



**Defense Nuclear Facilities
Safety Board**
Washington, DC 20004-2901

Office of the
Inspector General

July 13, 2016

MEMORANDUM TO: Chairman Connery

FROM: 
Hubert T. Bell
Inspector General

SUBJECT: AUDIT OF THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD'S FINANCIAL
STATEMENTS FOR FISCAL YEAR 2016

The audit of the fiscal year 2016 financial statements of the Defense Nuclear Facilities Safety Board (DNFSB) is underway. We held an entrance conference with DNFSB officials on April 13, 2016.

The Office of the Inspector General is responsible for conducting audits of DNFSB's financial statements in accordance with the Chief Financial Officers Act of 1990, Chapter 9, Sections 901(b)(2) and 902(a)(6) and plans to issue its report by November 16, 2016.

A copy of the audit engagement letter is attached. This letter explains the nature of the engagement, auditor responsibilities, and the responsibilities of DNFSB management. Should this letter and the attached engagement letter not represent your understanding of the nature of this engagement, or should you have any questions, please contact me at 301-415-5930 or Stephen D. Dingbaum, Assistant Inspector General for Audits, at 301-415-5915.

Attachment: As stated

cc: Jessie Roberson, Vice Chairman
Sean Sullivan, Board Member
Daniel Santos, Board Member
Bruce Hamilton, Board Member



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June 6, 2016

The Honorable Hubert T. Bell
Inspector General
11555 Rockville Pike
OWFN-05-E13
Rockville, MD 20852

Mark Welch
General Manager
Defense Nuclear Facilities Safety Board
625 Indiana Avenue, NW, Suite 700
Washington, DC 20004

Dear Mr. Bell and Mr. Welch:

Objectives and Scope of the Audit

The Inspector General has requested that we audit the annual comparative financial statements of the Defense Nuclear Facilities Safety Board (“the Board”), which comprise the balance sheet as of September 30, 2016 and 2015, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objectives of our expressing an opinion on the financial statements, an opinion on internal control over financial reporting, and report on compliance with laws and regulations that are material to the financial statements.

Auditor’s Responsibilities

We will conduct our audit in accordance with U.S. generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAGAS.

In making our risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. This audit does not include evaluating all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls relevant to preparing statistical reports and ensuring efficient operations. Likewise, the audit does not include testing compliance with all laws and regulations applicable to the Board. We will limit our tests of compliance to those laws and regulations required by the Office of Management and Budget audit guidance that we deem applicable to the financial statements for the fiscal years ended September 30, 2016, and 2015. 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 will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements or reportable instances of noncompliance with laws and regulations that we identify during the audit.

We are also responsible for communicating in writing to those charged with governance any significant deficiencies and material weaknesses in internal control that come to our attention as a result of the audit. In addition, we will communicate any suggestions for improving the Board's operations and other control deficiencies identified during our audit in a separate letter to management [as applicable].

Management's Responsibility

Our audit will be conducted on the basis that management and, where appropriate, those charged with governance acknowledge and understand that they have responsibility:

- a) For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States;
- b) For the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- c) To provide us with:
 - i. Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - ii. Additional information that we may request from management for the purpose of the audit; and
 - iii. Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from management and, where appropriate, those charged with governance, written confirmation concerning representations made to us in connection with the audit.

Other Relevant Information

To make efficient use of audit resources and expedite audit completion, we will request assistance from Board staff. This assistance may include preparing schedules or analyses; locating, copying, and providing selected documents; and participating in meetings. We will discuss this assistance with Board staff as the need arises. Throughout the audit, we will work with Board staff to obtain information needed for the completion of the audit and to arrive at mutually acceptable time frames for the delivery of requested data.

We conducted an entrance conference with Board and Office of the Inspector General staffs on April 13, 2016. We will provide periodic status reports on our work to you and Board staff as agreed.

Reporting

We will issue a written report upon completion of our audit of the Board's financial statements. Our report will be addressed to the Inspector General and the Chairman of the Defense Nuclear Facilities Safety Board. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement. We also will issue an opinion on internal control as well as a written report on the Board's compliance with laws and regulations upon completion of our audit.

Please sign and return a copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities. We look forward to working with the Board and appreciate its cooperation in working with us to complete the audit in a timely manner.

Acuity Consulting, Inc.

McCoy Williams

McCoy Williams
President/CEO

Acknowledged and agreed on behalf of Defense Nuclear Facilities Safety Board Office of Inspector General by;



Hubert T. Bell

Inspector General

Date: 6/7/16

Acknowledged and agreed on behalf of Defense Nuclear Facilities Safety Board by:

Mark Welch

Mark Welch

General Manager

Date: 6/6/16