

Chapter 3

Financial Statements and Auditor's Report



Photo Courtesy of NRC Photo Library

South Texas Project nuclear power plant is located near Bay City, TX. It is operated by South Texan Project Nuclear Operating Company.



Photo Courtesy of NRC Photo Library

Resident inspector staff at Palo Verde Nuclear Generating Station near Wintersburg, AZ standing in front of the independent spent fuel storage installation pad. From left to right: Joseph Bashore, Ryan Treadway, Michelle Catts, and Jim Melfi



A Message from the Chief Financial Officer

I am pleased to present the financial statements for the U.S. Nuclear Regulatory Commission (NRC) Fiscal Year (FY) 2009 Performance and Accountability Report. For the sixth consecutive year, an independent auditor has rendered an unqualified opinion on the NRC financial statements. During FY 2009, the NRC successfully enhanced its procedures for estimating accrued accounts payable and eliminated the remaining significant deficiency from our prior year audits. Additionally, for the fourth consecutive year, no material weaknesses were identified during NRC testing to meet the requirements of Office of Management and Budget Circular A-123, Appendix A, "Internal Controls Over Financial Reporting."

This past year, the NRC increased its focus on modernizing financial systems, improving internal controls, and enhancing financial planning and performance. Examples of our FY 2009 accomplishments include the following:

- Implementing a new structure for the FY 2011 budget to better align it with the agency mission, improve the transparency of budget requests, and facilitate improved costing of regulatory products and support services.
- Enhancing agency budget execution to improve FY 2009 funds utilization and recover \$28 million of unused prior year funds from completed contracts.
- Modernizing our financial systems by implementing a new eTravel system and upgrading our Web-based budget formulation system to increase its capabilities and reliability.
- Completing the Federal Information Security Management Act Certification and Accreditation for the License Fee Billing System which brought the NRC into substantial compliance with the Federal Financial Management Improvement Act of 1996.
- Redesigning the agencywide risk assessment process to support the NRC internal control program and implementing an online internal control training module.
- Creating an agencywide integrated project team, selecting a vendor, and documenting system requirements to prepare for the transition to a new core financial system at the start of FY 2011.

Our progress in FY 2009 puts the NRC in a good position to address FY 2010 challenges as we continue to improve our financial systems and processes. The NRC will transition five stand-alone legacy financial system functions into a new core financial system that will interface with nine remaining financial and program management systems. The NRC Time and Labor Reporting System will also be updated to a Web-based version to support the core financial system transition. The NRC is also preparing to meet the anticipated challenges of supporting ongoing financial operations while simultaneously supporting the testing and startup of the new core financial system. The new core financial system will play an integral role in meeting our goal of making the NRC a more transparent, efficient, and effective organization.

The NRC is committed to ensuring the safety and security of the Nation's civilian use of nuclear materials in the most effective and efficient manner. Over the past few years, the NRC has experienced unprecedented growth in its budget to regulate the Nation's expanding nuclear industry. Our continued excellent financial performance during this period of significant budget growth is a tribute to the careful stewardship of taxpayer resources by the NRC staff. I am proud of the progress we have made in the past year to promote sound business practices in the conduct of our regulatory mission and am confident that the NRC will continue to make future improvements.

J.E. Dyer
Chief Financial Officer
November 13, 2009

Principal Statements

BALANCE SHEET

(In Thousands)

As of September 30,	2009	2008
Assets		
Intragovernmental		
Fund balance with Treasury (Note 2)	\$ 448,632	\$ 393,478
Accounts receivable (Note 3)	4,907	4,692
Other-Advances and prepayments	3,340	4,121
Total intragovernmental	456,879	402,291
Accounts receivable, net (Note 3)	123,217	116,684
Property and equipment, net (Note 4)	31,624	35,475
Other	32	28
Total Assets	\$ 611,752	\$ 554,478
Liabilities		
Intragovernmental		
Accounts payable	\$ 13,977	\$ 12,360
Other (Note 5)	5,489	4,844
Total intragovernmental	19,466	17,204
Accounts payable	37,023	41,763
Federal employee benefits (Note 6)	7,628	7,059
Other (Note 5)	80,639	70,948
Total Liabilities	144,756	136,974
Net Position		
Unexpended appropriations	338,637	289,269
Cumulative results of operations (Note 8)	128,359	128,235
Total Net Position	466,996	417,504
Total Liabilities and Net Position	\$ 611,752	\$ 554,478

The accompanying notes to the principal statements are an integral part of this statement.

STATEMENT OF NET COST
(In Thousands)

For the years ended September 30,	2009	2008
Nuclear Reactor Safety and Security		
Gross costs	\$ 796,898	\$ 705,832
Less: Earned revenue	(794,007)	(725,840)
Total Net Cost of Nuclear Reactor Safety and Security (Note 9)	2,891	(20,008)
Nuclear Materials and Waste Safety and Security		
Gross costs	245,961	238,219
Less: Earned revenue	(78,460)	(71,740)
Total Net Cost of Nuclear Materials and Waste Safety and Security (Note 9)	167,501	166,479
Net Cost of Operations	\$ 170,392	\$ 146,471

The accompanying notes to the principal statements are an integral part of this statement.

STATEMENT OF CHANGES IN NET POSITION
(In Thousands)

For the years ended September 30,	2009	2008
Cumulative Results of Operations		
Beginning Balance	\$ 128,235	\$ 27,164
Budgetary Financing Sources		
Appropriations used	89,309	98,172
Non-exchange revenue (Note 11)	-	-
Transfers-in/out without reimbursement	49,000	29,025
Other Financing Sources		
Imputed financing from costs absorbed by others (Note 11)	32,207	26,911
Other (Note 16)	-	93,434
Total Financing Sources	170,516	247,542
Net Cost of Operations	(170,392)	(146,471)
Net Change	124	101,071
Cumulative Results of Operations	\$ 128,359	\$ 128,235
Unexpended Appropriations		
Beginning Balance	\$ 289,269	\$ 254,027
Budgetary Financing Sources		
Appropriations received	138,677	133,414
Appropriations used	(89,309)	(98,172)
Total Budgetary Financing Sources	49,368	35,242
Total Unexpended Appropriations	338,637	289,269
Net Position	\$ 466,996	\$ 417,504

The accompanying notes to the principal statements are an integral part of this statement.

STATEMENT OF BUDGETARY RESOURCES

(In Thousands)

For the years ended September 30,	2009	2008
Budgetary Resources		
Unobligated balance, brought forward, October 1	\$ 78,990	\$ 72,160
Recoveries of prior year unpaid obligations		
Actual	28,371	21,937
Budget authority		
Appropriation	1,045,517	926,074
Spending authority from offsetting collections		
Reimbursements earned-collected	8,429	6,709
Reimbursements earned-change in receivables	375	222
Change in unfilled customer orders-advance received	333	1,645
Change in unfilled customer orders-without advance	3,190	65
Subtotal-spending authority from offsetting collections	12,327	8,641
Total Budgetary Resources	\$ 1,165,205	\$ 1,028,812
Status of Budgetary Resources		
Obligations incurred (Note 12)		
Direct	\$ 1,073,782	\$ 941,942
Reimbursable	10,297	7,880
Subtotal	1,084,079	949,822
Unobligated balance		
Apportioned	66,699	69,024
Exempt from apportionment	7,609	9,853
Subtotal	74,308	78,877
Unobligated balance, not available	6,818	113
Total Status of Budgetary Resources	\$ 1,165,205	\$ 1,028,812
Change in Obligated Balance		
Obligated balance, net		
Unpaid obligations brought forward, October 1	\$ 314,488	\$ 270,894
Obligations incurred, net	1,084,079	949,822
Gross outlays	(999,133)	(884,004)
Recoveries of prior year unpaid obligations, actual	(28,371)	(21,937)
Change in uncollected customer payments, from Federal sources	(3,565)	(287)
Obligated balance, net, end of period		
Unpaid obligations	375,201	318,626
Uncollected customer payments, from Federal sources	(7,703)	(4,138)
Total unpaid obligated balance, net, end of period	\$ 367,498	\$ 314,488
Net outlays		
Gross outlays	\$ 999,133	\$ 884,004
Offsetting collections	(8,762)	(8,354)
Distributed offsetting receipts	(857,839)	(763,640)
Net Outlays	\$ 132,532	\$ 112,010

The accompanying notes to the principal statements are an integral part of this statement.

Notes to the Principal Statements

(All Tables are Presented in Thousands)

Note 1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The U.S. Nuclear Regulatory Commission (NRC) is an independent regulatory agency of the Federal Government that was created by the U.S. Congress to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of the public health and safety, to promote the common defense and security, and to protect the environment. Its purposes are defined by the Energy Reorganization Act of 1974, as amended, along with the Atomic Energy Act of 1954, as amended, which provide the foundation for regulating the Nation's civilian use of nuclear materials.

The NRC operates through the execution of its congressionally approved appropriations for Salaries and Expenses and the Office of the Inspector General, including funds derived from the Nuclear Waste Fund. In addition, the U.S. Agency for International Development (USAID) provides transfer appropriations to develop nuclear safety, regulatory authorities, and independent oversight of nuclear reactors in Russia, Ukraine, Kazakhstan, Georgia, and Armenia.

B. Basis of Presentation

These principal statements report the financial position and results of operations of the NRC as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements were prepared from the books and records of the NRC in conformance with generally accepted accounting principles (GAAP) of the United States and the form and content for entity financial statements specified by the Office of Management and Budget (OMB) in Circular No. A-136, "Financial Reporting Requirements."

GAAP for Federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, which is the official body for setting the accounting standards of the U.S. Government. These statements are, therefore, different from the financial reports, also prepared by the NRC pursuant to OMB directives, which are used to monitor and control the NRC's use of budgetary resources.

The NRC has not presented a Statement of Custodial Activity because the amounts involved are immaterial and incidental to its operations and mission.

C. Budgets and Budgetary Accounting

Budgetary accounting measures appropriation and consumption of budget spending authority or other budgetary resources and facilitates compliance with legal constraints and controls over the use of Federal funds. Under budgetary reporting principles, budgetary resources are consumed at the time of purchase. Assets and liabilities, which do not consume current budgetary resources, are not reported, and only those liabilities for which valid obligations have been established are considered to consume budgetary resources.

For the past 35 years, Congress has enacted no-year appropriations, which are available for obligation by the NRC until expended. For FY 2009, the Omnibus Appropriations Act, 2009 requires the NRC to recover approximately 90 percent of its new budget authority by assessing fees for licensing and inspection activities.

D. Basis of Accounting

These financial statements reflect both accrual and budgetary accounting transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Budgetary accounting is also used to record the obligation of funds prior to the accrual-based transaction. The Statement of Budgetary Resources presents budgetary resources available to the NRC and changes in obligations during the year. Interest on borrowings of the U.S. Department of the Treasury (Treasury) is not included as a cost to the NRC programs and is not included in the accompanying financial statements.

E. Revenues and Other Financing Sources

The NRC is required to offset its appropriations by revenue received during the fiscal year from the assessment of fees. The NRC assesses two types of fees to recover its budget authority: (1) fees assessed under Title 10 of the *Code of Federal Regulations* (10 CFR) Part 170, "Fees for Facilities, Materials, Import and Export Licenses, and Other Regulatory Services under the Atomic Energy Act of 1954, as Amended," for licensing, inspection, and other services under the authority of the Independent Offices Appropriation Act of 1952 to recover the NRC's costs of providing individually identifiable services to specific applicants and licensees; and (2) annual fees assessed for nuclear facilities and materials licensees under 10 CFR Part 171, "Annual Fees for Reactor Licenses and Fuel Cycle Licenses and Material Licenses." Licensing revenues are recognized on a straight-line basis over the licensing period. Inspection fees are recorded as revenues when the services are performed.

For accounting purposes, appropriations are recognized as financing sources (appropriations used) at the time goods and services are received. At the end of the fiscal year, appropriations recognized are reduced by the amount of assessed fees collected during the fiscal year to the extent of new budget authority for the year. Collections which exceed the new budget authority are held to offset subsequent years' appropriations. Appropriations expended for property and equipment are recognized as expenses when the asset is consumed in operations as reflected by depreciation and amortization expense.

F. Fund Balance with Treasury

The NRC's cash receipts and disbursements are processed by the Treasury. The Fund Balance with Treasury is primarily appropriated funds that are available to pay current liabilities and to finance authorized purchase commitments. Fund Balance with Treasury represents the NRC's right to draw on the Treasury for allowable expenditures.

G. Accounts Receivable

Accounts receivable consist of amounts owed to the NRC by other Federal agencies and the public. Amounts due from the public are presented net of an allowance for uncollectible accounts. The allowance is determined based on the age of the receivable and allowance rates established from historical experience. Receivables from Federal agencies are expected to be collected; therefore, there is no allowance for uncollectible accounts for Federal agencies.

H. Non-Entity Assets

Non-entity assets consist of miscellaneous penalties and interest due from the public, which, when collected, must be transferred to the Treasury.

I. Property and Equipment

Property and equipment consist primarily of typical office furnishings, leasehold improvements, nuclear reactor simulators, and computer hardware and software. The costs of internal use software include the full cost of salaries and benefits for agency personnel involved in software development. The NRC has no real property. The land and buildings in which the NRC operates are provided by the General Services Administration (GSA), which charges the NRC rent that approximates the commercial rental rates for similar properties.

Property with a cost of \$50 thousand or more per unit and a useful life of 2 years or more is capitalized at cost and depreciated using the straight-line method over the useful life. Other property items are expensed when purchased. Normal repairs and maintenance are charged to expense as incurred.

J. Accounts Payable

The NRC uses an estimation methodology to calculate the accounts payable balance which represents costs for billed and unbilled goods and services received (prior to year end) that are unpaid. The NRC calculates the accounts payable estimate by analyzing the actual activity for a sample of open obligations. From this analysis, an algorithm is developed to estimate the accounts payable balance.

K. Liabilities Not Covered by Budgetary Resources

Liabilities represent the amount of monies or other resources that are likely to be paid by the NRC as the result of a transaction or event that has already occurred. No liability can be paid by the NRC absent an appropriation. Liabilities for which an appropriation has not been enacted are classified as “Liabilities Not Covered by Budgetary Resources.” Also, the NRC liabilities arising from sources other than contracts can be abrogated by the Government acting in its sovereign capacity.

Intragovernmental

The NRC records a liability to the U.S. Department of Labor (DOL) for Federal Employees Compensation Act (FECA) benefits paid by DOL on behalf of the NRC.

Federal Employee Benefits

Federal employee benefits represent the actuarial liability for estimated future FECA disability benefits. The future workers’ compensation estimate was generated by DOL from an application of actuarial procedures developed to estimate the liability for FECA, which includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. The liability is calculated using historical benefit payment patterns related to a specific incurred period to predict the ultimate payments related to that period. These projected annual benefit payments are discounted to present value. The interest rate assumptions utilized for discounting benefits are 4.22 percent and 4.37 percent for FY 2009 and FY 2008, respectively.

Other

Accrued annual leave represents the amount of annual leave earned by NRC employees but not yet taken.

L. Contingencies

Contingent liabilities are those for which the existence or amount of the liability cannot be determined

with certainty pending the outcome of future events. The NRC is a party to various administrative proceedings, legal actions, environmental suits, and claims brought by or against it. Based on the advice of legal counsel concerning contingencies, it is the opinion of management that the ultimate resolution of these proceedings, actions, suits, and claims will not materially affect the agency’s financial statements. As of September 30, 2009 and 2008, the NRC was not a party to a case in which an adverse outcome was probable or reasonably possible.

M. Annual, Sick, and Other Leave

Annual leave is accrued as it is earned and the accrual is reduced as leave is taken. Each year, the balance in the accrued annual leave liability account is adjusted to reflect current pay rates. To the extent that current or prior year funding is not available to cover annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of nonvested leave are expensed as taken.

N. Retirement Plans

The NRC employees belong to either the Federal Employees Retirement System (FERS) or the Civil Service Retirement System (CSRS). For FY 2009 and FY 2008, for employees belonging to FERS, the NRC withheld 0.8 percent of base pay earnings, in addition to Federal Insurance Contribution Act (FICA) withholdings, and matched the withholdings with an 11.2 percent contribution. The sum is transferred to the Federal Employees Retirement Fund. For employees covered by CSRS, the NRC withholds 7 percent of base pay earnings. The NRC matched this withholding with a 7 percent contribution in FY 2009 and FY 2008.

The Thrift Savings Plan (TSP) is a retirement savings and investment plan for employees belonging to either FERS or CSRS. The maximum percentage of base pay that an employee participating in FERS or CSRS may contribute is unlimited in 2009 and 2008, subject to the maximum contribution of \$16.5 thousand in 2009 and \$15.5 thousand in 2008. For employees

participating in FERS, the NRC automatically contributes 1 percent of base pay to their account and matches contributions up to an additional 4 percent. For employees participating in CSRS, there is no NRC matching of the contribution. The sum of the employees' and NRC's contributions are transferred to the Federal Retirement Thrift Investment Board.

The NRC does not report on its financial statements FERS and CSRS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of the U.S. Office of Personnel Management. The portion of the current and estimated future outlays for CSRS not paid by the NRC is included in NRC's financial statements as an imputed financing source in NRC's Statement of Changes in Net Position and as program costs on the Statement of Net Cost.

O. Leases

The NRC's capital leases are for personal property consisting of reproduction equipment which is installed at NRC headquarters. For FY 2009, there are eight capital leases with terms of 5 years, consisting of two capital leases added in FY 2008 with an interest rate of 3.99 percent, two capital leases that were added in FY 2007 with an interest rate of 4.58 percent, one capital lease in FY 2006 with an interest rate of 4.25 percent, and three capital leases for FY 2005 with an interest rate of 4.13 percent. The reproduction equipment is depreciated over 5 years using the straight-line method with no salvage value.

Operating leases consist of real property leases with GSA. The leases are for NRC's headquarters and regional offices. The GSA charges the NRC lease rates which approximate commercial rates for comparable space.

P. Pricing Policy

The NRC provides nuclear reactor and materials licensing and inspection services to the public and other Government entities. In accordance with OMB Circular No. A-25, "User Charges," and the Independent Offices Appropriation Act of 1952, the

NRC assesses fees under 10 CFR Part 170 for licensing and inspection activities to recover the full cost of providing individually identifiable services.

The NRC's policy is to recover the full cost of goods and services provided to other Government entities where (1) the services performed are not part of its statutory mission and (2) the NRC has not received appropriations for those services. Fees for reimbursable work are assessed at the 10 CFR Part 170 rate with minor exceptions for programs that are nominal activities of the NRC.

Q. Net Position

The NRC's net position consists of unexpended appropriations and cumulative results of operations. Unexpended appropriations represent appropriated spending authority that is unobligated and has not been withdrawn by the Treasury and obligations that have not been paid. Cumulative results of operations represent the excess of financing sources over expenses since inception.

R. Use of Management Estimates

The preparation of the accompanying financial statements in accordance with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates.

S. Appropriation Transfers

The NRC is a party to allocation transfers with the U.S. Agency for International Development (USAID) as a receiving (child) entity. These transfers are for the international development of nuclear safety and regulatory authorities in Russia, Ukraine, Kazakhstan, Georgia and Armenia for the startup, operation, shutdown, and decommissioning of Soviet-designed nuclear power plants; the safe and secure use of radioactive materials; and the accounting for and protection of nuclear materials. Allocation transfers are legal delegations by one agency of its authority to

obligate budget authority and outlay funds to another agency. All financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity from which the underlying legislative authority, appropriations, and budget apportionments are derived. The NRC receives allocation transfers, as the child, from USAID.

T. Statement of Net Cost

The programs as presented on the Statement of Net Cost are based on the annual performance budget and are described as follows:

Nuclear Reactor and Safety and Security encompasses all NRC efforts to ensure that civilian nuclear power reactor facilities and research and test reactors are licensed and operated in a manner that adequately protects the public health and safety, and the environment, and protects against radiological sabotage and theft or diversion of special nuclear

materials. The Nuclear Reactor Safety and Security program contains the following activities: new reactors, reactor licensing tasks, reactor license renewal, international activities, reactor oversight, and incident response.

Nuclear Materials and Waste Safety and Security encompasses all NRC efforts to protect the public health and safety and the environment and ensures the secure use and management of radioactive materials. The Nuclear Materials and Waste Safety and Security program contains the following activities: fuel facilities, nuclear materials users, decommissioning and low-level waste, spent fuel storage and transportation, and high-level waste repository.

For intragovernmental gross costs, the buyers and sellers are both Federal entities. For earned revenues from the public, the buyers of the goods or services are non-Federal entities.

Note 2. FUND BALANCE WITH TREASURY

	2009	2008
Fund Balances		
Appropriated funds	\$ 423,724	\$ 371,714
Nuclear Waste Fund	24,900	21,764
Other fund types	8	-
Total	\$ 448,632	\$ 393,478
Status of Fund Balance with Treasury		
Unobligated balance		
Available		
Appropriated funds	\$ 74,308	\$ 78,877
Unavailable	6,818	113
Obligated balance not yet disbursed	367,498	314,488
Non-budgetary funds with Treasury	8	-
Total	\$ 448,632	\$ 393,478

The Fund Balance with Treasury consists of unobligated and obligated balance budgetary accounts. It includes Nuclear Waste Fund activity. The Nuclear Waste Fund unobligated balance is \$7.6 million and \$9.9 million as of September 30, 2009, and 2008, respectively.

Note 3. ACCOUNTS RECEIVABLE

	2009	2008
Intragovernmental		
Fee receivables and reimbursements	\$ 4,907	\$ 4,692
Receivables with the Public		
Materials and facilities fees-billed	\$ 3,316	\$ 2,204
Materials and facilities fees-unbilled	122,929	116,162
Other	113	67
Total Receivables with the Public	126,358	118,433
Less: Allowance for uncollectible accounts	(3,141)	(1,749)
Total Receivables with the Public, Net	\$ 123,217	\$ 116,684
Total Accounts Receivable	\$ 131,265	\$ 123,125
Less: Allowance for uncollectible accounts	(3,141)	(1,749)
Total Accounts Receivable, Net	\$ 128,124	\$ 121,376

Note 4. PROPERTY AND EQUIPMENT, NET

Fixed Assets Class	Service Years	Acquisition Value	Accumulated Depreciation and Amortization	2009 Net Book Value	2008 Net Book Value
Equipment	5-8	\$ 12,006	\$ (10,641)	\$ 1,365	\$ 1,286
Leased equipment	5-8	1,712	(816)	896	1,239
IT software	5	57,478	(45,522)	11,956	7,181
IT software under development	-	2,227	-	2,227	12,110
Leasehold improvements	20	35,433	(20,706)	14,727	10,081
Leasehold improvements in progress	-	453	-	453	3,578
Total		\$ 109,309	\$ (77,685)	\$ 31,624	\$ 35,475

Note 5. OTHER LIABILITIES

	2009	2008
Intragovernmental		
Liability to offset miscellaneous accounts receivable	\$ 40	\$ 28
Liability for advances from other agencies	88	74
Accrued workers' compensation	1,725	1,710
Accrued unemployment compensation	25	27
Employee benefit contributions	3,611	3,005
Total Intragovernmental Other Liabilities	\$ 5,489	\$ 4,844
Other Liabilities		
Accrued annual leave	\$ 47,271	\$ 43,675
Accrued salaries and benefits	23,134	19,683
Contract holdbacks, advances, capital lease liability, and other	7,155	6,929
Grants payable	3,079	661
Total Other Liabilities	\$ 80,639	\$ 70,948
Total Intragovernmental and Other Liabilities	\$ 86,128	\$ 75,792

Other liabilities are current except for capital lease liability (Note 7).

Note 6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

	2009	2008
Intragovernmental		
FECA paid by DOL	\$ 1,725	\$ 1,710
Accrued unemployment compensation	25	27
Federal Employee Benefits		
Future FECA	7,628	7,059
Other		
Accrued annual leave	47,271	43,675
Total Liabilities not Covered by Budgetary Resources	56,649	52,471
Total Liabilities Covered by Budgetary Resources	88,107	84,503
Total Liabilities	\$ 144,756	\$ 136,974

Liabilities Not Covered by Budgetary Resources represents the amount of future funding needed to pay the accrued unfunded expenses as of September 30, 2009, and 2008. These liabilities are not funded from current or prior-year appropriations and assessments, but rather should be funded from future appropriations and assessments. Accordingly, future funding requirements have been recognized for the expenses that will be paid from future appropriations.

Note 7. LEASES

	2009	2008
Assets under capital leases:		
Copiers and booklet maker	\$ 1,712	\$ 1,712
Accumulated depreciation	(816)	(473)
Net assets under capital leases	\$ 896	\$ 1,239

			2009	2008
Future Lease Payments Due: Fiscal Year	Capital	Operating		
2009	\$ -	\$ -	\$ -	\$ 32,684
2010	364	32,518	32,882	32,854
2011	284	32,353	32,637	32,637
2012	272	30,236	30,508	30,508
2013	14	22,610	22,624	22,624
2014 and thereafter	-	25,993	25,993	25,993
Total Lease Liability	934	143,710	144,644	177,300
Add: Imputed Interest	60	-	60	107
Total Future Lease Payments	\$ 994	\$ 143,710	\$ 144,704	\$ 177,407

The Capital Lease Liability of \$934 thousand is included in Other Liabilities (Note 5).

NOTE 8. CUMULATIVE RESULTS OF OPERATIONS

	2009	2008
Liabilities not covered by budgetary resources (Note 6)	\$ (56,649)	\$ (52,471)
Investment in property and equipment, net (Note 4)	31,624	35,475
Contributions from foreign cooperative research agreements	2,606	3,054
Nuclear Waste Fund	23,703	21,439
Accounts receivable - fees	127,020	120,704
Other	55	34
Cumulative Results of Operations	\$ 128,359	\$ 128,235

NOTE 9. STATEMENT OF NET COST

For the years ended September 30,	2009	2008
Nuclear Reactor Safety and Security		
Intragovernmental gross costs	\$ 238,234	\$ 205,183
Less: Intragovernmental earned revenue	(39,307)	(32,710)
Intragovernmental net costs	198,927	172,473
Gross costs with the public	558,664	500,649
Less: Earned revenues from the public	(754,700)	(693,130)
Net costs with the public	(196,036)	(192,481)
Total Net Cost of Nuclear Reactor Safety and Security	\$ 2,891	\$ (20,008)
Nuclear Materials and Waste Safety and Security		
Intragovernmental gross costs	\$ 59,253	\$ 54,978
Less: Intragovernmental earned revenue	(6,190)	(6,011)
Intragovernmental net costs	53,063	48,967
Gross costs with the public	186,708	183,241
Less: Earned revenues from the public	(72,270)	(65,729)
Net costs with the public	114,438	117,512
Total Net Cost of Nuclear Materials and Waste Safety and Security	\$ 167,501	\$ 166,479

NOTE 10. EXCHANGE REVENUES

	2009	2008
Fees for licensing, inspection, and other services	\$ 864,155	\$ 790,910
Revenue from reimbursable work	8,312	6,670
Total Exchange Revenues	\$ 872,467	\$ 797,580

Note 11. FINANCING SOURCES OTHER THAN EXCHANGE REVENUE

	2009	2008
Appropriations Used		
Collections were used to reduce the fiscal year's appropriations recognized:		
Funds consumed	\$ 993,884	\$ 908,330
Less: Collection from fees assessed	(857,839)	(763,640)
Less: Nuclear Waste Funding expense	(46,736)	(46,518)
Total Appropriations Used	\$ 89,309	\$ 98,172

Funds consumed includes \$78.9 million and \$72.2 million through September 30, 2009, and 2008 respectively, of available funds from prior years.

	2009	2008
Non-Exchange Revenue		
Civil penalties	\$ 278	\$ 1,102
Miscellaneous receipts	108	211
Contra-Revenue	(386)	(1,313)
Total Non-Exchange Revenue	\$ -	\$ -

	2009	2008
Imputed Financing		
Civil Service Retirement System	\$ 11,258	\$ 10,239
Federal Employee Health Benefit	19,898	16,589
Federal Employee Group Life Insurance	88	79
Judgements/Awards	963	4
Total Imputed Financing	\$ 32,207	\$ 26,911

Note 12. TOTAL OBLIGATIONS INCURRED

	2009	2008
Direct Obligations		
Category A	\$ 1,022,122	\$ 895,751
Exempt from Apportionment	51,660	46,191
Total Direct Obligations	1,073,782	941,942
Reimbursable Obligations	10,297	7,880
Total Obligations Incurred	\$ 1,084,079	\$ 949,822

Obligations exempt from apportionment are the result of funds derived from the Nuclear Waste Fund. Category A Obligations consist of NRC appropriations only. Undelivered orders for the Nuclear Waste Fund are \$16.1 million and \$11.6 million, Salaries and Expenses \$276.2 million and \$228.4 million, and the Office of the Inspector General \$2.3 million and \$1.5 million through September 30, 2009, and 2008, respectively.

Note 13. NUCLEAR WASTE FUND

Included in NRC’s budget for FY 2009 and 2008 are \$49.0 million and \$29.0 million, respectively, provided from the Nuclear Waste Fund. Statement of Federal Financial Accounting Standards (SFFAS) No. 27, “Identifying and Reporting Earmarked Funds,” lists three defining criteria for an earmarked fund. Generally, an earmarked fund is established by law to use specifically identified financing sources only for designated activities, and the statute provides explicit authority to retain current, unused revenues for future use. Also, the law includes a requirement to account for and report on the receipt and use of the financing sources as distinguished from general revenues.

In 1982, Congress passed the Nuclear Waste Policy Act of 1982 (Public Law 97-425) establishing the Nuclear Waste Fund (NWF) to be administered by the U.S. Department of Energy (DOE) (42 U.S.C. 10222). Given the terms of the statute, the NWF clearly meets the definition of an earmarked fund from DOE’s perspective, and DOE does indeed report the NWF as an earmarked fund in its Performance and Accountability Report (PAR).

For the NRC, the NWF transfer is a source of financing; its receipt of NWF funds is a use of NWF resources. The NRC collects no revenue on behalf of the NWF and has no administrative control over it. Furthermore, the Treasury has no separate fund symbol for the NWF under the NRC’s agency location code. The receipt and expenditure of NWF money is reported to Treasury under the NRC’s primary Salaries and Expenses fund (X0200).

Based on these facts, the NWF is not an earmarked fund from the NRC’s perspective. In order to provide additional information to the users of these financial statements, enhanced disclosure of the fund is presented below.

The funding provided to the NRC in FY 2009 and FY 2008 was for the purpose of performing activities associated with DOE’s application for a high-level waste repository at Yucca Mountain, NV. These activities included assistance to DOE with the application, review of the application, conduct of thorough safety and security evaluations, preparation of the safety evaluation report, initiation of the inspection program, ensuring that the regulation process was made available to stakeholders and the general public, and providing legal advice and representation for staff reviews and Commission actions.

The NWF amounts received, expended, obligated, and unobligated balances as of September 30, 2009, and 2008 are shown in the following:

	2009	2008
Appropriations received	\$ 49,000	\$ 29,025
Expended appropriations	\$ 47,062	\$ 48,885
Obligations incurred	\$ 51,660	\$ 46,191
Unobligated balances	\$ 7,608	\$ 9,853

Note 14. EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE U.S. GOVERNMENT

Statement of Federal Financial Standards (SFFAS) No. 7, "Accounting for Revenue and Other Financing Sources," requires the NRC to reconcile the budgetary resources reported on the Statement of Budgetary Resources to the prior fiscal year actual budgetary resources presented in the Budget of the U.S. Government and explain any material differences. The NRC does not have any material differences between the Statement of Budgetary Resources and the Budget of the U.S. Government. The President's Budget with actual results for the NRC has not been published for FY 2009. It is expected to be published in February 2010.

Note 15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGETARY RESOURCES

For the years ended September 30,	2009	2008
Budgetary Resources Obligated		
Obligations incurred (Note 12)	\$ 1,084,079	\$ 949,822
Less: Spending authority from offsetting collections and recoveries	(40,698)	(30,578)
Less: Distributed offsetting receipts	(857,839)	(763,640)
Net Obligations	185,542	155,604
Other Resources		
Imputed financing from costs absorbed by others	32,207	26,911
Other	-	93,434
Net Other Resources Used to Finance Activities	32,207	120,345
Total Resources Used to Finance Activities	217,749	275,949
Resources Used to Finance Items not Part of the Net Cost of Operations	(53,413)	(19,841)
Total Resources Used to Finance the Net Cost of Operations	164,336	256,108
Components of the Net Cost of Operations that will not require or generate resources in the current period	6,056	(109,637)
Net Cost Of Operations	\$ 170,392	\$ 146,471

Note 16. STATEMENT OF CHANGES IN NET POSITION – ACCOUNTING CHANGE

The NRC is required to recover approximately 90 percent of its budget authority through fee billing and to return the collections to the Treasury. During the first three quarters of FY 2008 when fee revenue was recorded, the NRC also recorded a corresponding liability to the Treasury for the eventual collections. As the actual collections were returned to the Treasury, the liability was reduced. Beginning in the fourth quarter of FY 2008, a change was made to the accounting treatment for recording fee revenue and the corresponding transfer of fee revenue collections to the Treasury. The NRC no longer records the liability to the Treasury when fee revenue is recorded and no longer reduces the liability as the collections are returned to the Treasury. These changes were made to reflect appropriations law and to ensure U.S. Standard General Ledger (USSGL) compliance and consistency. As a result of this change in accounting treatment, in FY 2008 the liability recorded of \$93,434 thousand as of FY 2007 was reversed as noted on the FY 2008 Statement of Changes in Net Position.

Required Supplementary Information

Schedule of Budgetary Resources (In Thousands)

For the fiscal year ended September 30, 2009	Salaries and Expenses	Office of Inspector General	Nuclear Facility Fees	Total
	X0200	X0300	X5280	
Budgetary Resources				
Unobligated balances, brought forward, October 1	\$ 78,191	\$ 799	\$ -	\$ 78,990
Recoveries of prior year obligations				
Actual	27,949	422	-	28,371
Budget authority				
Appropriation	1,034,656	10,860	1	1,045,517
Spending authority from offsetting collections				
Reimbursements earned-collected	8,429	-	-	8,429
Reimbursements earned-change in receivables	375	-	-	375
Change in unfilled customer orders-advance received	333	-	-	333
Change in unfilled customer orders-without advance	3,190	-	-	3,190
Subtotal-spending authority from offsetting collections	12,327	-	-	12,327
Total Budgetary Resources	\$ 1,153,123	\$ 12,081	\$ 1	\$ 1,165,205
Status of Budgetary Resources				
Obligations incurred (Note 12)				
Direct	\$ 1,063,169	\$ 10,613	\$ -	\$ 1,073,782
Reimbursable	10,297	-	-	10,297
Subtotal	1,073,466	10,613	-	1,084,079
Unobligated balance				
Apportioned	65,231	1,468	-	66,699
Exempt from apportionment	7,608	-	1	7,609
Subtotal	72,839	1,468	1	74,308
Unobligated balance, not available	6,818	-	-	6,818
Total Status of Budgetary Resources	\$ 1,153,123	\$ 12,081	\$ 1	\$ 1,165,205
Change in Obligated Balance				
Obligated balance, net				
Unpaid obligations, brought forward, October 1	\$ 313,573	\$ 915	\$ -	\$ 314,488
Obligations incurred, net	1,073,466	10,613	-	1,084,079
Gross outlays	(989,674)	(9,459)	-	(999,133)
Recoveries of prior year obligations, actual	(27,949)	(422)	-	(28,371)
Change in uncollected customer payments, from Federal Sources	(3,565)	-	-	(3,565)
Obligated balance, net, end of period				
Unpaid obligations	373,554	1,647	-	375,201
Uncollected customer payments, from Federal sources	(7,703)	-	-	(7,703)
Total unpaid obligated balance, net, end of period	\$ 365,851	\$ 1,647	\$ -	\$ 367,498
Net outlays				
Gross outlays	\$ 989,674	\$ 9,459	\$ -	\$ 999,133
Offsetting collections	(8,762)	-	-	(8,762)
Distributed offsetting receipts	-	-	(857,839)	(857,839)
Net Outlays	\$ 980,912	\$ 9,459	\$ (857,839)	\$ 132,532

Auditor's Report



OFFICE OF THE
INSPECTOR GENERAL

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

November 10, 2009

MEMORANDUM TO: Chairman Jaczko

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

SUBJECT: RESULTS OF THE AUDIT OF THE UNITED STATES
NUCLEAR REGULATORY COMMISSION'S FINANCIAL
STATEMENTS FOR FISCAL YEARS 2009 and 2008
(OIG-10-A-05)

The Chief Financial Officers Act of 1990, as amended (CFO Act), requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the United States Nuclear Regulatory Commission's (NRC) financial statements in accordance with applicable standards. In compliance with this requirement, Urbach Kahn & Werlin, LLP (UKW) was retained by the Office of the Inspector General (OIG) to conduct this annual audit. Transmitted with this memorandum are the following UKW reports:

- Opinion on the Principal Statements.
- Opinion on Internal Control.
- Compliance with Laws and Regulations.

NRC's Performance and Accountability Report includes comparative financial statements for FY 2009 and FY 2008.

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.

UKW's audit and examination were made in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards* issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. The audit included, among other things, obtaining an understanding of NRC 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 2009 Audit Results

The results are as follows:

Financial Statements

- Unqualified opinion

Internal Controls

- Unqualified opinion

Compliance with Laws and Regulations

- No reportable instances of noncompliance/no substantial noncompliance noted

Office of the Inspector General Oversight of UKW Performance

To fulfill our responsibilities under the CFO Act and related legislation for ensuring the quality of the audit work performed, we monitored UKW's audit of NRC's FY 2009 and FY 2008 financial statements by:

- Reviewing UKW's audit approach and planning.
- Evaluating the qualifications and independence of UKW's auditors.
- Monitoring audit progress at key points.
- Examining the working papers related to planning and performing the audit and assessing NRC's internal controls.
- Reviewing UKW's audit reports to ensure compliance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended.

- Coordinating the issuance of the audit reports.
- Performing other procedures deemed necessary.

UKW is responsible for the attached auditors' reports, dated November 6, 2009, 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 review, 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:

- NRC's financial statements.
- The effectiveness of NRC's internal control over financial reporting.
- NRC's compliance with laws and regulations.

However, our monitoring review, as described above, disclosed no instances where UKW did not comply, in all material respects, with applicable auditing standards.

Meeting with the Chief Financial Officer

At the exit conference on November 6, 2009, representatives of the Office of the Chief Financial Officer, OIG, and UKW discussed the results of the audit.

Comments of the Chief Financial Officer

In his response, the Chief Financial Officer (CFO) agreed with the report. The full text of the CFO's response follows this report.

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

Attachment: As stated

cc: Commissioner Klein
Commissioner Svinicki
N. Mamish, OEDO
J. Andersen, OEDO

Independent Auditor's Report on the Financial Statements



INDEPENDENT AUDITOR'S REPORT

Inspector General
United States Nuclear Regulatory Commission

Chairman
United States Nuclear Regulatory Commission

We have audited the accompanying balance sheets of the United States Nuclear Regulatory Commission (NRC), as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources (Principal Statements) for the years then ended. We also examined the NRC's internal control over financial reporting as of September 30, 2009 and 2008.

Summary

We concluded that the NRC's fiscal year (FY) 2009 Principal Statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. We also concluded that the NRC maintained, in all material respects, effective internal control over financial reporting. We noted no reportable instances of noncompliance with laws and regulations and no substantial noncompliance with federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger (USSGL) at the transaction level.

The following sections (including Appendix A) discuss in more detail: (1) these conclusions and our conclusions relating to other information presented in the Performance and Accountability Report, (2) management's responsibilities, (3) our objectives, scope and methodology, and (4) the current status of prior year findings and recommendations.

Opinion on the Principal Statements

In our opinion, the Principal Statements referred to above present fairly, in all material respects, the financial position of the NRC as of September 30, 2009 and 2008, and its net cost, changes in net position, and budgetary resources for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Opinion on Internal Control

In our opinion, the NRC maintained, in all material respects, effective control over financial reporting as of September 30, 2009, that provided reasonable assurance that misstatements, losses or noncompliance material in relation to the financial statements

INDEPENDENT AUDITOR'S REPORT, Continued

would be prevented, or detected and corrected, on a timely basis. Our opinion is based on criteria established under 31 U.S.C. 3512 (c), (d), the Federal Managers' Financial Integrity Act (FMFIA).

Compliance with Laws and Regulations

The results of our tests of compliance with laws and regulations disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Under the Federal Financial Management Improvement Act (FFMIA), we are required to report whether the NRC's financial management systems substantially comply with the federal financial management systems requirements, applicable Federal accounting standards, and the United States Government Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with the provisions of FFMIA section 803(a). The results of our tests disclosed no substantial noncompliance with federal financial management systems requirements, applicable Federal accounting standards, and the USSGL at the transaction level.

Other Information

The information in the Management's Discussion and Analysis section of the NRC's Performance and Accountability Report is not a required part of the Principal Statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

The Program Performance and Appendices listed in the Table of Contents are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Management Responsibilities

Management is responsible for (1) preparing the Principal Statements in conformity with accounting principles generally accepted in the United States of America, (2) establishing and maintaining effective internal control over financial reporting, and evaluating its effectiveness, (3) ensuring that the NRC's financial management systems substantially comply with FFMIA, and (4) complying with applicable laws and regulations. NRC management evaluated the effectiveness of NRC's internal control over financial reporting as of September 30, 2009, based on criteria established under FMFIA. NRC management's assurances are included in the Systems, Controls, and Legal Compliance section of the Management's Discussion and Analysis.

INDEPENDENT AUDITOR'S REPORT, Continued

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 U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with the laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements.

Objectives, Scope and Methodology

We are responsible for planning and performing our audit to obtain reasonable assurance about whether the 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.

We are responsible for planning and performing our examination to obtain reasonable assurance about whether management maintained, in all material respects, effective internal control over financial reporting as of September 30, 2009. Our examination included obtaining an understanding of NRC and its operations, including internal control over financial reporting; considering NRC's process for evaluating and reporting on internal control over financial reporting which the NRC is required to perform by FMFIA; assessing the risk that a material misstatement exists in the financial statements and the risk that a material weakness exists in internal control over financial reporting; evaluating the design and operating effectiveness of internal control and assessing risk; testing relevant internal controls over financial reporting; and performing such other procedures as we considered necessary in the circumstances. We did not test all internal controls relevant to operating objectives as broadly defined by FMFIA.

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.

We are also responsible for testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements. We did not test compliance with all laws and regulations applicable to the NRC. We limited our tests of compliance to those laws and regulations required by OMB audit guidance that we deemed applicable to the financial statements for the fiscal years ended September 30, 2009 and 2008. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

We conducted our audit and examinations in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; attestation standards established by the American Institute of Certified Public Accountants; and OMB Bulletin



INDEPENDENT AUDITOR'S REPORT, Continued

No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. We believe that our audit and examinations provide a reasonable basis for our opinions.

We noted less significant matters involving the NRC's internal control and its operation, which we have reported to the management of the NRC separately.

Distribution

This report is intended solely for the information and use of the NRC OIG, the management of NRC, OMB, the Government Accountability Office and the Congress of the United States, 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 6, 2009

Appendix A Status of Prior Year Findings and Recommendations

Our assessment of the current status of the significant deficiency and other reportable condition identified in the prior year audit is presented below:

<i>Prior Recommendation</i>	<i>Type</i>	<i>Fiscal Year 2009 Status</i>
1. The NRC CFO should continue to enhance its procedures for determining accounts payable.	2008 Significant Deficiency	Closed.
2. The NRC CIO should complete its certification and accreditation for the License Fee Billing System.	2008 Substantial Noncompliance with laws and regulations.	Closed.

Management's Response to the Independent Auditor's Report on the Financial Statements



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

OFFICE OF THE
CHIEF FINANCIAL OFFICER

November 7, 2009

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits
Office of the Inspector General

FROM: J. E. Dyer
Chief Financial Officer

A handwritten signature in blue ink that reads "J. E. Dyer".

SUBJECT: AUDIT OF THE FISCAL YEAR 2009 AND 2008 FINANCIAL STATEMENTS

We appreciate the collaborative relationship between the Office of the Inspector General, the auditors and the Office of the Chief Financial Officer in supporting our continuing effort to improve financial reporting. We have reviewed the Independent Auditor's Report of the Agency's Fiscal Year 2009 and 2008 financial statements and are in agreement with it.

cc: N. Mamish, AO/OEDO
J. Arildsen, OEDO
C. Jaegers, OEDO