



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

OFFICE OF THE  
INSPECTOR GENERAL

November 16, 2010

MEMORANDUM TO: Chairman Jaczko

FROM:   
Hubert T. Bell  
Inspector General

SUBJECT: INDEPENDENT AUDITOR'S REPORT ON THE U.S. NUCLEAR  
REGULATORY COMMISSION'S SPECIAL-PURPOSE FINANCIAL  
STATEMENTS AS OF SEPTEMBER 30, 2010 and 2009, AND  
FOR THE YEARS THEN ENDED (OIG-11-A-05)

This memorandum transmits the Urbach Kahn & Werlin, LLP (UKW) Independent Auditor's Report on the U.S. Nuclear Regulatory Commission's (NRC) special-purpose financial statements, including the reclassified balance sheets, as of September 30, 2010 and 2009, and the related reclassified statements of net cost and changes in net position for the years then ended. This audit was performed for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office for use in preparing and auditing the *Financial Report of the U.S. Government*.

**Audit Results**

UKW issued an unqualified opinion, dated November 14, 2010, on the reclassified balance sheets of the NRC as of September 30, 2010 and 2009, and the related reclassified statements of net cost and changes in net position for the years then ended.

If you have any questions, please call me at 415-5930 or Stephen Dingbaum, Assistant Inspector General for Audits, at 415-5915.

Attachment: As stated

cc: Commissioner Svinicki  
Commissioner Apostolakis  
Commissioner Magwood  
Commissioner Ostendorff  
J. Dyer, CFO  
N. Mamish, OEDO  
M. Muessle, OEDO  
J. Andersen, OEDO  
J. Arildsen, OEDO  
C. Jaegers, OEDO

**Independent Auditor's Report on  
Special-Purpose Financial Statements**

Inspector General  
United States Nuclear Regulatory Commission

Chairman  
United States Nuclear Regulatory Commission

We have audited the accompanying reclassified balance sheets as of September 30, 2010 and 2009, and the related reclassified statements of net cost and changes in net position for the years then ended (hereinafter referred to as the special-purpose financial statements) contained in the special-purpose closing package of the United States Nuclear Regulatory Commission (NRC). These special-purpose financial statements are the responsibility of NRC's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special-purpose financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying special-purpose financial statements and accompanying notes contained in the special-purpose closing package have been prepared for the purpose of complying with the requirements of the U.S. Department of the Treasury's Financial Manual (TFM), Volume I, Part 2, Chapter 4700, solely for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the NRC's financial statements.

In our opinion, the special-purpose financial statements and accompanying notes referred to above present fairly, in all material respects, the financial position of the NRC as of September 30, 2010 and 2009, and its net costs and changes in net position for

## Independent Auditor's Report on Special Purpose Financial Statements, Continued

the years then ended in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to the requirements of the TFM, Chapter 4700.

The information included in the Other Data is presented for the purpose of additional analysis and is not a required part of the special-purpose financial statements, but is supplementary information required by the TFM, Chapter 4700. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methodology and presentation of this information. We also reviewed such information for consistency with the related information presented in the NRC's financial statements. However, we did not audit this information, and, accordingly, we express no opinion on it.

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued a combined report dated November 7, 2010, which presents our opinion on NRC's financial statements, our opinion on NRC's internal control over financial reporting, and our consideration of NRC's compliance with certain provisions of laws and regulations. That report is an integral part of an audit of general-purpose financial statement reporting performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, and should be read in conjunction with this report in considering the results of our audit.

In planning and performing our audit of the special-purpose financial statements, we also considered the NRC's internal control over the financial reporting process for the special-purpose financial statements and compliance with the TFM, Chapter 4700, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over special-purpose statement financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over special-purpose statement financial reporting. Management is responsible for establishing and maintaining internal control over financial reporting, including Other Data, and for complying with laws and regulations, including compliance with the TFM, Chapter 4700 requirements.

Our consideration of internal control over the financial reporting process for the special-purpose financial statements would not necessarily disclose all matters in the internal control over the financial reporting process that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants, 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 misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's special-purpose financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control

**Independent Auditor's Report  
on Special Purpose Financial Statements, Continued**

that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We found no material weaknesses in the internal control over the NRC's financial reporting process for the special-purpose financial statements, and our tests of compliance with the TFM, Chapter 4700 requirements disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended. However, providing opinions on internal control over the financial reporting process for the special-purpose financial statements or on compliance with the TFM, Chapter 4700 requirements were not objectives of our audit of the special-purpose financial statements and, accordingly, we do not express such opinions.

This report is intended solely for the information and use of the NRC's Office of Inspector General, NRC management, the U.S. Department of the Treasury, the Office of Management and Budget, and the U.S. Government Accountability Office in connection with the preparation and audit of the Financial Report of the United States Government and is not intended to be and should not be used by anyone other than these specified parties.

*Urbach Kahn & Werlin LLP*

Arlington, Virginia  
November 14, 2010