



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

**OFFICE OF THE
INSPECTOR GENERAL**

November 16, 2016

MEMORANDUM TO: Chairman Stephen G. Burns

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

SUBJECT: INDEPENDENT AUDITORS' REPORT ON THE U.S.
NUCLEAR REGULATORY COMMISSION'S CLOSING
PACKAGE FINANCIAL STATEMENTS AS OF AND FOR
THE YEAR ENDED SEPTEMBER 30, 2016 (OIG-17-A-05)

This memorandum transmits the CliftonLarsonAllen, LLP (CLA) Independent Auditors' Report (Attachment 1) on the U.S. Nuclear Regulatory Commission's (NRC) Closing Package Financial Statements as of and for the Year Ended September 30, 2016 (Attachment 2). This audit was performed for the purpose of providing financial information to the U.S. Department of the Treasury, the Office of Management and Budget, and the U.S. Government Accountability Office for use in preparing and auditing the Financial Report of the U.S. Government. The Office of the Inspector General retained the services of CLA to conduct this audit.

Audit Results

CLA issued an unmodified opinion, dated November 14, 2016, on the Closing Package Financial Statements as of and for the Year Ended September 30, 2016.

If you have any questions, please call me at (301) 415-5930 or Dr. Brett M. Baker, Assistant Inspector General for Audits, at (301) 415-5915.

Attachments: As stated

cc: Commissioner K. Svinicki
Commissioner J. Baran
M. Wylie, CFO
V. McCree, EDO
R. Lewis, OEDO
H. Rasouli, OEDO
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INDEPENDENT AUDITORS' REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

Inspector General
United States Nuclear Regulatory Commission

Chairman
United States Nuclear Regulatory Commission

Report on the Closing Package Financial Statements

We have audited the accompanying Closing Package Financial Statement Report (herein referred to as the closing package financial statements) of the United States Nuclear Regulatory Commission (NRC), which is comprised of the:

- Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet of NRC, as of September 30, 2016;
- Related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Changes in Net Position for the year then ended;
- Related notes to the financial statements which include:
 - the Financial Report (FR) Notes Report (except for the information in the FR Notes report entitled “2015-September”, “Prior Year”, “PY”, “Previously Reported”, “Line Item Changes”, and “Threshold”,);
 - Accompanying Additional Notes A and B (except for the information as of and for the year ended September 30, 2015); and
 - GTAS Closing Package Lines Loaded Report

Management's Responsibility for the Closing Package Financial Statements

Management is responsible for the preparation and fair presentation of these closing package financial statements in accordance with accounting principles generally accepted in the United States (U.S.). This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these closing package financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the U.S., the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 15-02). Those standards and OMB Bulletin 15-02 require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free from material misstatement.

INDEPENDENT AUDITORS' REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS (Continued)

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risk of material misstatement of the closing package financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the closing package financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the closing package financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the Closing Package Financial Statements

In our opinion, the closing package financial statements referred to above present fairly, in all material respects, the financial position of the United States Nuclear Regulatory Commission as of September 30, 2016 and its net costs and changes in net position for the year then ended in accordance with accounting principles generally accepted in the U.S.

Emphasis of Matter

As discussed in Additional Note A to the closing package financial statements, the accompanying closing package financial statements were prepared to comply with the requirements of the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 and Supplemental Guidance to the TFM Volume I, Part 2, Chapter 4700 dated October 17, 2016 (Supplemental Guidance) 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 balance sheet of NRC as of September 30, 2016, and the related statements of net cost and changes in net position, and the combined statement of budgetary resources (hereinafter referred to as "general-purpose financial statements") for the year then ended. Our opinion is not modified with respect to this matter.

Other Matters

General Purpose Financial Statements

We have audited, in accordance with auditing standards generally accepted in the U.S., the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin 15-02, the general-purpose financial statements of NRC as of September 30, 2016, and our report thereon, dated November 8, 2016, expressed an unmodified opinion on those financial statements.

Required Supplementary Information

Accounting principles generally accepted in the U.S. require that the information included in the "Text Data" of the FR Notes Report (except for the information as of and for the year ended September 30, 2015), the information in Other Data Report No. 9 (except for the information entitled "Other Text Data" and "Threshold"), which are discussed below, be presented to

INDEPENDENT AUDITORS' REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS (Continued)

supplement the closing package financial statements. Such information, although not a part of the closing package financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the closing package financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information and supplementary stewardship information in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic closing package financial statements, and other knowledge we obtained during our audits of the closing package financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the combining Statement of Budgetary Resources and Management's Discussion and Analysis that accounting principles generally accepted in the U.S. require to be presented to supplement the closing package financial statements. Such missing information, although not a part of the closing package financial statements, is required by FASAB which considers it to be an essential part of financial reporting for placing the closing package financial statements in an appropriate operational, economic, or historical context. Our opinion on the closing package financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the closing package financial statements as a whole. The information included in the "Other Text Data" and "Threshold" sections of Other Data Report No. 9, the information entitled "2015-September", "Prior Year", "PY", "Previously Reported", "Line Item Changes" in the FR Notes Report, the information entitled "Threshold" in FR Notes Report Nos. 6, 11, 15, and 19, and the Agency Financial Report to Closing Package Reconciliation Template, are presented for purposes of additional analysis in accordance with TFM Chapter 4700 and the Supplemental Guidance and are not a required part of the closing package financial statements. We read the other information included with the closing package financial statements in order to identify material inconsistencies, if any, with the audited closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the closing package financial statements and, accordingly, we do not express an opinion or provide any assurances on it.

Restriction on the Use of the Report on the Closing Package Financial Statements

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin 15-02, we have also issued a report dated November 8, 2016 that presents our opinion on the effectiveness of

INDEPENDENT AUDITORS' REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS (Continued)

NRC's internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters that are required to be reported under *Government Auditing Standards*. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin 15-02 in considering NRC's internal control and compliance, and should be read in conjunction with this report in considering the results of our audit of the closing package financial statements.

In our fiscal year 2016 audit of the general-purpose financial statements of NRC, we noted no material weaknesses or significant deficiencies, and no instances of reportable noncompliance.

Report on Internal Control over Financial Reporting Specific to the Closing Package Financial Statements

In planning and performing our audit of the closing package financial statements as of and for the year ended September 30, 2016, we also considered NRC's internal control over the financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the closing package financial statements, but not for the purpose of expressing an opinion of the effectiveness of NRC's internal control over financial reporting related specifically to the closing package financial statements. Accordingly, we do not express an opinion on the effectiveness of NRC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in their normal course of performing their assigned functions, to prevent, or detect and correct, 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 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 that is less severe than a material weakness yet important enough to merit the attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. During our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, given these limitations, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters Specific to the Closing Package Financial Statements

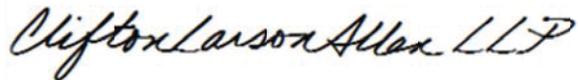
As part of obtaining reasonable assurance about whether NRC's closing package financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of TFM Chapter 4700 and the Supplemental Guidance, noncompliance with which could have a material effect on the determination of closing package financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package financial statements, and accordingly, we do not express such an opinion. The results of our tests of compliance with TFM Chapter 4700 and the

**INDEPENDENT AUDITORS' REPORT ON
CLOSING PACKAGE FINANCIAL STATEMENTS (Continued)**

Supplemental Guidance disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication provided in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of NRC's internal control or on compliance. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering internal control and compliance with provisions of laws and regulations, contracts, and grant agreements that have a material effect on the closing package financial statements. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Arlington, Virginia
November 14, 2016

U.S. Department of Treasury Bureau of the Fiscal Service
GTAS
Reconciliation Report
Reclassified Balance Sheet

Fiscal Period: 2016, 12 - September
Manual Adjustment Status: Certified

		<u>FR ENTITY: 3100</u>	ATB Amount	Manual Adjustment	Adjusted Amount
1	Assets				
2	Non-federal				
2.2	Accounts and taxes receivable, net		78,382,517.84		78,382,517.84
2.5	Property, plant, and equipment, net		80,793,722.15		80,793,722.15
2.8	Other assets		25,555.68		25,555.68
2.9	Total non-federal assets		159,201,795.67		159,201,795.67
3	Federal				
3.1	Fund balance with Treasury (RC 40)/1		368,237,140.53		368,237,140.53
3.3	Accounts receivable (RC 22)/1		7,754,150.14		7,754,150.14
3.10	Advances to others and prepayments (RC 23)/1		14,169,417.31		14,169,417.31
3.14	Total federal assets		390,160,707.98		390,160,707.98
4	Total assets		549,362,503.65		549,362,503.65
5	Liabilities:				
6	Non-federal				
6.1	Accounts payable		23,204,282.57		23,204,282.57
6.3	Federal employee and veteran benefits payable		6,326,750.46		6,326,750.46
6.9	Other liabilities		84,767,174.55		84,767,174.55
6.10	Total non-federal liabilities		114,298,207.58		114,298,207.58
7	Federal				
7.1	Accounts payable (RC 22)/1		7,729,302.73		7,729,302.73
7.8	Benefit program contributions payable (RC 21)/1		4,780,972.35		4,780,972.35
7.9	Advances from others and deferred credits (RC 23)/1		19,602.51		19,602.51
7.10	Liability to the General Fund for custodial and other non-entity assets (RC 46)/1		36,010.57		36,010.57
7.11	Other liabilities (without reciprocals) (RC 29)/1		1,135,179.44		1,135,179.44
7.14	Total federal liabilities		13,701,067.60		13,701,067.60
8	Total liabilities		127,999,275.18		127,999,275.18
9	Net position:				
9.2	Net Position - funds other than those from dedicated collections		421,363,228.47		421,363,228.47
10	Total net position		421,363,228.47		421,363,228.47
11	Total liabilities and net position		549,362,503.65		549,362,503.65

U.S. Department of Treasury Bureau of the Fiscal Service
GTAS
Reconciliation Report
Reclassified Statement of Changes in Net Position

Fiscal Period: 2016, 12 - September
Manual Adjustment Status: Certified

		<u>FR ENTITY: 3100</u>	ATB Amount	Manual Adjustment	Adjusted Amount
1	Net position, beginning of period		412,255,107.72		412,255,107.72
2	Non-federal prior-period adjustments:				
2.2	Corrections of errors - non-federal		1,211,156.85		1,211,156.85
2.3	Corrections of errors - years preceding the prior year - non-federal		1,968,868.44		1,968,868.44
3	Federal prior-period adjustments				
3.2	Corrections of errors - federal (RC 29)		-1,211,156.85		-1,211,156.85
3.3	Corrections of errors - years preceding the prior year - federal (RC 29)		-1,968,868.44		-1,968,868.44
4	Net position, beginning of period - adjusted		412,255,107.72		412,255,107.72
5	Non-federal non-exchange revenue:				
5.7	Other taxes and receipts		344,816.49		344,816.49
5.9	Total non-federal non-exchange revenue		344,816.49		344,816.49
6	Federal non-exchange revenue:				
7	Budgetary financing sources:				
7.1	Appropriations received as adjusted (rescissions and other adjustments) (RC 41) /1		133,041,857.03		133,041,857.03
7.2	Appropriations used (RC 39)		115,574,911.24		115,574,911.24
7.3	Appropriations expended (RC 38) / 1		115,574,911.24		115,574,911.24
7.18	Total budgetary financing sources		133,041,857.03		133,041,857.03
8	Other financing sources:				
8.3	Imputed financing sources (RC 25) /1		27,407,235.00		27,407,235.00
8.4	Non-entity collections transferred to the General Fund (RC 44)		279,902.78		279,902.78
8.5	Accrual for non-entity amounts to be collected and transferred to the General Fund (RC 48)		65,515.43		65,515.43
8.11	Total other financing sources		27,061,816.79		27,061,816.79
9	Net cost of operations (+/-)		151,340,971.28		151,340,971.28
10	Net position, end of period		421,362,626.75		421,362,626.75

U.S. Department of Treasury Bureau of the Fiscal Service
GTAS
Reconciliation Report
Reclassified Statement of Net Cost

Fiscal Period: 2016, 12 - September
Manual Adjustment Status: Certified

FR ENTITY: 3100

		ATB Amount	Manual Adjustment	Adjusted Amount
1	Gross cost			
2	Non-federal gross cost	731,713,489.68		731,713,489.68
6	Total non-federal gross cost	731,713,489.68		731,713,489.68
7	Federal gross cost			
7.1	Benefit program costs (RC 26) /2	90,593,273.31		90,593,273.31
7.2	Imputed costs (RC 25) /2	27,407,235.00		27,407,235.00
7.3	Buy/sell cost (RC24) /2	136,076,355.60		136,076,355.60
7.4	Purchase of assets (RC 24) /2	-3,528,455.29		-3,528,455.29
7.5	Purchase of assets offset (RC 24) / 2	3,528,455.29		3,528,455.29
7.9	Other expenses (without reciprocals) (RC 29)	29,584,332.18		29,584,332.18
8	Total federal gross cost	283,661,196.09		283,661,196.09
9	Department total gross cost	1,015,374,685.77		1,015,374,685.77
10	Earned revenue			
11	Non-federal earned revenue	803,609,829.63		803,609,829.63
12	Federal earned revenue			
12.2	Buy/sell revenue (exchange) (RC 24) /2	60,423,884.86		60,423,884.86
13	Total federal earned revenue	60,423,884.86		60,423,884.86
14	Department total earned revenue	864,033,714.49		864,033,714.49
15	Net cost of operations	151,340,971.28		151,340,971.28