



**UNITED STATES
NUCLEAR REGULATORY COMMISSION**
WASHINGTON, D.C. 20555-0001

OFFICE OF THE
INSPECTOR GENERAL

December 19, 2008

MEMORANDUM TO: Chairman Klein

FROM:


Hubert T. Bell
Inspector General

SUBJECT: TRANSMITTAL OF THE INDEPENDENT AUDITOR'S REPORT
ON THE CONDENSED FINANCIAL STATEMENTS
(OIG-09-A-05)

Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements*, Revised, June 3, 2008, strongly encourages all entities producing a Performance and Accountability Report (PAR) to prepare a Citizens' Report. The Citizens' Report should include the most important performance and financial information contained in the PAR in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The purpose of this memorandum is to transmit Urbach Kahn & Werlin, LLP (UKW) Auditor's Report on the Condensed Financial Statements included in the Citizens' Report. The Nuclear Regulatory Commission's Citizens' Report includes comparative financial statements for FY 2008 and FY 2007. Therefore, it is important to note that R. Navarro & Associates, Inc. performed the audit of NRC's FY 2007 financial statements.

UKW is responsible for the attached unqualified auditor's opinion, dated November 7, 2008. The Office of the Inspector General (OIG) is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight of UKW's work, 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 condensed financial statements included in the Citizens' Report. However, OIG's oversight of UKW's work disclosed no instances where UKW did not comply with applicable auditing standards. OIG performed similar oversight of R. Navarro & Associates, Inc.'s audit of NRC's FY 2007 condensed financial statements.

We appreciate the cooperation provided by NRC staff.

Attachment: As stated

cc: Commissioner Jaczko
Commissioner Lyons
Commissioner Svinicki
V. Ordaz, OEDO



INDEPENDENT AUDITOR'S REPORT ON THE CONDENSED FINANCIAL STATEMENTS

Chairman Dale E. Klein
United States Nuclear Regulatory Commission

We have audited the balance sheet of the United States Nuclear Regulatory Commission (NRC) as of September 30, 2008, and the related statement of net cost, statement of changes in net position and statement of budgetary resources (Principal Statements) for the fiscal year then ended. Our audit was performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. In our report dated November 7, 2008, we expressed an unqualified opinion on those Principal Statements. The Principal Statements of NRC as of and for the year ended September 30, 2007, were audited by other auditors, whose report, dated November 7, 2007, expressed an unqualified opinion on the fiscal year 2007 financial statements.

As discussed in note 1 to the fiscal year 2008 Principal Statements referred to above, NRC revised its methodology for accounting for accounts payable as of September 30, 2008. We have not determined what impact, if any, this revised methodology may have had on the Principal Statements if applied in the prior year.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated in all material respects in relation to the Principal Statements referred to above from which it has been derived.

In accordance with *Government Auditing Standards*, our report on the Principal Statements referred to above includes a report on the effectiveness of internal control over financial reporting and a report on compliance with laws and regulations for the fiscal year ended September 30, 2008. In those reports, we identified a significant deficiency related to procedures for determining accrued accounts payable and a substantial noncompliance with the Federal financial management system requirements under the Federal Financial Management Improvement Act related to certification and accreditation of the License Fee Billing System. Those reports are integral parts of a financial statement audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 7, 2008

