

**DEFENSE NUCLEAR FACILITIES
SAFETY BOARD**

Washington, DC 20004-2901



December 16, 2020

Mr. Robert J. Feitel
Inspector General
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852-2738

Ms. Mia Leswing, Principal
CliftonLarsonAllen LLP
901 North Glebe Road, Suite 200
Arlington, VA 22203

We are providing this letter in connection with your integrated audits of the balance sheets of the United States (U.S.) Defense Nuclear Facilities Safety Board (DNFSB) as of September 30, 2020 and 2019, and the related statements of net costs, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements, hereinafter referred to as the financial statements.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that in the light of surrounding circumstances makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$11,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements. Such quantitative materiality considerations do not apply to representations that are not directly related to amounts included in the financial statements, required supplementary information (RSI), and other information.

We confirm, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of December 16, 2020, the following representations made to you during your audits. These representations pertain to both years' financial statements and update the representations we provided in the prior year.

Financial Statements, Supplementary Information, RSI, and Other Information Presentation and Disclosure

1. We acknowledge and have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated April 30, 2020, for the preparation and fair presentation of the financial statements, including accompanying notes, in accordance with U.S. generally accepted accounting principles (U.S. GAAP), issued by the Federal Accounting Standards Advisory Board (FASAB) or Financial Accounting Standards Board (FASB). The financial statements are fairly presented in accordance with U.S. GAAP.
2. We acknowledge and have fulfilled our responsibilities for the measurement, preparation, and presentation of the RSI, including the information in the Management Discussion and Analysis (MD&A), in accordance with the prescribed guidelines established in U.S. GAAP.
 - a. The RSI is measured and presented in accordance with prescribed guidelines in U.S. GAAP and consistent with the financial statements and contains no material misstatement of fact.
 - b. There are no changes in the methods of measurement or presentation of the RSI from the prior year.
 - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the RSI.
3. We acknowledge and have fulfilled our responsibilities for the preparation and presentation of the Other Information (OI) included in documents containing the audited financial statements and auditors' report, and for ensuring the consistency of that information with the audited financial statements and RSI.
 - a. The OI included in the document containing the audited financial statements and the auditors' report is consistent with the financial statements and RSI and contains no material misstatement of fact.
 - b. There are no changes in the methods of measurement or presentation of the OI from the prior year.
 - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the OI.
4. All transactions have been recorded in the accounting records and are reflected in the financial statements.
5. Significant assumptions that we used in making accounting estimates, including those measured at fair value, are reasonable and disclosed in accordance with the requirements of U.S. GAAP. Significant estimates are estimates at the financial statement date that could change materially within the next year.

We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions used in making those estimates, and we believe the estimates and the significant assumptions used in making those accounting estimates are reasonable. Those estimates reflect our best judgment based on our knowledge and experience about past and current events and our assumptions about conditions we expect to exist and courses of actions we expect to take.

6. We have provided you with all relevant information and access, as agreed upon in the terms of the audit engagement letter, including the following:
 - a. Access to all information that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit;
 - c. Unrestricted access to and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence;
 - d. Complete minutes of the meetings of the board and related committees, or summaries of actions of recent meetings for which minutes have not yet been prepared;
 - e. All audit or relevant monitoring reports, if any, received from the entities that deliver services on behalf of the DNFSB's service organizations; and
 - f. All significant contracts, including amendments, and agreements, including significant oral agreements.
7. The effects of uncorrected financial statement misstatements in the attached summary are immaterial, both individually and in the aggregate, to the financial statements taken as whole. A list of the uncorrected misstatements is attached to this letter. In addition, you have proposed adjusting journal entries that have been posted to the Entity's accounts. We have reviewed and approved those adjusting journal entries and understand the nature of the changes and their impact on the financial statements. We are in agreement with those adjustments and accept responsibility for them.
8. Receivables from the public recorded in the financial statements represent valid claims against debtors for transactions arising on or before the financial statement date and have been reduced to their estimated net realizable value.
9. Capital assets, including real and personal property, are properly capitalized, reported, and, if applicable, depreciated.
10. Capital assets have been evaluated for impairment because of a significant and unexpected decline in service utility. Impairment loss and insurance recoveries have been properly recorded and disclosed in the financial statements.
11. We believe that the actuarial assumptions and methods used to measure pension and other postemployment benefits (OPEB) liabilities and costs for financial accounting purposes are appropriate in the circumstances.
12. DNFSB has no environmental liabilities.
13. There are no other material liabilities or gain or loss contingencies that are required to be accrued or disclosed in accordance with U.S. GAAP.
14. Expenses have been appropriately classified in or allocated to functions and programs in the statement of net costs, and allocations have been made on a reasonable basis.
15. DNFSB has no revenue.

16. We are not aware of events or transactions subsequent to September 30, 2020 that would materially impact the accounting for estimates, or factors and assumptions used in developing those estimates.
17. No events or transactions have occurred after the financial statement date and through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
18. DNFSB has satisfactory title to all owned assets. There are no liens or encumbrances on these assets and no assets have been pledged. DNFSB has no stewardship land or heritage assets.
19. We have no plans or intentions that may materially affect the recognition, measurement, presentation, disclosure, or classification of assets, liabilities, or net position, or that we are required to disclose in the financial statements.
20. There are no guarantees under which the DNFSB is contingently liable that require reporting or disclosure in the financial statements.
21. We have disclosed to you the identities of DNFSB's related parties and all the related-party relationships and transactions of which we are aware. Related-party relationships and transactions include disclosure entities, related parties, and public-private partnerships, as defined by FASAB. Related-party relationships and transactions have been appropriately accounted for and disclosed in the financial statements in accordance with U.S. GAAP and do not prevent the financial statements from achieving fair presentation²². All recorded budgetary resources have been properly appropriated through public law and apportioned by the Office of Management and Budget (OMB) for use by the entity as appropriate.
23. All recorded undelivered order balances are based on properly authorized, recorded, and valid contracts for which goods and services have not been received at the reporting date.
24. The financial statements properly classify all funds and activities, including net position components.
25. We have disclosed to you all known actual or possible litigation, claims, and assessments, including those related to treaties and other international agreements, whose effects should be considered when preparing the financial statements.
26. The effects of all known actual or possible litigation, claims, and assessments including those related to treaties and other international agreements, have been accounted for and disclosed in the financial statements in accordance with U.S. GAAP.
27. There are no changes in accounting principles that affect the consistency of the financial statements between the periods presented.
28. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes.

Intragovernmental Activities

29. All intragovernmental transactions and activities have been appropriately identified, recorded, and disclosed in the financial statements.

30. Intragovernmental receivables and liabilities represent valid amounts due to or from other federal agencies. Material balances materially agree with the information provided by those agencies.
31. There are material unresolved differences in intragovernmental transactions and balances with federal entity trading partners, which have been disclosed to you.
32. We acknowledge and have fulfilled our responsibility 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.
33. We are responsible for and have performed an assessment of the effectiveness of the DNFSB's internal control over financial reporting and compliance as of September 30, 2020, based on the criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act). DNFSB'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:
 - a. Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with U.S. GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
 - b. Transactions are executed in accordance with the provisions of applicable laws, including those governing the use of budget authority; regulations; contracts; and grant agreements, noncompliance with which could have a material effect on the financial statements.
34. We did not use CLA's audit procedures performed during the integrated audits of DNFSB's 2019 and 2020 financial statements as part of the basis for our assessment about DNFSB's internal control over financial reporting and compliance as of September 30, 2020.
35. Based on our evaluation of internal control over financial reporting and, we conclude that as of September 30, 2020, DNFSB's internal control over financial reporting and compliance was effective.
36. We have disclosed to you all deficiencies in the design or effectiveness of internal control over financial reporting and compliance as of September 30, 2020 and 2019, which could adversely affect the DNFSB's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed all such deficiencies that we believe to be significant deficiencies or material weaknesses.

Based on our evaluation of internal control over operations, we conclude that as of September 30, 2020, DNFSB's internal control over operations was not effective solely in Federal contracting as described below:

On September 30, 2020, our Executive Committee for Internal Controls (ECIC) identified one FY 2020 internal control deficiency that the ECIC deemed serious enough to report as a material weakness in internal controls over operations, as of September 30, 2020. The deficiency involved Federal contracting.

In response, a corrective action plan was immediately put in place in October 2020. The ECIC met on December 7, 2020, to determine whether sufficient progress had been made

to remove the characterization of “material weakness” in internal controls for Federal contracting. At the December 7 meeting, the ECIC was briefed by Deputy General Manager, Toni Reddish, who explained that the following corrective actions had taken place since September 30, 2020: (1) all appropriate contracting officer representative (COR) certifications were put in place; (2) Contracting Performance Assessment Reporting System (CPARS) and Federal Procurement Data System (FPDS) accounts were established for all relevant contracting personnel; (3) appropriate General Services Administration accounts and accesses were put in place for relevant personnel; and (4) contract officer training at the relevant level was completed by all approved contracting officers. The Deputy General Manager also explained that several other corrective actions were still ongoing. This included, among other things, the development of agency-wide acquisitions processes and procedures, documentation of all current processes as a baseline, initiation of an interagency procurement workgroup, and extensive reviews of older contract files. These activities will be ongoing activities throughout FY 2021 and FY 2022.

After the December 7 briefing, the ECIC agreed that sufficient progress had been made to downgrade the material weakness for internal controls on Federal contracting to a significant internal control deficiency. That said, the ECIC was clear that this downgrade would not erase the prior status of material weakness in internal controls for Federal contracting, as of September 30, 2020, and that the status downgrade only applied prospectively, commencing December 8, 2020.

37. We have disclosed to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and compliance that existed at any time during the years ended September 30, 2020 and 2019, and indicated which deficiencies were corrected by September 30, 2020.
38. We have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
39. There have been no changes to internal control over financial reporting and compliance after September 30, 2020, or other conditions that might significantly affect the effectiveness of internal control over financial reporting and compliance.
40. We believe our management control program is adequately designed to reasonably assess the effectiveness of internal controls over financial reporting and compliance.
41. We have a process to track the status of audit findings and recommendations.
42. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for the report. The information provided to you in our corrective action plans is complete and accurate.

Fraud

43. We acknowledge and have fulfilled our responsibility for the design, implementation, and maintenance of effective programs and controls to prevent, detect, and correct fraud. We understand the term “fraud” includes intentional misstatements or omissions of amounts or disclosures in the financial statements and misappropriation of assets that could have a material effect on the financial statements.

44. We disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
45. We have no knowledge of any fraud or suspected fraud that affects the DNFSB and involves (1) management, (2) employees who have significant roles in internal control over financial reporting, or (3) others when the fraud could have a material effect on the financial statements or RSI.
46. We have no knowledge of any allegations of fraud, or suspected fraud, affecting the financial statements or RSI communicated by employees, former employees, analysts, regulators, or others.
47. We have no knowledge of any officer of DNFSB, or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.
48. We have taken timely and appropriate steps to remedy fraud, violations of laws, regulations, contracts, or grant agreements, or abuse that you have reported to us.

Compliance with Applicable Laws, Regulations, Contracts, and Grant Agreements

49. Except as disclosed to you in writing, there have been none of the following:
 - a. Circumstances that have resulted in communications from DNFSB's legal counsel reporting evidence of a material violation or possible violation of laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, fiduciary duty or budgetary limits, by DNFSB, or any agent thereof, whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - b. Communications from regulatory/oversight agencies (such as the OMB and Government Accountability Office (GAO), etc.), other government entities or agencies, governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws or regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the financial statements, RSI, and OI.
50. We are responsible for understanding and complying with laws, regulations, contracts, and grant agreements applicable to DNFSB.
51. We have identified and disclosed to you all provisions of laws, regulations, contracts, and grant agreements applicable to DNFSB, noncompliance with which could have a material effect on the financial statements.
52. There are no instances of noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements applicable to DNFSB whose effects should be considered when preparing the financial statements.
53. We have disclosed to you in writing all actual or possible pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.

54. We are not aware of any violations of the Anti-deficiency Act (ADA) for the year ended September 30, 2020, and through the date of this letter.
55. We are responsible for implementing and maintaining financial management systems that comply substantially with federal financial management systems requirements, applicable federal accounting standards (U.S. GAAP), and application of the *U.S. Standard General Ledger* (USSGL) at the transaction level.
56. We have assessed the financial management systems to determine whether they comply substantially with federal financial management systems requirements, federal accounting standards, and application of the USSGL at the transaction level. Our assessment was based on guidance issued by OMB.
57. DNFSB's financial management systems complied substantially with the federal financial management systems requirements, federal accounting standards, and application of the USSGL at the transaction level as of September 30, 2020.

Budgetary and Restricted Funds

58. The information presented in DNFSB's Statement of Budgetary Resources is supported by our financial records and reconciles to the information submitted in the year-end Governmentwide Treasury Account Symbol (GTAS) Adjusted Trial Balance System and the Reports on Budget Execution and Budgetary Resources (SF-133s). This information will be used as input for the fiscal year 2020 actual column of the Program and Financing Schedules reported in the fiscal year 2022 *Budget of the U.S. Government*.
59. There are no material dedicated collections or other material restricted funds that require disclosure in the financial statements.

Service Organizations

60. Service organizations that we use have not reported to us, nor are we otherwise aware of, any (1) fraud, (2) noncompliance with applicable laws, regulations, contracts, or grant agreements, or (3) uncorrected misstatements affecting the financial statements that are attributable to such service organizations.
61. Service organizations that we use have not reported to us, nor are we otherwise aware of, any changes in the design, implementation, or operating effectiveness of internal controls at the service organizations subsequent to the effective dates of the service organizations' report(s) provided to you that could (1) affect the risks of material misstatement of the financial statements, or (2) result in material misstatements of the financial statements arising from processing errors that would not be prevented, or detected and corrected, on a timely basis.

Other Representations

62. All leases have been properly obligated, recorded, and disclosed as appropriate in the September 30, 2020 DNFSB financial statements.

Signed Effective December 16, 2020

Signature: *Thomas A. Summers*

Thomas A. Summers, Acting Chairman

Signature: *Glenn Sklar*

Glenn Sklar, General Manager

Enclosure:
Summary of corrected and uncorrected misstatements

ENTITY: Defense Nuclear Facilities Safety Board (DNFSB)
 DATE OF FINANCIAL STATEMENTS: 9/30/2020
 Summary of Corrected Misstatements

Management Representation Letter - Attachment

Adj. #	Management will record?			Description	Federal governmental (F) or nonfederal public (N)			(Dollars in millions)		Corresponding U.S. government's CFS line item
		Factual, judgmental or projected?				SGL account number		Debit	Credit	
			Prior year (PY) or current year (CY)				SGL Description			
1	Yes	Factual	CY	To correct prior year on top adjustment recorded as current year activity	N	6100	Operating Expense/Program Costs	\$0.03		Gross Expense
					N	3100	Unexpended Appropriations- Cumulative		\$0.03	Beginning Cumulative Results
2	Yes	Factual	CY	Increase accrued annual leave estimate based on detail calculation	N	6800.01	Future Funded Expense	\$0.26		Gross Expense
					N	2220	Unfunded Leave		\$0.26	Unfunded Leave

ENTITY: Defense Nuclear Facilities Safety Board (DNFSB)

Management Representation Letter - Attachment

DATE OF FINANCIAL STATEMENTS: 9/30/2020

Summary of Uncorrected Misstatements

Adj. #	Management will record?	Factual, judgmental or projected?	Prior year (PY) or current year (CY)	Description	Federal governmenta l (F) or nonfederal public (N)	SGL account number	SGL Description	(Dollars in millions)		Corresponding U.S. government's CFS line item
								Debit	Credit	
1	No	Factual	CY	Adjustment for projected \$111 thousand undelivered orders that should have been de-obligated in FY20 and was not de-obligated as of 9/30/20.	N	4871	Undelivered Orders (UDO) - Downward Adjustment	\$0.1		See impact on the Statement of Budgetary Resources Summary of Uncorrected Misstatements attached
					N	4610	Allotments - Realized Resources		\$0.1	

ENTITY: Defense Nuclear facilities Safety Board (DNFSB) **SCHEDULE OF UNCORRECTED MISSTATEMENTS - STATEMENT OF BUDGETARY RESOURCES (SBR)**
 DATE OF FINANCIAL STATEMENTS: 9/30/2020

(Dollars in millions)	Adjustment number	Factual, judgmental, or projected misstatement	Line item balance	Total Misstatements			Effect of prior year misstatements	Adjusted line item balance – effect of misstatements originating in the current year (7) = (4) + (5) + (6)	Misstatement as percentage of reported line item - effect of misstatements originating in the current year (8) = (5) / (4)	Adjustments for the effect of misstatements on the SBR as of the end of the current year	Adjusted line item balance – effect of misstatements on the SBR as of the end of the current year (10) = (7) + (9)	Misstatement as percentage of reported line item - effect of misstatements as of the end of the current year (11) = (5 + 6 + 9) / (4)
				Debit/(Credit)	Debit	Credit						
(1)	(2)	(3)	(4)	(5)			(6)	(7)	(8)	(9)	(10)	(11)
Budgetary Resources												
Unobligated balance from prior year budget authority, net (discretionary and mandatory) Appropriations (discretionary and mandatory) Borrowing authority (discretionary and mandatory) Contract authority (discretionary and mandatory) Spending authority from offsetting collections (discretionary and mandatory)	1	Factual	\$10.3	\$0.1		\$0.1		\$10.4	1%	-	\$10.4	1%
Total budgetary resources	1	Factual	\$41.3	\$0.1	\$0.0	\$0.1	\$0.0	\$10.4	0%		\$10.4	0%
Status of Budgetary Resources												
New obligations and upward adjustments (total)												
Unobligated balance, end of year Apportioned, unexpired accounts Exempt from apportionment, unexpired accounts Unapportioned, unexpired accounts	1	Factual	\$12.4	\$0.1		\$0.1		\$12.5	1%		\$12.5	1%
Unexpired unobligated balance, end of year Expired unobligated balance, end of year	1	Factual	\$12.6	\$0.1		\$0.1		\$12.7	1%		\$12.7	1%
Unobligated balance, end of year (total)	1	Factual	\$14.0	\$0.1		\$0.1		\$14.1	1%		\$14.1	1%
Total budgetary resources			\$41.3	\$0.1		\$0.1		\$41.4	0%		\$41.4	0%
Outlays, Net, and Disbursements, Net												
Outlays, net (total) (discretionary and mandatory)												
Distributed offsetting receipts (-)												
Agency outlays, net (discretionary and mandatory)												
Disbursements, net (total) (mandatory)												
Total uncorrected misstatements				\$0.1		\$0.1						

Legend:
 Total misstatements – All misstatements arising in the current year are included in this column. This does not include misstatements arising in prior years (e.g., included in the prior year Summary of Uncorrected Misstatements or misstatements identified in the current year that should be included in the prior year Summary of Uncorrected Misstatements.) Misstatements in this column correspond to adjusting entries included below.

Effect of prior year misstatements – Current year misstatements as a result of misstatements arising in prior years (e.g., reversal of items included in the prior year Summary of Uncorrected Misstatements are included in this column.) Misstatements in this column correspond to adjusting entries included below.

Adjusted line item balance – effect of misstatements originating in the current year – This column shows the adjusted line item balance after accounting for the effect of total misstatements originating in the current year.

Misstatement as percentage of reported line item (effect of misstatements originating in the current year) – The effect of misstatements originating in the current year as a percentage of the reported line item balance is displayed in this column to help assess the materiality of the misstatement on each line item.

Adjustments for the effect of misstatements on the SBR as of the end of the current year – This column includes any adjustments to misstatements as a result of switching approaches from quantifying misstatements originating in the current year to quantifying all misstatements as of the end of the current year, regardless of the period in which the misstatement arose. This column can include reversals of misstatements that were included when only considering the effect of misstatements originating in the current year. Misstatements in this column correspond to adjusting entries included below.

Adjusted line item balance - effect of misstatements on the SBR as of the end of the current year – This column shows the adjusted line item balance after accounting for any adjustments needed to consider the effect of all misstatements as of the end of the current year.