



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

OFFICE OF THE  
INSPECTOR GENERAL

November 16, 2012

MEMORANDUM TO: Chairman Macfarlane

FROM:

  
Hubert T. Bell  
Inspector General

SUBJECT: INDEPENDENT AUDITORS' REPORT ON THE U.S. NUCLEAR REGULATORY COMMISSION'S SPECIAL-PURPOSE FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2012 AND 2011, AND FOR THE YEARS THEN ENDED (OIG-13-A-05)

This memorandum transmits the CliftonLarsonAllen, LLP (CLA) Independent Auditors' Report on the U.S. Nuclear Regulatory Commission's (NRC) special-purpose financial statements, including the reclassified balance sheets, as of September 30, 2012 and 2011, 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 Clifton Gunderson, LLP, which merged with another firm to become CLA, to conduct this audit.

### **Audit Results**

CLA issued an unqualified opinion, dated November 14, 2012, on the reclassified balance sheets of the NRC as of September 30, 2012 and 2011, and the related reclassified statements of net cost and changes in net position for the years then ended. NRC's special-purpose financial statements include comparative financial statements for FY's 2012 and 2011 (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  
N. Mamish, OEDO  
K. Brock, OEDO  
J. Arildsen, OEDO  
C. Jaegers, OEDO



CliftonLarsonAllen LLP

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## INDEPENDENT AUDITORS' REPORT

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, 2012 and 2011, 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 audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (U.S.); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget 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 audits provide a reasonable basis for our opinion.

The 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 NRC's financial statements.

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the financial position of NRC as of September 30, 2012 and

## INDEPENDENT AUDITORS' REPORT, CONTINUED

2011, and its net costs and changes in net position for the years then ended in conformity with accounting principles generally accepted in the U.S. and the presentation pursuant to the requirements of the TFM Chapter 4700.

Accounting principles generally accepted in the U.S. require that the information in the Other Data Report Nos. 1, 8, 9, 14, 15 and 16 be presented to supplement the basic general-purpose financial statements. Such information, although not a part of the basic general-purpose 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 general-purpose financial statements in an appropriate operational, economic, or historical context. This information is presented to supplement the basic special-purpose financial statements in accordance with *TFM Chapter 4700*. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 special-purpose financial statements, and other knowledge we obtained during our audits of the basic special-purpose 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.

The information entitled "Threshold" in the sections entitled "Threshold" in FR Notes Report Nos. 6, 9, 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 and are not a required part of the special-purpose financial statements. This information has not been subjected to the auditing procedures applied in the audits of the special-purpose financial statements and, accordingly, we express no opinion on it.

In planning and performing our audit of the special-purpose financial statements, we also considered NRC's internal control over the financial reporting process for the special purpose financial statements and compliance with 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 identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 and correct misstatements 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. 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 in relation to the special-purpose financial statements will not be prevented, or detected and corrected on a timely basis.

## INDEPENDENT AUDITORS' REPORT, CONTINUED

We found no material weaknesses in internal control over the 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.

In accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, we have also issued our combined audit report dated November 8, 2012, which included 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 our audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended, and should be considered in assessing the results of our audit.

No material weaknesses, significant deficiencies or matters of noncompliance with laws and regulations were noted during our audit of the special-purpose financial statements.

This report is intended solely for the information and use of the management of NRC, the NRC Office of Inspector General, 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 U.S. Government and is not intended to be, and should not be, used by anyone other than these specified parties.

The image shows a handwritten signature in cursive script that reads "Clifton Larson Allen LLP". The signature is written in dark ink and is positioned above the typed name and date.

Arlington, Virginia  
November 14, 2012



**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:** 2012      **Period:** SEPTEMBER

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

<b>Agency Line Description</b>	<b>FY 2012-SEPTEMBER</b>	<b>FY 2011-SEPTEMBER</b>
<b>Cumulative Results of Operations</b>		
Beginning Balances	105,193	118,312
<b>Budgetary Financing Sources</b>		
Appropriations used	169,056	134,626
Non-Exchange revenue	697	0
Transfers-in/out without reimbursement	0	9,980
<b>Other Financing Sources</b>		
Imputed financing from costs absorbed by others	33,705	50,534
Other - Revenue from excess collections	(697)	0
Total Financing Sources	202,761	195,140
Net Cost of Operations	(147,760)	(208,259)
Net Change	55,001	(13,119)
Cumulative Results of Operations	160,194	105,193
<b>Unexpended Appropriations</b>		
Beginning Balances	310,332	311,869
Change in accounting principle	0	0
Beginning Balance, as Adjusted	310,332	311,869
<b>Budgetary Financing Sources</b>		
Appropriations Received	143,804	133,346
Other Adjustments(Recission)	0	(257)
Appropriations used	(169,056)	(134,626)
Total Budgetary Financing Sources	(25,252)	(1,537)
Total Unexpended Appropriations	285,080	310,332
Net Position	445,274	415,525

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

**GF002A - Audited FS Report**

**Statement:** STATEMENT OF NET COST                      **Fiscal Year:** 2012                      **Period:** SEPTEMBER  
**Entity:** 3100-U. S. Nuclear Regulatory Commission      **Reported in:** THOUSANDS                      **Decimal:** ZERO

<b>Agency Line Description</b>	<b>FY 2012-SEPTEMBER</b>	<b>FY 2011-SEPTEMBER</b>
<b>Nuclear Reactor Safety and Security</b>		
Gross costs	824,091	857,569
Less: Earned revenue	(815,701)	(786,741)
Total Net Cost of Nuclear Reactor Safety and Security (Note 9)	8,390	70,828
<b>Nuclear Materials and Waste Safety and Security</b>		
Gross costs	228,000	239,350
Less: Earned revenue	(88,630)	(101,919)
Total Net Cost of Nuclear Materials and Waste Safety and Security (Note 9)	139,370	137,431
Total Gross Costs	1,052,091	1,096,919
Total Earned Revenue	(904,331)	(888,660)
Net Cost of Operations	147,760	208,259