



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

**OFFICE OF THE  
INSPECTOR GENERAL**

December 17, 2013

MEMORANDUM TO: Chairman Macfarlane

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 SEPTEMBER  
30, 2013 and 2012, AND FOR THE YEARS THEN ENDED  
(OIG-14-A-07)

This memorandum transmits the CliftonLarsonAllen, LLP (CLA) Independent Auditors' Report on the U.S. Nuclear Regulatory Commission's (NRC) Closing Package Financial Statements, including the reclassified balance sheets, as of September 30, 2013 and 2012, and the related reclassified statements of net cost and changes in net position for the years 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*. The Office of the Inspector General (OIG) retained the services of CLA to conduct this audit.

### **Audit Results**

CLA issued an unmodified opinion, dated December 16, 2013, on the closing package balance sheets of the NRC as of September 30, 2013 and 2012, and the related closing package statements of net cost and changes in net position for the years then ended. NRC's closing package financial statements include comparative financial statements for fiscal years 2013 and 2012 (Attachment 2).

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  
R. Mitchell, OEDO  
M. Khanna, OEDO  
J. Arildsen, OEDO  
C. Jaegers, OEDO



## INDEPENDENT AUDITORS' REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

Inspector General  
United States Nuclear Regulatory Commission

Chairman  
United States Nuclear Regulatory Commission

In our audit of the fiscal year (FY) 2013 closing package financial statements of the United States Nuclear Regulatory Commission (NRC), we found:

- The closing package financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S.);
- No material weaknesses in internal control over financial reporting; and
- No instances of reportable noncompliance with selected provisions of laws, regulations, contracts, and grant agreements tested.

The following sections discuss in more detail: (1) these conclusions and other matters related to the closing package financial statements; (2) our conclusions in connection with our audit of the general purpose financial statements; (3) management's responsibilities; and (4) our responsibilities.

### 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 NRC, which comprise:

- the Closing Package Financial Statement Report – Balance Sheet as of September 30, 2013 and 2012;
- the related Closing Package Financial Statement Reports - Statement of Net Cost and Statement of Changes in Net Position, for the years then ended;
- the accompanying Financial Report (FR) Notes Report (except for the information in the FR Notes Report entitled "Threshold") for the years then ended;
- the accompanying Additional Notes A and B;
- the accompanying Trading Partner Summary Note Report – Balance Sheet as of September 30, 2013 and 2012;
- the related Trading Partner Summary Note Report – Statement of net cost and Statement of Changes in net Position for the years then ended.

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

### ***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 U.S. generally accepted accounting principles. 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. and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free from material misstatement. We also conducted our audit in accordance with Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02).

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 risks 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 NRC as of September 30, 2013 and 2012, and its net cost and changes in net position for the years then ended in conformity with accounting principles generally accepted in the U.S.

### ***Emphasis of Matter***

As discussed in Additional Note No. 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 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 sheets of NRC as of September 30, 2013 and 2012, and

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

the related statements of net costs and changes in net position, and statements of budgetary resources (hereinafter referred to as "general-purpose financial statements") for the years then ended. Our opinion is not modified with respect to this matter.

### Other Matters

We have audited, in accordance with auditing standards generally accepted in the U.S. and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the general-purpose financial statements of NRC as of and for the years ended September 30, 2013 and 2012, and our report thereon, dated December 2, 2013, expressed an unmodified opinion on those financial statements.

U.S. generally accepted accounting principles require that the information in Other Data Report Nos. 1, 8, 9, and 14, through 17, except for the information included in the Other Text Data of Other Data Report No. 1 (which is discussed below) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary 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 the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Schedule of Budgetary Resources and Management Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the basic closing package financial statements. Such missing information, although not a part of the basic closing package financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the general-purpose 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 basic closing package financial statements as a whole. The information in the Other Text Data of Other Data Report No. 1, the information in the sections entitled "Threshold" in Notes Status Report Nos. 3, 6, 15, and 19, the information in the Closing Package Line Reclassification Summary Report – Balance Sheet, and the information in the Closing Package Line Reclassification Summary Reports – Statement of Net Cost and Statement of Changes in Net Position are presented for purposes of additional analysis in accordance with TFM Chapter 4700 and are not a required part of the closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the closing package financial statements and, accordingly, we do not express an opinion or provide any assurances on it.

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a combined report dated December 2, 2013 that discusses our opinion on 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*. The combined report is an integral part of an audit performed in accordance with U.S. *Government Auditing Standards* 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 2013 audit of the basic general-purpose financial statements of NRC, we noted no material weaknesses 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, 2013, 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 closing package financial reporting. Accordingly, we do not express an opinion on the effectiveness of NRC's internal control over closing package financial reporting.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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*. 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* disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

***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 U.S. generally accepted 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.

***Restriction on 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.

*CliftonLarsonAllen LLP*

Arlington, Virginia  
December 16, 2013



**U.S.Department of the Treasury  
Financial Management Service  
Governmentwide Financial Report System**

**GF002A - Audited FS Report**

**Statement:** STATEMENT OF NET COST

**Fiscal Year:** 2013

**Period:** SEPTEMBER

**Entity:** 3100-U. S. Nuclear Regulatory Commission

**Reported in:** THOUSANDS

**Decimal:** ZERO

<b>Agency Line Description</b>	<b>FY 2013-SEPTEMBER</b>	<b>FY 2012-SEPTEMBER</b>
<b>Nuclear Reactor Safety and Security</b>		
Gross costs	831,114	824,091
Less: Earned revenue	(760,283)	(815,701)
Total Net Cost of Nuclear Reactor Safety and Security (Note 9)	70,831	8,390
<b>Nuclear Materials and Waste Safety and Security</b>		
Gross costs	232,011	228,000
Less: Earned revenue	(91,959)	(88,630)
Total Net Cost of Nuclear Materials and Waste Safety and Security (Note 9)	140,052	139,370
Total Gross Costs	1,063,125	1,052,091
Total Earned Revenue	(852,242)	(904,331)
Net Cost of Operations	210,883	147,760

**U.S.Department of the Treasury  
Financial Management Service  
Governmentwide Financial Report System**

**GF002A - Audited FS Report**

**Statement:** STATEMENT OF CHANGES IN NET POSITION      **Fiscal Year:** 2013      **Period:** SEPTEMBER  
**Entity:** 3100-U. S. Nuclear Regulatory Commission      **Reported in:** THOUSANDS      **Decimal:** ZERO

<b>Agency Line Description</b>	<b>FY 2013-SEPTEMBER</b>	<b>FY 2012-SEPTEMBER</b>
<b>Cumulative Results of Operations</b>		
Beginning Balances	160,194	105,193
<b>Budgetary Financing Sources</b>		
Appropriations used	176,169	169,056
Non-Exchange revenue	482	697
Transfers-in/out without reimbursement	0	0
<b>Other Financing Sources</b>		
Imputed financing from costs absorbed by others	35,157	33,705
Other - Revenue from excess collections	(482)	(697)
Total Financing Sources	211,326	202,761
Net Cost of Operations	(210,883)	(147,760)
Net Change	443	55,001
Cumulative Results of Operations	160,637	160,194
<b>Unexpended Appropriations</b>		
Beginning Balances	285,080	310,332
Change in accounting principle	0	0
Beginning Balance, as Adjusted	285,080	310,332
<b>Budgetary Financing Sources</b>		
Appropriations Received	186,209	143,804
Other Adjustments(Recission)	(52,480)	0
Appropriations used	(176,169)	(169,056)
Total Budgetary Financing Sources	(42,440)	(25,252)
Total Unexpended Appropriations	242,640	285,080
Net Position	403,277	445,274