accounts receivable in FY 2016 or FY 2015. The Board has historically collected any receivables due and thus has not established an allowance for uncollectible accounts.

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, 2016 and 2015 are as follows.

2016	Equipment	Furniture & Fixtures	Software	Software in Development	Total
Cost	\$1,156,328.78	\$40,174.35	\$553,684.97	\$70,425.12	\$1,820,613.22
Accum. Depr.	(\$831,873.73)	(\$40,174.35)	(\$553,684.97)	(\$0)	(\$1,425,733.05)
Net Book Value	\$324,455.05	\$0	\$0	\$70,425.12	\$394,880.17

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

Note 5 – Other Assets

The FY 2016 Other Assets amount represents an unliquidated advance.

	FY 2016	FY 2015
Intragovernmental	\$40,513.00	\$14,435.00
With the Public – Associates	\$0	\$788.40
Total Other Assets	\$40,513.00	\$15,223.40

Note 6 – Liabilities Not Covered by Budgetary Resources

The liabilities on the Board's Balance Sheets as of September 30, 2016 and 2015 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, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Unfunded Leave	\$1,387,463.00	\$1,230,286.67
<u>Workers' Compensation</u>	<u>\$ 7,562.00</u>	<u>\$ 8,778.00</u>
Total liabilities not covered by budgetary resources	\$1,395,025.00	\$1,239,064.67
<u>Total liabilities covered by budgetary resources</u>	<u>\$1,947,988.27</u>	<u>\$1,638,328.78</u>
Total Liabilities	\$3,343,013.27	\$2,877,393.45

Note 7 - Intragovernmental Liabilities

Intragovernmental liabilities arise from transactions with other federal entities. As of September 30, 2016, the Board had accounts payable intragovernmental liabilities of \$234,147.10 with the Department of Agriculture (\$44,453.10), GSA (\$24,800), the Department of the Treasury (\$27,234), OPM (\$42,760) and the Nuclear Regulatory Commission (\$94,900). The Board’s FY2015 account payable intragovernmental liabilities of \$77,929.64 were with the Department of Homeland Security (\$35,185.42), GSA (\$22,536.22) and DOE (\$20,208.00). Employee benefits are the amounts owed to OPM and Treasury as of September 30, 2016 and 2015 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, 2016 and 2015 consist of Accrued Funded Payroll and Leave, Withholdings Payable, Unfunded Leave and Workers’ Compensation in the amounts shown below:

	With the Public	Non-Current	Current	Total
2016	Other Liabilities	\$1,387,463.00	\$1,066,658.01	\$2,454,121.01
2015	Other Liabilities	\$1,230,286.67	\$873,721.27	\$2,104,007.94

Note 10 – Workers’ Compensation

The Federal Employees’ Compensation Act (FECA) provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. Claims incurred for benefits for Board employees under FECA are administered by the Department of Labor and are paid, ultimately, by the Board.

Note 10 – Workers’ Compensation (continued)

The Board recorded an estimated liability for claims incurred, but not reported as of September 30, 2016 and 2015, as follows:

	FY 2016	FY 2015
Worker’s Compensation	\$7,562.00	\$8,778.00

Note 11 – Leases

The Board has not entered into any existing capital leases and thus has incurred no liability resulting from such leases. The Board has also not directly entered into any operating leases, but does have an occupancy agreement with GSA for its headquarters space (GSA has an operating lease with the building owner, the costs of which are billed to the Board). Lease costs for office space for FY 2016 and FY 2015 amounted to \$2,671,584 and \$2,461,509, respectively. The Board entered into a new ten year lease agreement effective March 8, 2016 which is due to expire on March 7, 2026. Estimated future minimum lease payments under the terms of the lease are as follows:

Fiscal Year Ending September 30	Payment
2017	\$ 2,985,810
2018	\$ 2,998,485
2019	\$ 3,097,607
2020	\$ 3,142,672
2021	\$ 3,189,086
2022 and thereafter	\$14,577,523
Total Estimated Future Lease Payments	\$29,991,183

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 2016	\$8,700,697.37	\$20,971,661.22	\$29,672,358.59
FY 2015	\$7,008,312.80	\$20,395,271.21	\$27,403,584.01

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

FY 2016
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Performance and Accountability Report

OC	Description	FY 2016	FY 2015
11	Personnel Compensation	\$14,749,177.33	\$14,936,552.13
12	Personnel Benefits	\$ 5,627,682.08	\$ 4,558,471.04
13	Former Personnel Benefits	\$ 0.00	\$ 9,334.00
21	Travel & Transportation of Persons	\$ 938,264.60	\$ 886,669.68
22	Transportation of Things	\$ 25,853.24	\$ 42,780.81
23	Rent, Communications, & Utilities	\$ 3,000,584.96	\$ 2,712,351.59
24	Printing & Reproduction	\$ 14,307.38	\$ 24,260.75
25	Other Contractual Services	\$ 4,475,259.09	\$ 3,447,747.11
26	Supplies & Materials	\$ 195,906.51	\$ 226,268.23
31	Acquisition of Assets	\$ 645,323.40	\$ 559,148.67
	Total	\$29,672,358.59	\$27,403,584.01

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 2016	FY 2015
Direct		
Category A	30,743,021.98	\$27,914,021.03

Note 14 – Undelivered Orders at the End of the Period

The amount of Undelivered Orders at the End of the Period (goods and services contracted for but not yet received at the end of the year) was \$4,859,125.05 and \$4,103,698.19 as of September 30, 2016 and 2015, respectively.

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 2015, no material differences exist between the amounts on the Statements of Budgetary Resource and the amounts in the FY 2017 President’s Budget which are rounded to the nearest million. As the FY 2018 President’s Budget is not yet available, comparison between the Statement of Budgetary Resources and the actual FY 2016 data in the FY 2018 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 2016

	FY 2015	FY 2016	Change
Unfunded Annual Leave	\$1,230,286.67	\$1,387,463.00	(\$157,176.33)
Workers Compensation	\$ 8,778.00	\$ 7,562.00	\$ 1,216.00
Total	\$1,239,064.67	\$1,395,025.00	(\$155,960.33)

FY 2015

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

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

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

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

FY 2016
DEFENSE NUCLEAR FACILITIES SAFETY BOARD
Performance and Accountability Report

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

	FY 2016	FY 2015
Budgetary Resources Obligated	\$30,743,021.98	\$27,914,021.03
Spending Authority from Recoveries and Offsetting Collections	(1,250,689.55)	(563,962.98)
Imputed Financing from Costs Absorbed by Others	667,459.00	663,845.00
Changes in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(755,426.86)	(434,447.77)
Resources that Finance the Acquisition of Assets	(106,544.62)	(461,853.37)
Financing Sources Yet to be Provided (see Note 16)	155,960.33	19,190.94
Components Not Requiring or Generating Resources	218,578.31	266,791.16
Net Cost of Operations	\$29,672,358.59	\$27,403,584.01



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

OFFICE OF THE
INSPECTOR GENERAL

October 3, 2016

MEMORANDUM TO: Chairman Connery

FROM: Hubert T. Bell \RA\
Inspector General

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE MOST
SERIOUS MANAGEMENT AND PERFORMANCE
CHALLENGES FACING THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD

In accordance with the Reports Consolidation Act of 2000, I am providing what I consider to be the most serious management and performance challenges facing the Defense Nuclear Facilities Safety Board (DNFSB) in Fiscal Year (FY) 2017. 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.*

INTRODUCTION

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

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

BACKGROUND

DNFSB was created by Congress in 1988 as an independent organization within the executive branch to provide recommendations and advice to the President and the Secretary of Energy regarding public health and safety issues at Department of Energy (DOE) defense nuclear facilities. DNFSB reviews and evaluates the content and implementation of health and safety standards, as well as other requirements, relating to the design, construction, operation, and decommissioning of DOE's defense nuclear facilities.

DNFSB is supported by approximately 110 technical and administrative staff personnel and an annual budget of approximately \$31 million. DNFSB's enabling legislation authorizes a staff of up to 130 personnel in FY 2017.

MANAGEMENT AND PERFORMANCE CHALLENGES

The FY 2017 management and performance challenges are related to DNFSB's organizational culture and climate, security, human capital, and internal controls. Our work in these areas indicates that program improvements are needed and DNFSB is responding positively to recommendations to improve the efficiency and effectiveness of its programs. The FY 2017 management and performance challenges are as follows:

1. Management of a healthy and sustainable organizational culture and climate.
2. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.
3. Management of administrative functions.
4. Management of technical programs.

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

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

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

1. Management of a healthy and sustainable organizational culture and climate.

In the spring of 2015, OIG hired an independent contractor to survey DNFSB staff and managers. Of the 107 employees invited to participate, 79 completed surveys, for an overall return rate of 74 percent. This return rate was a great first year percentage, being sufficient to provide a reliable and valid measure of the attitudes and perceptions of DNFSB staff and managers.

A theme that permeated the survey results is Communication as related to both DNFSB Board Members and senior leadership. Staff members' opinions highlight a need to change the timeliness and tone of communications. Specifically, staff want more information about changes, decisions, the decision-making process, and how decisions/changes relate to the organization's mission.

Another area that the results highlighted is Change Management. DNFSB experienced several changes in leadership and processes, and employees have struggled to deal with these changes. In particular, employees felt the changes were not well communicated or implemented and the pace of change was too fast.

Other notable results further identify where improvements can be made. For example, staff perceive DNFSB as not attracting and retaining the right talent. Results also show that improvements can be made in the areas of respectfulness and professionalism within the organization. Specifically, the survey identified a desire by employees to increase the level of mutual respect and professionalism between staff and management. Furthermore, survey results pertaining to effective operating procedures and employees having the necessary tools and resources to perform their jobs were quite low and suggest that further attention should be placed on these areas as well.

In addition to areas for improvement, the survey also identified positive culture and climate results. For example, there is a high level of employee engagement as illustrated by employees' strong belief in the Board's goals and objectives and their willingness to put in a great deal of effort beyond what is normally expected to help

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

DNFSB succeed. Additionally, staff and managers perceive that there is high quality work being done within individual business units and quality is not sacrificed in order to meet established metrics.

Key culture and climate challenges for the Board include the following:

- Ensuring that organizational communication and change management contribute to a pervasive sense of organizational stability.
- Operating in a manner that is accountable to the public and achieves the mission in an efficient and effective manner.
- Engendering through leadership and operational processes an organizational culture that strives for the highest standards of integrity, efficiency, effectiveness, transparency, fiscal responsibility, and management proficiency.

The following audit report synopsis is an example of work that OIG will focus on in fiscal year 2017 with regard to DNFSB's culture and climate.

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

Audit of DNFSB's Employee Concerns Program

(To be initiated in FY 2017)

DNFSB's vision is to efficiently and effectively accomplish the safety oversight needed to provide timely advice to the Secretary of Energy in assuring public health and safety at DOE's defense nuclear facilities while exhibiting the highest standards of public service. One of the ways that DNFSB plans to fulfill this is through leadership and operational processes within an organizational culture that strives for the highest standards of integrity, efficiency, effectiveness, transparency, fiscal responsibility, and management proficiency. DNFSB employees are the foundation of this plan.

As such, addressing employee concerns is critical. Employee concerns can manifest in a number of ways and having policies and programs, such as an open door policy and a differing views program, will help improve the alignment of human capital with the Board's mission, goals, and objectives. An effective employee concerns program will champion an open, collaborative working environment that encourages all employees to promptly voice differing views without fear of retaliation. It will also serve to offer advice and guidance to employees on the various ways to raise and pursue mission-related differing views.

The audit objective is to determine if DNFSB has an employee concerns program in place to help it efficiently and effectively accomplish its safety mission.

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

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

Key security challenges for DNFSB include the following:

- Ensuring that cyber security has become a crucial aspect of DNFSB's overall security posture and that cyber security protective measures keep pace with evolving threats, given the importance and sensitivity of DNFSB's activities.
- Maintaining robust internal controls over classified information and the systems that process, store, and transmit it to protect against breaches of classified information by Federal employees and contractors such as those recently occurring at the Department of Defense and the Office of Personnel Management.
- Implementing sound records management practices to ensure that DNFSB staff can respond effectively to information requests from external stakeholders and conduct agency business as transparently as possible.

The following audit synopses are examples of security and information management work that OIG has completed at DNFSB in FY 2016.

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

**Audit of the Defense Nuclear Facilities Safety Board's Information Security Program
DNFSB-16-A-02, October 28, 2015**

DNFSB has appropriate security controls for classified information and some types of sensitive unclassified information such as Personally Identifiable Information. However, opportunities exist to improve DNFSB's internal information security guidance, and to improve access controls over Unclassified Controlled Nuclear Information (UCNI) that is stored on DNFSB's internal SharePoint site.

Federal guidance recommends that documentation of internal controls should be clear and readily available. However, DNFSB's main information security guidance is incomplete and does not address key points for protecting sensitive unclassified information. This occurs because DNFSB has not updated its primary information security guidance since May 2000. DNFSB staff need current and complete guidance to help them carry out their information security responsibilities.

Additionally, Federal regulations require a "need to know" as a condition for routine access to UCNI. However, general computer network access rights allow users to access and manipulate some UCNI documents saved on the agency's internal SharePoint site without establishing a need to know. This occurs because technical controls are not required to manage access to UCNI documents stored on SharePoint. As a result, security-related information is at greater risk of unauthorized disclosure or compromise.

DNFSB management generally agreed with the report's findings and recommendations and is taking action to address the recommendations.

The full report is available at <http://www.nrc.gov/docs/ML1530/ML15301A746.pdf>

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

Independent Evaluation of DNFSB's Implementation of the Federal Information Security Modernization Act of 2014 for Fiscal Year 2015

DNFSB-16-A-03, November 12, 2015

In January 2013, DNFSB issued a directive and operating procedure for implementing its information systems security program (ISSP). The FY 2014 independent evaluation of DNFSB's implementation of the *Federal Information Security Modernization Act* found that the majority of the policies and procedures supporting DNFSB's ISSP are draft documents and, therefore, have not been fully implemented. The FY 2014 independent evaluation identified the following ISSP weaknesses, resulting in recommendations:

1. Continuous monitoring is not performed as required.
2. The security assessment and authorization of DNFSB's general support system did not follow the NIST risk management framework.
3. DNFSB's plan of action and milestones management is inadequate.
4. Oversight of systems operated by contractors or other agencies is inadequate.

DNFSB has made some progress in addressing the 2014 findings. There were no new findings for FY 2015.

DNFSB management generally agreed with the report's findings and recommendations and is taking action to address the recommendations.

The full report is available at: <http://www.nrc.gov/docs/ML1531/ML15316A491.pdf>

3. Management of administrative functions.

DNFSB should continue exploring ways to improve its administrative functions. During FY 2016, the DNFSB workforce averaged approximately 105 staff positions. To support the technical staff, DNFSB provides corporate support services such as contract support, human resources support, financial reporting, and information technology services. Although DNFSB has established these administrative functions to support agency staff, Board members and staff have expressed concerns about improving the skill sets and knowledge of the administrative staff carrying out these functions. In addition, DNFSB must be able to effectively recruit, train, and transfer knowledge to new hires. This includes maintaining up-to-date guidance to effectively transfer knowledge and train current staff. Lastly, DNFSB should continue to improve its information security and information technology efforts to comply with Federal requirements and meet staff needs.

Key DNFSB administrative function challenges include the following:

- Improving internal control documentation and practices for DNFSB's financial and administrative functions.
- Continuing to implement effective recruitment techniques to hire staff with the skills needed to carry out the agency mission.
- Providing current staff with the training and tools to maintain and/or improve the skills needed to effectively perform their jobs.
- Keeping DNFSB policies and procedures current.

The following audit report synopses are examples of work that OIG has completed, or plans to complete in FY 2017, pertaining to DNFSB's administrative functions.

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

**Audit of DNFSB's Process for Developing, Implementing, and Updating Policy Guidance
DNFSB-16-A-05, June 29, 2016**

OIG conducted an audit to (1) determine if DNFSB has an established process for developing, implementing, and updating policy guidance for staff, (2) determine if DNFSB implemented the recently issued operating procedures at the Board member level, and (3) identify any opportunities to improve these processes.

Overall, DNFSB has an established process for developing, implementing, and updating directives and supplementary documents for staff. DNFSB has also recently issued and implemented Board Procedures to guide Board Member processes. However, opportunities remain to further improve the management of DNFSB's directives program. Specifically, the audit revealed that there is not a uniform awareness or understanding among involved staff of directive program guidance including that which addresses timeliness and prioritization expectations for document creation and review. Furthermore, guidance does not address the role of the OIG in the draft directive review process.

DNFSB management generally agreed with the report's findings and recommendations and is taking action to address the recommendations.

The full report is available at: <http://www.nrc.gov/docs/ML1618/ML16181A208.pdf>

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

Audit DNFSB's Human Resources Process for Filling Vacancies

(To Be Initiated in FY 2017)

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

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

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

4. Management of technical programs.

DNFSB's mission 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 DOE's defense nuclear facilities, in providing adequate protection of public health and safety at such defense nuclear facilities.

DNFSB's jurisdiction covers DOE's "defense nuclear facilities." This scope includes all facilities operated by DOE that fall under the *Atomic Energy Act* and have a function related to national defense. It excludes DOE's nuclear projects that are civilian in purpose and commercial nuclear facilities regulated by the Nuclear Regulatory Commission. DNFSB's oversight jurisdiction does not extend to the U.S. Navy's nuclear propulsion program or to environmental hazards regulated by other federal and state agencies.

When DNFSB technical staff evaluate safety at specified DOE facilities, they must employ specific analyses of many unique processes and hazards. DOE's nuclear weapons program is technically challenging and hazardous. Complex, high-hazard operations critical to national defense include assembly and disassembly of nuclear weapons, fabrication of plutonium pits and weapon secondary assemblies, production and recycling of tritium, nuclear criticality experiments, experiments to characterize special nuclear materials under extreme conditions, and a host of activities to address the radioactive legacy of nearly 70 years of these operations. DOE's major defense nuclear facilities are each one-of-a-kind. As such DNFSB must develop and maintain strong technical skills, knowledge, and programs in order provide sufficient and comprehensive oversight of DOE's unique facilities.

Key technical program challenges for the Board include the following:

- Ensuring that operations are conducted in a manner that is accountable and transparent, and that directs the Board's resources toward oversight of the most significant potential safety risks in DOE's defense nuclear complex.

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

- Developing and sustaining a staff that earns the respect and confidence of the public and DOE through its expertise in the field of nuclear safety and performance of its oversight functions.
- Maintaining open and effective two-way communications with DOE that enable problem solving through mutual understanding of safety issues that require action as well as factors that may constrain action to address safety issues.
- Ensuring that internal controls are fully understood and implemented.

The following synopsis is an example of work that OIG completed at DNFSB in fiscal year 2016 regarding the management of technical programs.

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

Audit of DNFSB's Oversight of Nuclear Facility Design and Construction Projects

DNFSB-16-A-06, July 6, 2016

DNFSB meets the requirement to oversee nuclear facility construction projects as mandated by its enabling legislation. However, its approach to design and construction-specific oversight is not clearly defined and involved DNFSB staff are not well aligned with respect to their roles and responsibilities.

The audit found that DNFSB's approach to oversight of nuclear facility design and construction projects is not systematic and could therefore be improved. To meet the intent behind its enabling legislation, DNFSB should oversee nuclear construction projects with a consistently applied graded approach that is informed by formalized guidance, training, and lessons learned specific to construction oversight. The audit also identified misalignment between DOE, National Nuclear Security Administration, and DNFSB regarding identification and communication of significant safety issues. These conditions potentially affect DNFSB's effectiveness and efficiency as an oversight body. Specifically, there is potential for:

- Non-safety significant issues and safety significant issues to be prioritized equally.
- Risk that potentially safety significant issues will be overlooked.
- Previously closed issues to be reopened.
- DNFSB resources not being used in the most effective and efficient manner.

DNFSB's non-systematic method for construction oversight also contributes to a diminishing confidence among stakeholders who perceive DNFSB as contributing to cost overruns, project delays, or stoppages of nuclear facility construction projects.

DNFSB management generally agreed with the report finding and recommendations and is taking action to address the recommendations.

The full report is available at: <http://www.nrc.gov/docs/ML1618/ML16188A213.pdf>.

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

TO REPORT FRAUD, WASTE, OR ABUSE

Please Contact:

Email: [Online Form](#)

Telephone: 1-800-233-3497

TDD 1-800-270-2787

Address: U.S. Nuclear Regulatory Commission
Office of the Inspector General
Hotline Program
Mail Stop O5-E13
11555 Rockville Pike
Rockville, MD 20852

COMMENTS AND SUGGESTIONS

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

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

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FINANCIAL STATEMENT AUDIT

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

SUMMARY OF MANAGEMENT ASSURANCES²

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

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

Effectiveness of Internal Control over Operations (FMFIA § 2)

Statement of Assurance	Unqualified				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
NA	0	0	NA	NA	0

² The Board does not provide a management assurance related to FFMA § 4 or Section 803(a) of the Federal Financial Management Improvement Act as it obtains accounting service from a federal service provider and thus does not operate a financial management system.