



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

**OFFICE OF THE
INSPECTOR GENERAL**

November 15, 2011

MEMORANDUM TO: Chairman Jaczko

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

SUBJECT: INDEPENDENT AUDITOR'S REPORT ON THE U.S.
NUCLEAR REGULATORY COMMISSION'S SPECIAL-
PURPOSE FINANCIAL STATEMENTS AS OF
SEPTEMBER 30, 2011, AND FOR THE YEAR THEN ENDED
(OIG-12-A-05)

This memorandum transmits the Clifton Gunderson, LLP (CG) Independent Auditor's Report on the U.S. Nuclear Regulatory Commission's (NRC) special-purpose financial statements, including the reclassified balance sheet, as of September 30, 2011, and the related reclassified statements of net cost and changes in net position for the year then ended (Attachment 1). This audit was performed for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office for use in preparing and auditing the *Financial Report of the U.S. Government*.

Audit Results

CG issued an unqualified opinion on the reclassified balance sheet of the NRC as of September 30, 2011, and the related reclassified statements of net cost and changes in net position for the year then ended.

NRC's special-purpose financial statements include comparative financial statements for FYs 2011 and 2010 (Attachment 2). Therefore, it is important to note that Urbach Kahn & Werlin, LLP, performed the audit of NRC's FY 2010 special-purpose financial statements and issued an unqualified opinion on the reclassified balance sheet of the NRC as of September 30, 2010, and the related reclassified statements of net cost and changes in net position for the year then ended.

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

Attachments: As stated

cc: Commissioner Svinicki
Commissioner Apostolakis
Commissioner Magwood
Commissioner Ostendorff
J. Dyer, CFO
N. Mamish, OE DO
K. Brock, OEDO
J. Arildsen, OEDO
C. Jaegers, OEDO



Independent Auditor's Report on Special-Purpose Financial Statements

Inspector General
United States Nuclear Regulatory Commission

Chairman
United States Nuclear Regulatory Commission

We have audited the accompanying reclassified balance sheet as of September 30, 2011, and the related reclassified statements of net cost and changes in net position for the year then ended (hereinafter referred to as the special-purpose financial statements) contained in the special-purpose closing package of the United States Nuclear Regulatory Commission (NRC). These special-purpose financial statements are the responsibility of NRC's management. Our responsibility is to express an opinion on these special-purpose financial statements based on our audit. The special-purpose financial statements as of September 30, 2010 were audited by Urbach Kahn & Werlin LLP, which practice was acquired by Clifton Gunderson LLP by merger on March 22, 2010. Urbach Kahn & Werlin LLP's report dated November 14, 2010, expressed an unqualified opinion on those special-purpose financial statements.

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

The accompanying special-purpose financial statements and accompanying notes contained in the special-purpose closing package have been prepared for the purpose of complying with the requirements of the U.S. Department of the

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Treasury's Financial Manual (TFM), Volume I, Part 2, Chapter 4700, solely for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the NRC's financial statements.

In our opinion, the special-purpose financial statements and accompanying notes referred to above present fairly, in all material respects, the financial position of the NRC as of September 30, 2011, and its net costs and changes in net position for the year then ended in conformity with accounting principles generally accepted in the United States of America and the presentation pursuant to the requirements of the TFM, Chapter 4700.

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

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued a combined report dated November 7, 2011, which presents our opinion on NRC's financial statements, our opinion on NRC's internal control over financial reporting, and our consideration of NRC's compliance with certain provisions of laws and regulations. That report is an integral part of an audit of general-purpose financial statement reporting performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, and should be read in conjunction with this report in considering the results of our audit.

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

Our consideration of internal control over the financial reporting process for the special-purpose financial statements would not necessarily disclose all matters in

INDEPENDENT AUDITOR'S REPORT, CONTINUED

the internal control over the financial reporting process that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants, a deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's special-purpose financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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

Clifton Henderson LLP

Arlington, Virginia
November 14, 2011

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11/15/2011 08:22:12

Attachment 2

GF002A - Audited FS Report

Statement: BALANCE SHEET

Fiscal Year: 2011

Period: SEPTEMBER

Entity: 3100-U. S. Nuclear Regulatory Commission

Reported in: THOUSANDS

Decimal: ZERO

Agency Line Description	FY 2011-SEPTEMBER	FY 2010-SEPTEMBER
Assets		
Intragovernmental		
Fund balances with Treasury (Note 2)	394,580	420,080
Accounts receivable (Note 3)	8,287	7,674
Other-Advances and Prepayments	3,681	3,073
Total Intragovernmental	406,548	430,827
Accounts receivable, net (Note 3)	92,009	123,242
Property and equipment, net (Note 4)	46,542	36,231
Other	41	25
Total Assets	545,140	590,325
Liabilities		
Intragovernmental		
Accounts payable	13,554	13,876
Other (Notes 5)	4,010	5,986
Total Intragovernmental	17,564	19,862
Accounts payable	29,648	26,666
Federal employees benefits (Note 6)	7,245	7,575
Other (Note 5)	75,158	106,041
Total Liabilities	129,615	160,144
Net Position		
Unexpended appropriations	310,332	311,869
Cumulative results of operations (Note 8)	105,193	118,312
Total Net Position	415,525	430,181
Total Liabilities and Net Position	545,140	590,325

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11/15/2011 08:22:12

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GF002A - Audited FS Report

Statement: STATEMENT OF NET COST

Fiscal Year: 2011

Period: SEPTEMBER

Entity: 3100-U. S. Nuclear Regulatory Commission

Reported in: THOUSANDS

Decimal: ZERO

Agency Line Description

FY 2011-SEPTEMBER

FY 2010-SEPTEMBER

Nuclear Reactor Safety and Security

Gross costs	857,569	882,591
Less: Earned revenue	(786,741)	(836,303)
Total Net Cost of Nuclear Reactor Safety and Security (Note 9)	70,828	(46,288)

Nuclear Materials and Waste Safety and Security

Gross costs	239,350	257,862
Less: Earned revenue	(101,919)	(87,178)
Total Net Cost of Nuclear Materials and Waste Safety and Security (Note 9)	137,431	170,684

Total Gross Costs	1,096,919	1,140,453
Total Earned Revenue	(888,660)	(923,481)
Net Cost of Operations	208,259	216,972

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11/15/2011 08:22:12

Attachment 2

GF002A - Audited FS Report

Statement: STATEMENT OF CHANGES IN NET POSITION **Fiscal Year:** 2011 **Period:** SEPTEMBER

Entity: 3100-U. S. Nuclear Regulatory Commission **Reported in:** THOUSANDS **Decimal:** ZERO

Agency Line Description	FY 2011-SEPTEMBER	FY 2010-SEPTEMBER
Cumulative Results of Operations		
Beginning Balances	118,312	128,359
Budgetary Financing Sources		
Appropriations used	134,626	137,113
Non-Exchange revenue	0	0
Transfers-in/out without reimbursement	9,980	29,000
Other Financing Sources		
Imputed financing from costs absorbed by others	50,534	40,812
Other - Revenue from excess collections	0	0
Total Financing Sources	195,140	206,925
Net Cost of Operations	(208,259)	(216,972)
Net Change	(13,119)	10,047
Cumulative Results of Operations	105,193	118,312
Unexpended Appropriations		
Beginning Balances	311,869	338,637
Change in accounting principle	0	0
Beginning Balance, as Adjusted	311,869	338,637
Budgetary Financing Sources		
Appropriations Received	133,346	128,345
Other Adjustments(Recission)	(257)	(18,000)
Appropriations used	(134,626)	(137,113)
Total Budgetary Financing Sources	(1,537)	26,768
Total Unexpended Appropriations	310,332	311,869
Net Position	415,525	430,181