




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

OFFICE OF THE
INSPECTOR GENERAL

January 14, 2010

MEMORANDUM TO: Chairman Jaczko

FROM: 
Hubert T. Bell
Inspector General

SUBJECT: TRANSMITTAL OF THE INDEPENDENT AUDITOR'S
REPORT ON THE CONDENSED FINANCIAL
STATEMENTS (OIG-10-A-07)

Office of Management and Budget Circular No. A-136, *Financial Reporting Requirements*, Revised, June 10, 2009, strongly encourages all entities producing a Performance and Accountability Report (PAR) to prepare a Summary Report which summarizes performance and accountability results for the fiscal year. The Summary Report should include the most important performance and financial information contained in the PAR in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The purpose of this memorandum is to transmit Urbach Kahn & Werlin, LLP (UKW) Auditor's Report on the Condensed Financial Statements included in the Summary Report.

UKW is responsible for the attached unqualified auditor's opinion, dated November 6, 2009. The Office of the Inspector General (OIG) is responsible for technical and administrative oversight regarding the firm's performance under the terms of the contract. Our oversight of UKW's work, as differentiated from an audit in conformance with *Government Auditing Standards*, was not intended to enable us to express, and accordingly we do not express, an opinion on the condensed financial statements included in the Summary Report. However, OIG's oversight of UKW's work disclosed no instances where UKW did not comply with applicable auditing standards.

We appreciate the cooperation provided by NRC staff.

Attachment: As stated

cc: Commissioner Klein
Commissioner Svinicki
N. Mamish, OEDO
J. Andersen, OEDO

**INDEPENDENT AUDITOR'S REPORT ON THE CONDENSED
FINANCIAL STATEMENTS**

Hubert T. Bell
Inspector General
United States Nuclear Regulatory Commission

The Honorable Gregory B. Jaczko
Chairman
United States Nuclear Regulatory Commission

We have audited the balance sheets of the United States Nuclear Regulatory Commission (NRC) as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources (Principal Statements) for the fiscal years then ended. Our audit was performed in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. In our report dated November 6, 2009, we expressed an unqualified opinion on those Principal Statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated in all material respects in relation to the Principal Statements referred to above from which it has been derived.

In accordance with *Government Auditing Standards*, our report on the Principal Statements referred to above includes an opinion on the effectiveness of internal control over financial reporting and a report on compliance with laws and regulations for the fiscal years ended September 30, 2009 and 2008. Those reports are integral parts of a financial statement audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 6, 2009

Condensed Financial Statements

CONDENSED BALANCE SHEET* (in Thousands)

As of September 30,	2009	2008
Assets		
Fund balance with Treasury	\$ 448,632	\$ 393,478
Accounts receivable, net	128,124	121,376
Property and equipment, net	31,624	35,475
Other	3,372	4,149
Total Assets	\$ 611,752	\$ 554,478
Liabilities		
Accounts payable	\$ 51,000	\$ 54,123
Federal employee benefits	7,628	7,059
Other	86,128	75,792
Total Liabilities	144,756	136,974
Net Position		
Unexpended appropriations	338,637	289,269
Cumulative results of operations	128,359	128,235
Total Net Position	466,996	417,504
Total Liabilities and Net Position	\$ 611,752	\$ 554,478

STATEMENT OF NET COST* (in Thousands)

For the years ended September 30,	2009	2008
Nuclear Reactor Safety and Security		
Gross costs	\$ 796,898	\$ 705,832
Less: Earned revenue	(794,007)	(725,840)
Total Net Cost of Nuclear Reactor Safety and Security	2,891	(20,008)
Nuclear Materials and Waste Safety and Security		
Gross costs	245,961	238,219
Less: Earned revenue	(78,460)	(71,740)
Total Net Cost of Nuclear Materials and Waste Safety and Security	167,501	166,479
Net Cost of Operations	\$ 170,392	\$ 146,471

* For a complete set of financial statements and notes, see Chapter 3, "Financial Statements and Auditors' Report," in the *Fiscal Year 2009 Performance and Accountability Report*. This report can be accessed at <http://www.nrc.gov>.

CONDENSED STATEMENT OF CHANGES IN NET POSITION* (In Thousands)

For the years ended September 30,	2009	2008
Cumulative Results of Operations		
Beginning Balance	\$ 128,235	\$ 27,164
Budgetary Financing Sources	138,309	127,197
Other Financing Sources	32,207	120,345
Net Cost of Operations	(170,392)	(146,471)
Net Change	124	101,071
Cumulative Results of Operations	\$ 128,359	\$ 128,235
Unexpended Appropriations		
Beginning Balance	\$ 289,269	\$ 254,027
Budgetary Financing Sources	49,368	35,242
Total Unexpended Appropriations	338,637	289,269
Net Position	\$ 466,996	\$ 417,504

* For a complete set of financial statements and notes, see Chapter 3, "Financial Statements and Auditors' Report," in the *Fiscal Year 2009 Performance and Accountability Report*. This report can be accessed at <http://www.nrc.gov>.

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FINANCIAL STATEMENT AUDIT

Audit Opinion—Unqualified	Restatement—No	Material Weaknesses—No
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SUMMARY OF MANAGEMENT ASSURANCES

Effectiveness of Internal Control over Financial Reporting and Operations (FMFIA § 2)

Statement of Assurance—Unqualified	Material Weaknesses—No
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Conformance with Financial Management System Requirements (FMFIA § 4)

Statement of Assurance—Systems Conform to Requirements	Nonconformance—No
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Compliance with Federal Financial Management Improvement Act (FFMIA)

Overall Substantial Compliance	Agency – Yes	Auditor – Yes
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For the complete Summary of Financial Statement Audit and Management Assurances see page 167 of the *Fiscal Year 2009 Performance and Accountability Report*. This report can be accessed at <http://www.nrc.gov>.