



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

OFFICE OF THE
INSPECTOR GENERAL

March 6, 1997

MEMORANDUM TO: Chairman Jackson
Commissioner Rogers
Commissioner Dicus
Commissioner McGaffigan
Commissioner Diaz

FROM:

Hubert T. Bell
Inspector General

A handwritten signature in cursive script, reading "Hubert T. Bell".

SUBJECT:

RESULTS OF THE AUDIT OF U.S. NUCLEAR REGULATORY
COMMISSION'S FISCAL YEAR 1996 FINANCIAL STATEMENTS

Attached is the Office of the Inspector General's (OIG) audit report of the U.S. Nuclear Regulatory Commission's (NRC) Fiscal Year 1996 financial statements. The Chief Financial Officers (CFO) Act requires OIG to annually audit the Principal Financial Statements of the NRC. The audit was performed to form an opinion on the Principal Financial Statements. The report contains the (1) principal statements, (2) our opinions on the principal statements and management's assertions about the effectiveness of internal controls, and (3) our report on NRC's compliance with laws and regulations. Written comments were obtained from the Acting CFO and are included as an appendix to our report.

Audit Results

On NRC's Fiscal Year 1996 Principal Financial Statements, we issued an unqualified opinion on the Statement of Financial Position, and the Statements of Operations, Cash Flows, and Budget and Actual Expenses.

In our opinion on management's assertions about the effectiveness of internal controls, we identified one new reportable condition and one carried over from prior fiscal years. The new condition concerns NRC's procedures for identifying capitalized software. The prior-year condition concerns NRC's lack of a system for reporting labor costs by program. Based on corrective actions taken in FY 1996, we closed two reportable conditions identified in our FY 1995 report. Those conditions related to (1) internal controls for NRC's fee recovery system, and (2) lack of Department of Energy (DOE) audit assurance for NRC funds spent at DOE labs. We have, however, retained the DOE issue as a *Matter of Emphasis* in our report.

Our report on NRC's compliance with laws and regulations states that with respect to the items tested, NRC was in compliance. Based on actions taken in FY 1996, we closed the compliance finding related to NRC's fee recovery system.

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Under the Federal Manager's Financial Integrity Act, NRC must annually evaluate its internal controls processes. As of the date of our report, NRC management had completed its evaluation of financial controls, but was still evaluating a programmatic control issue.

On February 27, 1997, the Acting CFO responded to our draft report dated February 19, 1997. We appreciate NRC staff's cooperation and continued interest in improving financial management within NRC.

Attachments: As stated

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