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

The Honorable Hubert T. Bell
Inspector General
U.S. Nuclear Regulatory Commission
11555 Rockville Pike
Rockville, MD 20852-2738

Urbach Kahn & Werlin LLP / Clifton Gunderson LLP
4250 N Fairfax Dr
Arlington, VA 22203

We are providing this letter in connection with your audit of the United States (U.S.) Nuclear Regulatory Commission's (NRC) Balance Sheets as of September 30, 2010 and 2009, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources, for the years then ended (hereinafter referred to as the "financial statements").

You conducted your audit to: (1) express an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles, (2) express an opinion on the entity's internal control over financial reporting and compliance with laws and regulations as of September 30, 2010, (3) report whether the NRC's financial management systems substantially comply with Federal financial management systems requirements, applicable Federal accounting standards (U.S. generally accepted accounting principles), and the U.S. Government Standard General Ledger at the transaction level as of September 30, 2010, and (4) test for compliance with applicable laws and regulations. In addition, you have performed certain audit procedures with respect to the NRC's fiscal year (FY) 2010 Management's Discussion and Analysis (MD&A) and supplementary information, which is included as part of the FY 2010 financial statements of the NRC.

Certain representations in this letter are described as being limited to matters that are material. For purposes of this letter, matters are considered material if they involve $1 million or more individually or in aggregate. Items also are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the audits. These representations pertain to both years' financial statements and update the representations we provided in the prior year.

Presentation and Disclosure

1. We are responsible for the fair presentation of the financial statements in conformity with U.S. generally accepted accounting principles. We are also responsible for the preparation of the MD&A, required supplementary information (RSI), and other accompanying information.
2. The financial statements are fairly presented in conformity with U.S. generally accepted accounting principles. The MD&A, RSI, and other accompanying information are fairly presented and are consistent with the financial statements.
3. We have made available to you all:
   a. Financial records and related data;
   b. Where applicable, minutes of meetings of the Commission or summaries of actions of recent meetings for which minutes have not been prepared; and
   c. Any communications from the Office of Management and Budget (OMB) or the Government Accountability Office (GAO) concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.
5. We believe that the effects of any uncorrected financial statement misstatements, as described in the enclosure to this letter, aggregated by you during the current audit engagement and pertaining to the financial statements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.
6. The NRC has satisfactory title to all owned assets. There are no liens or encumbrances on these assets and no assets have been pledged.
7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities or that we are required to disclose in the financial statements.
8. There are no guarantees under which the NRC is contingently liable that require reporting or disclosure in the financial statements.
9. Related party transactions including related accounts receivable or payable, revenues, expenditures, loans, transfers, leasing arrangements, assessments, and guarantees have been properly recorded and disclosed in the financial statements.
10. No material events or transactions have occurred subsequent to September 30, 2010, that have not been properly recorded in the financial statements or disclosed in the notes.

Intra-governmental Activities

11. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes. All intra-governmental transactions and activities have been appropriately identified, recorded, and disclosed in the financial statements. We have reconciled material intra-governmental transactions and balances with the Federal entity providing the goods or services.

Internal Control

12. We are responsible for establishing and maintaining a system of internal control.

13. Pursuant to 31 U.S.C. 3512(c), (d) (commonly known as the Federal Managers' Financial Integrity Act), we have assessed the effectiveness of the NRC's internal control in achieving the following objectives:

    a. Reliability of financial reporting: Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

    b. Compliance with applicable laws and regulations: Transactions are executed in accordance with laws governing the use of budget authority; other laws and regulations that could have a direct and material effect on the financial statements, and any other laws and regulations identified in OMB audit guidance.

14. Those controls in place on September 30, 2010, and during the years ended September 30, 2010 and 2009, provided reasonable assurance that the foregoing objectives are met.

15. We have disclosed to you all significant deficiencies in the design or operation of internal control that could adversely affect the NRC's ability to meet the internal control objectives and determined that none is a material weakness.

16. There have been no changes to internal control over financial reporting subsequent to September 30, 2010, or other factors that might significantly affect the effectiveness of internal control over financial reporting.

Fraud

17. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud (intentional misstatements or omissions of amounts or disclosures in financial statements and misappropriation of assets that could have a material effect on the financial statements).

18. We have no knowledge of any fraud or suspected fraud affecting the NRC involving:

    a. Management,

    b. Employees who have significant roles in internal control, or

    c. Others where the fraud could have a material effect on the financial statements.

19. We have no knowledge of any allegations of fraud or suspected fraud affecting the NRC received in communications from employees, former employees, or others.

Compliance of Systems with the Federal Financial Management Improvement Act (FFMIA)

20. We are responsible for implementing and maintaining financial management systems that substantially comply with Federal financial management systems requirements, Federal accounting standards (U.S. generally accepted accounting principles), and the U.S. Government Standard General Ledger at the transaction level.

21. We have assessed the financial management systems to determine whether they substantially comply with those Federal financial management systems requirements. Our assessment was based on guidance issued by OMB.

22. The financial management systems substantially complied with Federal financial management systems requirements, Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level as of September 30, 2010.

Laws and Regulations

23. We are responsible for the NRC's compliance with applicable laws and regulations.

24. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts. These laws and regulations include the following:

- Anti-deficiency Act (per OMB 07-04)
- Chief Financial Officers Act of 1990
- Debt Collection Improvement Act of 1996 (per OMB Bulletin 07-04)
- Federal Acquisition Regulations
- Federal Credit Reform Act of 1990 (per OMB Bulletin 07-04) (N/A for NRC)
- Federal Employees Compensation Act
- Federal Employees' Group Life Insurance Act of 1980
- Federal Employees' Health Benefits Act of 1959
- Federal Financial Management Improvement Act of 1996
- Federal Information Security Management Act of 2002
- Federal Managers' Financial Integrity Act of 1982
- Government Management and Reform Act of 1994
- Government Performance and Results Act of 1993
- OMB Bulletin 07-04 and successor amendments, *Audit Requirements for Federal Financial Statements*
- OMB Circular A-11, *Preparation, Submission and Execution of the Budget*
- OMB Circular A-123, *Management's Responsibility for Internal Control*
- OMB Circular A-127, *Financial Management Systems*
- OMB Circular A-130, *Management of Federal Information Resources*
- OMB Circular A-136, *Financial Reporting Requirements*
- Pay and Allowance System for Civilian Employees (per OMB Bulletin 07-04)
- Prompt Payment Act of 1982 (per OMB Bulletin 07-04)
- Single Audit Act

25. There are no:

a. Violations or possible violations of laws or regulations whose effects we should evaluate for disclosure in the financial statements or as a basis for recording a loss contingency,

b. Material liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed, or

c. Unasserted claims or assessments that are probable of assertion and must be disclosed that have not been disclosed.

26. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with the Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 5, *Accounting for Liabilities of the Federal Government,* that have not been accrued or disclosed.

27. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

28. We are not aware of any violations of the Antideficiency Act that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) for the year ended September 30, 2010, and through the date of this letter.

29. There have been no communications from oversight and regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Budgetary and Restricted Funds

30. The information presented in the NRC's Statement of Budgetary Resources agrees with information submitted in its year-end Reports on Budget Execution and Budgetary Resources (SF-133s). The information will be used as input for FY 2010 actual column of the Program and Financing Schedules reported in the FY 2012 Budget of the U.S. Government. This information is supported by the related financial records and data.

31. We have disclosed in the financial statements all material earmarked funds as defined by FASAB, SFFAS No. 27, *Identifying and Reporting Earmarked Funds* and all material restricted funds. SFFAS No. 27 does not use the term "earmarked" as it is sometimes used to refer to set-asides of appropriations for specific purposes.

Other

32. In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management uses estimates. The NRC has disclosed in the financial statements all estimates where it is reasonably possible that the estimate will change in the near term and that the effect of the change could be material to the financial statements.

33. The NRC is responsible for determining and maintaining the adequacy of the allowance for doubtful accounts receivable, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated bad debts in the account balances.

34. The NRC uses a sampling methodology to determine its accrual for goods and services received but not invoiced or paid as of September 30, 2010. We have reviewed the results of the sampling procedures, compared them to previous estimates and believe they provided an appropriate estimate as of September 30, 2010.

Signed Effective November 7, 2010

Gregory B. Jaczko, Chairman

J. E. Dyer, Chief Financial Officer

Enclosure:
Schedule of Uncorrected Misstatements

11/5/10

Nuclear Regulatory Commission
FY 2010
Schedule of Uncorrected Misstatements

Schedule of Uncorrected Misstatements (in thousands)

Financial Statement Line Item	Adjustment Number	Known Misstatements				Likely Misstatements (includes Known Misstatements)				
		Debit	Credit			Debit	Credit			

Conclusion: No adjustments noted.