

December 12, 2007

MEMORANDUM TO: Chairman Klein

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

SUBJECT: TRANSMITTAL OF THE INDEPENDENT
AUDITORS' REPORT ON THE CONDENSED
FINANCIAL STATEMENTS OF THE UNITED
STATES NUCLEAR REGULATORY COMMISSION
FOR FISCAL YEARS 2007 AND 2006 (OIG-08-A-04)

Office of Management and Budget Circular No. A-136, Revised, July 29, 2007, *Financial Reporting Requirements*, encourages all entities that produce a Performance and Accountability Report (PAR) to prepare a PAR Highlights Document (the Document). The objective of the Document is to highlight some of the more important aspects of the PAR, and to make available to interested parties a condensed document that is more "user-friendly" than the detailed full-scope PAR. The purpose of this memorandum is to transmit R. Navarro & Associates, Inc. (RNA) Auditors' Report on the Condensed Financial Statements included in the Document.

RNA is responsible for the attached unqualified auditors' opinion, dated November 7, 2007. 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 RNA'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 Document. However, OIG's oversight of RNA's work disclosed no instances where RNA did not comply with applicable auditing standards.

We appreciate the cooperation provided by NRC staff.

Attachment: As stated

cc: Commissioner Jaczko
Commissioner Lyons



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**INDEPENDENT AUDITORS' REPORT on the CONDENSED
FINANCIAL STATEMENTS**

Chairman Dale E. Klein
U.S. Nuclear Regulatory Commission
Rockville, Maryland

We have audited, 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*, the balance sheets of the U.S. Nuclear Regulatory Commission (NRC) as of September 30, 2007, and 2006, and the related statements of net cost, statements of changes in net position and statements of budgetary resources for the fiscal years then ended. In our report dated November 7, 2007, we expressed an unqualified opinion on those financial statements.

As discussed in note 14 to the financial statements referred to above, NRC changed its presentation of allocation transfers as required by OMB Circular A-136, *Financial Reporting Requirements*.

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

In accordance with *Government Auditing Standards*, our report on the financial 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, 2007. In those reports, we identified a material weakness related to information systems security controls, a significant deficiency related to the fee billing system and a substantial noncompliance with the Federal financial management system requirements under the Federal Financial Management Improvement Act related to information systems security controls. 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.

R. Navarro & Associates, Inc.

November 7, 2007