



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

OFFICE OF THE
INSPECTOR GENERAL

November 16, 2009

MEMORANDUM TO: Chairman Jaczko

FROM:


Hubert T. Bell
Inspector General

SUBJECT: INDEPENDENT AUDITOR'S REPORT ON THE U.S.
NUCLEAR REGULATORY COMMISSION'S SPECIAL-
PURPOSE FINANCIAL STATEMENTS AS OF
SEPTEMBER 30, 2009 AND 2008, AND FOR THE YEARS
THEN ENDED (OIG-10-A-06)

This memorandum transmits the Urbach Kahn & Werlin, LLP (UKW) 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, 2009 and 2008, and the related reclassified statements of net cost and changes in net position for the years then ended. 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

UKW issued an unqualified opinion on the reclassified balance sheet of the NRC as of September 30, 2009 and 2008, and the related reclassified statements of net cost and changes in net position for the years then ended.

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

Attachment: As stated

cc: Commissioner Klein
Commissioner Svinicki
J. Dyer, CFO
N. Mamish, OEDO
J. Andersen, 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 sheets as of September 30, 2009 and 2008, and the related reclassified statements of net cost and changes in net position for the years 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.

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 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, 2009 and 2008, and its net costs and changes in net position for

Independent Auditor's Report on Special Purpose Financial Statements, Continued

the years 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 6, 2009, 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. 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 the internal control over the financial reporting process that might be significant deficiencies. Under standards issued by the American Institute of Certified Public Accountants, significant deficiencies are deficiencies in internal control, or a combination of deficiencies, that adversely affect the NRC's ability to initiate, authorize, record, process, or report financial data reliably and in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the special-purpose financial statements being audited that is more than inconsequential will not be prevented or detected. Material weaknesses are significant deficiencies, or a combination of significant deficiencies, that result in a more than remote likelihood that material misstatements in relation to the special-purpose financial statements being audited will not be prevented or detected.

**Independent Auditor's Report
on Special Purpose Financial Statements, Continued**

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.

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 15, 2009

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

11-16-2009 12:02:31

GF003F-Closing Package Financial Statement Report

Statement: BALANCE SHEET

Fiscal Year: 2009

Period: SEPTEMBER

Entity: 3100-U. S. Nuclear Regulatory Commission

Reported In: THOUSANDS

Decimal Point: ZERO

Amounts presented as debits and credits()
The accompanying notes are an integral part of these financial statements.

I = Inactive Line

Closing Line item	Status	2009-SEPTEMBER	2008-SEPTEMBER	Previously Reported
Assets:				
Non-Federal				
Cash and Other Monetary Assets		0	0	0
Accounts and Taxes Receivable		123,217	116,684	116,684
Loans Receivable		0	0	0
Inventory and Related Property		0	0	0
Property, Plant and Equipment		31,624	35,475	35,475
Securities and Investments		0	0	0
Investment in Government sponsored enterprises (GSEs)		0	0	0
Other Assets		32	28	28
Total Non-Federal Assets		154,873	152,187	152,187
Federal				
Fund Balance with Treasury		448,632	393,478	393,478
Federal Investments		0	0	0
Accounts Receivable		4,907	4,692	4,692
Interest Receivable		0	0	0
Loans Receivable		0	0	0
Transfers Receivable		0	0	0
Benefit Program Contributions Receivable		0	0	0
Advances to Others and Prepayments		3,340	4,121	4,121
Other Assets (without reciprocals)		0	0	0
Total Federal Assets		456,879	402,291	402,291
Total Assets		611,752	554,478	554,478

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Closing Line item	Status	2009-SEPTEMBER	2008-SEPTEMBER	Previously Reported
Liabilities				
Non-Federal				
Accounts Payable		(37,023)	(41,763)	(41,763)
Federal Debt Securities Held by the Public		0	0	0
Federal Employee and Veteran Benefits Payable		(9,765)	(8,851)	(8,851)
Environmental and Disposal Liabilities		0	0	0
Benefits Due and Payable		0	0	0
Loan Guarantee Liabilities		0	0	0
Keepwell payable		0	0	0
Insurance Programs		0	0	0
Other Liabilities		(78,502)	(69,156)	(69,156)
Total Non-Federal Liabilities		(125,290)	(119,770)	(119,770)
Federal				
Accounts Payable		(13,977)	(12,360)	(12,360)
Federal Debt		0	0	0
Interest Payable		0	0	0
Loans Payable		0	0	0
Transfers Payable		0	0	0
Benefit Program Contributions Payable		(5,362)	(4,742)	(4,742)
Advances from Others and Deferred Credits		(87)	(74)	(74)
Other Liabilities (without reciprocals)		(40)	(28)	(28)

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Total Federal Liabilities		(19,466)	(17,204)	(17,204)
Total Liabilities		(144,756)	(136,974)	(136,974)
Net Position				
Net Position-Non-Earmarked Funds		(466,996)	(417,504)	(417,504)
Net Position-Earmarked Funds		0	0	0
Total Net Position		(466,996)	(417,504)	(417,504)
Total Liabilities and Net Position		(611,752)	(554,478)	(554,478)

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GF003F-Closing Package Financial Statement Report

Statement: STATEMENT OF CHANGES IN NET POSITION **Fiscal Year:** 2009

Period: SEPTEMBER

Entity: 3100-U. S. Nuclear Regulatory Commission

Reported In: THOUSANDS

Decimal Point: ZERO

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Closing Line item	Status	2009-SEPTEMBER	2008-SEPTEMBER	Previously Reported
Beginning Net Position		(417,504)	(281,191)	(281,191)
Non-Federal Prior Period		0	0	0
Adjustments (Not Restated)				
Federal Prior Period Adjustments (Not Restated)		0	0	0
Adjusted Beginning Net Position Balance		(417,504)	(281,191)	(281,191)
Non-Federal Nonexchange Revenue				
Individual Income Tax and Tax Withholdings		0	0	0
Corporation Income Taxes		0	0	0
Unemployment Taxes		0	0	0
Excise Taxes		0	0	0
Estate and Gift Taxes		0	0	0
Custom Duties		0	0	0
Other Taxes and Receipts		0	0	0
Miscellaneous Earned Revenue		0	0	0
Total Non-Federal Nonexchange Revenue		0	0	0
Federal Nonexchange Revenue				
Federal Securities Interest Revenue		0	0	0
Borrowing and other interest revenue		0	0	0
Benefit Program Revenue (nonexchange)		0	0	0
Other taxes and receipts		0	0	0

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Closing Line item	Status	2009-SEPTEMBER	2008-SEPTEMBER	Previously Reported
Total Federal Nonexchange Revenue		0	0	0
Budgetary Financing Sources:				
Appropriations received as adjusted (rescissions and other adjustments)		(138,677)	(133,414)	(133,414)
Appropriation of unavailable special or trust fund receipts transfers-in		0	0	0
Appropriation of unavailable special or trust fund receipts Transfers-out		0	0	0
Nonexpenditure transfers-in of unexpended appropriations and financing sources		(49,000)	(29,025)	(29,025)
Nonexpenditure Transfers-out of unexpended appropriations and financing sources		0	0	0
Expenditure transfers-in of financing sources		0	0	0
Expenditure Transfers-out of financing sources		0	0	0
Other budgetary financing sources		0	0	0
Total Budgetary Financing Sources		(187,677)	(162,439)	(162,439)
Other Financing Sources:				
Transfers-in Without Reimbursement		0	0	0
Transfers-out Without Reimbursement		0	0	0
Imputed Financing Source		(32,207)	(26,911)	(26,911)

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Closing Line item	Status	2009-SEPTEMBER	2008-SEPTEMBER	Previously Reported
Other non-budgetary financing sources		0	(93,434)	(93,434)
Total Other Financing Sources		(32,207)	(120,345)	(120,345)
 Net Cost		 170,392	 146,471	 146,471
Ending Net Position Balance		(466,996)	(417,504)	(417,504)

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Statement: STATEMENT OF NET COST

Fiscal Year: 2009

Period: SEPTEMBER

Entity: 3100-U. S. Nuclear Regulatory Commission

Reported In: THOUSANDS

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Closing Line item	Status	2009-SEPTEMBER	2008-SEPTEMBER	Previously Reported
Gross Cost:				
Non-Federal Gross Cost		745,373	683,890	683,890
Interest on Debt Held by the Public		0	0	0
Total Non-Federal Gross Cost		745,373	683,890	683,890
Federal Gross Cost				
Benefit Program Costs		97,629	86,472	86,472
Imputed Costs		32,207	26,911	26,911
Buy/Sell Costs		167,650	146,778	146,778
Federal Securities Interest Expense		0	0	0
Borrowing and Other Interest Expense		0	0	0
Borrowing Losses		0	0	0
Other Expenses (without reciprocals)		0	0	0
Total Federal Gross Cost		297,486	260,161	260,161
Department Total Gross Cost		1,042,859	944,051	944,051
Earned Revenue				
Non-Federal Earned Revenue		(826,970)	(758,859)	(758,859)
Federal Earned Revenue				
Benefit Program Revenue (exchange)		0	0	0
Buy/Sell Revenue		(45,497)	(38,721)	(38,721)
Federal Securities Interest Revenue (exchange)		0	0	0
Borrowing and Other Interest Revenue (Exchange)		0	0	0

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Fiscal Year: 2009

Period: SEPTEMBER

Entity: 3100-U. S. Nuclear Regulatory Commission

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Closing Line item	Status	2009-SEPTEMBER	2008-SEPTEMBER	Previously Reported
Borrowings Gains		0	0	0
Other Revenue (without reciprocals)		0	0	0
Total Federal Earned Revenue		(45,497)	(38,721)	(38,721)
Department Total Earned Revenue		(872,467)	(797,580)	(797,580)
Net Cost		170,392	146,471	146,471