

United States Government

Department of Energy

Memorandum

DATE: November 15, 2010

REPLY TO:

ATTN TO: IG-34 (A10FN009)

SUBJECT: Office of Civilian Radioactive Waste Management's Fiscal Year 2010 Financial Statement Audit Report No.: OAS-FS-11-03

TO: Director, Office of Standard Contract Management

The attached report presents the results of the independent certified public accountants' audit of the Office of Civilian Radioactive Waste Management's (OCRWM) Fiscal Year 2010 balance sheet and the related statements of net cost, changes in net position, and budgetary resources.

To fulfill the Office of Inspector General's audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP (KPMG) to conduct the audit, subject to our review. KPMG is responsible for expressing an opinion on OCRWM's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted Government auditing standards. The Office of Inspector General did not express an independent opinion on OCRWM's financial statements.

KPMG concluded that the financial statements present fairly, in all material respects, OCRWM's financial position as of September 30, 2010, its net costs, changes in net position, and budgetary resources in conformity with United States generally accepted accounting principles.

The auditors' review of OCRWM's internal control structure and compliance with certain laws and regulations disclosed no material weaknesses or instances of noncompliance required to be reported under generally accepted Government auditing standards or applicable Office of Management and Budget guidance.



Daniel M. Weber, Director
Environment, Technology, Corporate,
and Financial Audits Division
Office of Inspector General

Attachment

cc w/attachment:

Chief Financial Officer, CF-1

Director, Office of Financial Control and Reporting, CF-12

Assistant Director, Office of Risk Management, CF-80

Team Leader, Office of Risk Management, CF-80

Audit Resolution Specialist, Office of Risk Management, CF-80



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Independent Auditors' Report

Office of Civilian Radioactive Waste Management, United States Department of Energy and
The Inspector General, United States Department of Energy:

We have audited the accompanying balance sheets of the Office of Civilian Radioactive Waste Management (OCRWM), a component of the United States (U.S.) Department of Energy (Department or DOE), as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2010 audit, we also considered OCRWM's internal control over financial reporting and tested OCRWM's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that OCRWM's financial statements as of and for the years ended September 30, 2010 and 2009, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our report emphasizes that (1) the Department closed OCRWM as of September 30, 2010, and on October 1, 2010, reassigned prior responsibilities of OCRWM and its assets and liabilities within the Department; and (2) OCRWM is involved as a defendant in several matters of litigation relating to its inability to accept waste by January 31, 1998, the date specified in the Nuclear Waste Policy Act of 1982, as amended.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *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.

The following sections discuss our opinion on OCRWM's financial statements; our consideration of OCRWM's internal control over financial reporting; our tests of OCRWM's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.



Office of Civilian Radioactive Waste Management
November 10, 2010
Page 2 of 4

Opinion on the Financial Statements

We have audited the accompanying balance sheets of OCRWM as of September 30, 2010 and 2009, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OCRWM as of September 30, 2010 and 2009, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the financial statements, in fiscal year 2010 the President of the United States and the Secretary of the Department of Energy announced the closure of the repository at Yucca Mountain and eliminated funding for the OCRWM program subsequent to fiscal year 2010. Consequently, the Department closed OCRWM as of September 30, 2010, and on October 1, 2010, reassigned prior responsibilities of OCRWM and its assets and liabilities within the Department. Management's description of these events and the consequential results are described in Note 1.

As discussed in Note 9 to the financial statements, OCRWM is involved as a defendant in several matters of litigation relating to its inability to accept waste by the January 31, 1998 date specified in the Nuclear Waste Policy Act of 1982, as amended. OCRWM has recorded liabilities for likely damages of \$15.4 billion, and \$13.1 billion as of September 30, 2010 and 2009, respectively.

The information in the Overview and Required Supplementary Stewardship Information sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Supplementary Information – Schedules I and II for the years ended September 30, 2010, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material aspects in relation to the financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of OCRWM as of and for the years ended September 30, 1983 through September 30, 2008 (none of which are presented herein), and we expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I and II related to OCRWM's financial statements as of and for the years ended September 30, 1983 through September 30, 2008 was subjected to auditing procedures applied in the audits of those financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements from which it has been derived.



Internal Control Over Financial Reporting

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 material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. In our fiscal year 2010 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted certain additional matters that we will report to management in a separate letter.

Compliance and Other Matters

The results of our tests of compliance described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04.

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Responsibilities

Management's Responsibilities. Management is responsible for the financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to OCRWM.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2010 and 2009 financial statements of OCRWM based on our audits. We conducted our audits 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. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCRWM's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.



Office of Civilian Radioactive Waste Management
November 10, 2010
Page 4 of 4

In planning and performing our fiscal year 2010 audit, we considered OCRWM's internal control over financial reporting by obtaining an understanding of OCRWM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OCRWM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCRWM's internal control over financial reporting. Furthermore, we did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

As part of obtaining reasonable assurance about whether OCRWM's fiscal year 2010 financial statements are free of material misstatement, we performed tests of OCRWM's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to OCRWM. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of OCRWM's and the Department of Energy's management, the Department of Energy's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 10, 2010