



**RESTRICTED** — Not to be released or disseminated without specific approval  
Accounting Office or other agency with specific approval  
by the Office of Congressional Relations. **RELEASED**

12/11/84

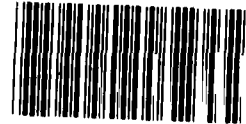
**UNITED STATES GENERAL ACCOUNTING OFFICE  
WASHINGTON, D.C. 20548**

RESOURCES COMMUNITY  
AND ECONOMIC DEVELOPMENT  
DIVISION

August 10, 1984

B-207463

The Honorable John D. Dingell  
Chairman, Committee on Energy  
and Commerce  
House of Representatives



124971

The Honorable Richard L. Ottinger  
Chairman, Subcommittee on Energy  
Conservation and Power  
Committee on Energy and Commerce  
House of Representatives

**Subject: Information on Repayment of the Government's  
Uranium Enrichment Program Costs and Audits of  
That Program's Financial Statements  
(GAO/RCED-84-190)**

Your letter of June 4, 1984, raised a series of questions about the Department of Energy's (DOE's) Uranium Enrichment Program activities. You asked that we obtain information concerning DOE's repayment of the government's enrichment program costs; audits of the program's financial statements; current and future financial status of the program; new and advanced enrichment technology construction, development, and selection; and legal issues concerning the execution of statutory requirements. This letter responds to your questions concerning repayment of the government's enrichment program costs and audits of the program's financial statements. As agreed with your respective offices, we plan to respond to your other questions at a future date.

The remainder of this letter includes the objective, scope, and methodology of our work; an overview of DOE's Uranium Enrichment Program; and our responses to your specific questions.

**OBJECTIVE, SCOPE, AND METHODOLOGY**

To answer your questions concerning the repayment of the government's enrichment program costs and audits of the program's financial statements, we interviewed program officials at DOE's Office of Uranium Enrichment in Germantown, Maryland. We also obtained information from the program's financial statements, audit reports on those statements, appropriations and budget documents, the program's authorizing legislation, and the

029801

(301671)

Uranium Enrichment Services Criteria.<sup>1</sup> To respond to your repayment questions, we interviewed an official from DOE's Office of Budget in Germantown and an official from the Department of the Treasury's Bureau of Government Financial Operations in Washington, D.C. To answer the financial statement questions, we used GAO's Standards for Audit of Governmental Organizations, Programs, Activities, and Functions<sup>2</sup> as a guide, and interviewed officials from DOE's Division of Finance, the Office of Performance Evaluation, and the Office of the Inspector General at DOE's Oak Ridge Operations Office in Oak Ridge, Tennessee. Because fiscal year 1971 was the first year that DOE published financial statements for this program, we used that year's financial statements as the base for developing information to respond to your questions. However, we did not verify the accuracy of data contained in DOE's annual financial statements or historical appropriations data that program officials provided us.

We did not obtain official agency comments on this report; however, we discussed the information contained in the report with DOE program officials. Our audit work was primarily carried out during June and July of 1984. Except as noted above, we performed our work in accordance with generally accepted government auditing standards.

#### OVERVIEW OF DOE'S URANIUM ENRICHMENT PROGRAM

Uranium enrichment is a process used to increase the concentration of the fissionable uranium-235 isotope found in natural uranium to the levels required for the uranium to be used in various applications. Since 1969, the federal government--through the former Atomic Energy Commission, the former Energy Research and Development Administration, and now DOE--has operated enrichment plants primarily to enrich uranium for fuel in its customers' domestic and foreign nuclear power reactors.<sup>3</sup>

DOE's existing uranium enrichment capacity consists of three plants located at Paducah, Kentucky; Portsmouth, Ohio; and Oak Ridge, Tennessee. These plants use an energy-intensive uranium enrichment technology known as "gaseous diffusion" and have the

<sup>1</sup>The Atomic Energy Act of 1954, as amended (42 U.S.C. 2201(v)), requires DOE to establish criteria setting forth the terms and conditions under which enrichment services are to be provided. Such terms and conditions are embodied in a document entitled Uranium Enrichment Services Criteria.

<sup>2</sup>By the Comptroller General of the United States, revised Feb. 27, 1981.

<sup>3</sup>DOE's plants also provide enriched uranium for research and defense applications.

capacity to produce about 27 million separative work units<sup>4</sup> of enriched uranium per year. In addition to the gaseous diffusion plants, DOE is building a new enrichment facility in Portsmouth, Ohio, that will use a different enrichment technology, known as "gas centrifuge." DOE believes that because the gas centrifuge facility will require significantly less electricity to operate, it will be able to enrich uranium more cheaply and, therefore, be able to lower overall enrichment costs and prices. DOE is also developing two other enrichment technologies--advanced gas centrifuge and atomic vapor laser isotope separation--which, according to DOE, have the potential of reducing enrichment costs and prices to a level substantially below that possible from either the existing gaseous diffusion plants or initial production from the gas centrifuge facility now under construction. If successful, DOE expects to utilize one or both of these advanced technologies for producing enriched uranium beginning in the late 1980's to the early 1990's.

In providing enrichment services to its customers, DOE is required under Section 161(v) of the Atomic Energy Act of 1954, as amended (42 U.S.C. 2201(v)), to price such services so that the government's enrichment costs will be recovered over a ". . . reasonable period of time." Ten years was initially established by DOE as being a reasonable period, and over the years it has been accepted as such by cognizant congressional committees. Thus, until recently, enrichment prices had been adjusted annually by DOE to reflect its projected costs of providing enrichment services over the ensuing 10-year period. Currently, however, DOE is offering a new contract that contains a guaranteed 10-year enrichment services ceiling price which will be adjusted annually for increases in electric power costs to produce the enriched uranium and inflation.<sup>5</sup>

To satisfy its cost recovery requirement, DOE's enrichment price has included both appropriated program costs and imputed

---

<sup>4</sup>The capacity of plants used for producing enriched uranium is defined in terms of separative work units. Such units measure the amount of effort expended to separate a given amount of natural uranium into two components--one having a higher concentration of fissionable uranium-235.

<sup>5</sup>DOE's guaranteed ceiling price was discussed in our report, Information on DOE's Costing and Pricing of Uranium Enrichment Services (GAO/RCED-84-156, Apr. 25, 1984).

interest.<sup>6</sup> At the end of fiscal year 1971, the unrecovered government costs<sup>7</sup> were about \$1.4 billion. Between fiscal years 1971 and 1983, DOE and its predecessor agencies received appropriations of about \$13 billion for the enrichment program's operations and capital investments, and imputed about \$3.6 billion in interest expense. Thus, from fiscal year 1971 through the end of fiscal year 1983, the total amount of government costs subject to the program's cost recovery requirement, including the unrecovered balance at the end of fiscal year 1971, has been about \$18 billion. According to the enrichment program's financial statements, the government had recovered about \$12 billion of these costs, thus leaving an unrecovered balance of about \$6 billion as of the end of fiscal year 1983.

While the remainder of this letter contains our responses to your questions, it is important that they be viewed within the context of the fundamental problems which have developed over the last several years for the uranium enrichment program. The market environment in which DOE's program must operate today is considerably different from the one existing at the time the cost recovery requirement for DOE's program was established. The lower prospects for growth in the nuclear power industry coupled with foreign competition and the emergence of a secondary market for enriched uranium are all affecting the program. With prices that in the past few years have been the highest in the world, the program's competitive position has been steadily deteriorating.

We continue to hold to the view expressed in our March 1, 1984, testimony before the Subcommittee on Energy Conservation and Power, House Committee on Energy and Commerce, that the executive branch together with the Congress needs to reexamine the fundamental purpose and structure of the uranium enrichment program. Such a reexamination must consider our nation's objective for serving the domestic and international uranium

---

<sup>6</sup>Imputed interest is an interest cost assigned to a particular inhouse government investment alternative representing the cost of U.S. Treasury borrowings. Actual interest expenditures may not be incurred by the individual agency undertaking the activity. However, since the money used in the activity is not available to the Treasury for alternative programs, the Treasury resorts to borrowed funds and, in the process, incurs an interest expense.

<sup>7</sup>The government's costs for this program are defined in the Uranium Enrichment Services Criteria. The Criteria define the components that are included in the cost of separative work. The components include: electric power, other operating costs, depreciation, imputed interest on the unrecovered government investment, and other costs incurred in providing enrichment services, such as DOE administrative costs and enrichment plant security costs.

enrichment markets and provide adequate flexibility in pricing policies to allow effective competition with foreign suppliers.

QUESTIONS ABOUT THE GOVERNMENT'S  
URANIUM ENRICHMENT PROGRAM COSTS

Question: Has the Department received direct appropriations since the inception of the program to finance any of its programs, for example, the Cascade Improvement Program and the Cascade Upgrading Program? If so, (1) specify each year and the amount of funds directly appropriated to the program, (2) specify any payment made by the Department to the federal Treasury to offset such appropriations. (Item (2) of this question is addressed in the response to the next question.)

GAO response

The enrichment program's operating expenses and capital investments have been and continue to be funded with appropriations. For fiscal years 1972 through 1978, the program's operating costs were funded as part of DOE's and its predecessor agencies' annual appropriations for agencywide operating expenses. This agencywide appropriation included specific dollar amounts and revenues generated from the sale of enriched uranium and from other agency programs. Thus, the revenues generated by the enrichment program became part of the total appropriation amounts available to fund agencywide operations, and were not specifically designated for the sole use of the enrichment program. In addition, the enrichment program received funds for capital investments as part of a separate agencywide appropriation for plant and capital equipment.

For fiscal years 1979 and 1980, the Congress appropriated funds specifically for uranium supply and enrichment activities, thus separating uranium enrichment appropriations from those of the rest of the agency. During this period, revenues were added to the amount appropriated for the enrichment program. However, beginning with fiscal year 1981, monies received from the sale of enrichment services were no longer included in the appropriation amount. Instead, the appropriation acts required the monies received from the sale of enrichment services to be used to offset enrichment program appropriations.

For fiscal year 1985, the Congress indicated that it expects enrichment appropriations of about \$1.7 billion will be offset by DOE-estimated revenues of the same amount. However, although the revenues are to be used to "offset" appropriations, the program is

entitled to obligate funds up to the appropriated amount, even if program costs exceed the revenues received from enrichment sales. The fiscal year 1985 conference report<sup>8</sup> states that

" . . . The conferees intend that the executive branch obligate each year the full amount as contained in the annual Appropriations Act in order to operate the enrichment enterprise at the level and in the manner provided for in the appropriation. The conferees recognize that actual revenues will often differ from the estimates made at the time the appropriations are arrived at. In the event revenues fall short of estimates, the conferees intend that obligations not be constrained to match revised estimates. Rather obligations are to be consistent with the levels contained in the annual Appropriations Act . . . ."

Should monies received exceed the appropriation amount, the excess could not automatically become available for expenditure on program activities. Instead, the excess funds are required to be returned to the Treasury's miscellaneous receipts account in accordance with 31 U.S.C. 3302.

The following chart shows the appropriation amounts by major uranium enrichment activities, including the Cascade Improvement and Upgrading Programs<sup>9</sup> and the gas centrifuge facility, from fiscal years 1972 through 1983.

---

<sup>8</sup>H.R. Rep. No. 866, 98th Congress, 54 (June 26, 1984).

<sup>9</sup>The Cascade Improvement and Upgrading Programs, completed in fiscal year 1983, have increased the capacity of the original gaseous diffusion plants by about 60 percent to about 27 million separative work units per year and have increased plant efficiency so that the power required to produce each unit has been decreased.

Appropriations by Major Uranium Enrichment Activities  
From Fiscal Year 1972 to Fiscal Year 1983

<u>Fiscal year</u>	<u>Operating and other costs</u>	<u>Cascade Improvement and Uprating Programs</u>	<u>Gas centrifuge facility</u>	<u>Total</u>
	----- (in millions) -----			
1972	\$ 196.4	\$ 25.0	\$ —	\$ 221.4 <sup>a</sup>
1973	242.5	25.0	—	267.5 <sup>a</sup>
1974	110.0	121.7	—	231.7 <sup>a</sup>
1975	466.2	162.4	—	628.6
1976	496.9	345.5	12.6	855.0
1977	1,018.8	428.8	167.3	1,614.9
1978	1,097.4	207.7	150.0	1,455.1
1979	1,037.7	97.0	150.0	1,284.7
1980	973.3	64.6	322.7	1,360.6
1981	1,313.8	—	149.2	1,463.0
1982	1,218.0	—	588.0	1,806.0
1983	<u>1,246.1</u>	<u>—</u>	<u>588.0</u>	<u>1,834.1</u>
Total	<u>\$9,417.1</u>	<u>\$1,477.7<sup>b</sup></u>	<u>\$2,127.8</u>	<u>\$13,022.6</u>

<sup>a</sup>The appropriation amounts for fiscal years 1972-74 were obtained from the enrichment program's financial statements because DOE was unable to provide budget records for these years. According to DOE program officials, these amounts reasonably represent the actual appropriations for those years.

<sup>b</sup>In addition to this amount, the Congress appropriated about \$21.1 million in fiscal year 1971 for the Cascade Improvement and Uprating Programs.

Source: Prepared by GAO using data provided by DOE's Office of Uranium Enrichment.

Question: Does the Department have a formal plan to repay to the Treasury any of the government's prior cost of investment in the program? If so, please evaluate the adequacy of the plan to meet the statutory requirement. If not, and if no or insufficient repayments have in fact occurred during the 14 years of the program's existence, is the Department in compliance with Section 161(v) of the Atomic Energy Act of 1954, as amended?

GAO response

DOE is not required to have a formal plan for repaying the Treasury for the government's cost of providing uranium enrichment services, nor does the legislative history indicate that the Congress intended the program to make specific repayments to the Treasury as is the case for some other programs.<sup>10</sup> DOE is, however, required by the Atomic Energy Act of 1954, as amended, to recover the government's costs of providing enrichment services. These recovered costs have not been used by DOE to repay the Treasury but, as explained in the answer to the previous question, have been designated by the Congress either for use as part of actual appropriations or to offset appropriations. Therefore, the specific use of the revenues has been governed by language contained in appropriations acts and not left to the discretion of program or agency officials. According to the enrichment program's financial statements, DOE has recovered, through the price it charges its customers for enrichment services, about \$12 billion<sup>11</sup> of the approximately \$18 billion in government costs subject to the program's cost recovery requirement, thus leaving an unrecovered balance of about \$6 billion as of the end of fiscal year 1983.

The Deputy Assistant Secretary for Uranium Enrichment told us that although DOE has no formal plan to repay the Treasury for the unrecovered government cost in the enrichment program, DOE considers the repayment of this amount a program objective. He

---

<sup>10</sup>The Bonneville Power Administration is an example of a program required to pay back the government's investment through specific repayment to the Treasury. The Bonneville Project Act of 1937 created the Bonneville Power Administration and authorized it to market power from federal dams; construct and operate transmission facilities; encourage widespread use of electricity; and set rates to recover the cost of generation, transmission, and investment. This act and subsequent legislation require Bonneville to repay the federal investment in power-generating facilities and set electric power rates at the lowest possible level consistent with sound business practices.

<sup>11</sup>A schedule showing the program's annual revenues from fiscal years 1972 through 1983 is contained in the enclosure to this letter.



said that at some yet unknown time, the enrichment sales price is expected to generate program revenues that exceed expenditures, and the remaining unrecovered government cost will then begin to be reduced and eventually eliminated. We should point out that this may take quite some time to accomplish if DOE continues with its planned construction of the \$6.5-billion gas centrifuge facility or makes other capital-intensive expenditures, since these funds are spent faster than they are recovered through depreciation. For example, while DOE plans to complete its \$6.5-billion expenditure for the gas centrifuge facility by 1994, it does not plan to completely recover that investment through depreciation until 25 years after the facility begins to operate in fiscal year 1986. Therefore, this difference in the expenditure and recovery rate, along with other new expenditures, will cause the government's unrecovered costs in the enrichment program to temporarily increase. The amount of such an increase is largely dependent on the extent to which DOE deploys new and advanced technologies, the cost of those technologies, and the price charged for enrichment services.

It also should be noted, as discussed in our April 25, 1984, report, that DOE has decided not to recover about \$1.2 billion of the existing unrecovered costs in the gaseous diffusion enrichment plants. DOE's decision was based on its estimation that only about 40 percent of the capacity of the gaseous diffusion plants will be needed to satisfy its future demand for enrichment services. Because the Uranium Enrichment Services Criteria requires DOE to recover "appropriate depreciation," DOE believes that only about 40 percent of the \$2 billion remaining in unrecovered depreciation costs should be included in the price.

Finally, Section 161(v) of the Atomic Energy Act of 1954, as amended, does not include a repayment requirement but instead requires DOE to recover the government's costs of providing enrichment services. However, GAO is currently making a legal determination in accordance with your request of May 3, 1984, as to whether or not DOE's decision not to recover assets totaling about \$1.2 billion is in compliance with the cost recovery provision of the act. In addition, we are making a legal determination concerning the legality and propriety of DOE's unilateral establishment of a ceiling price in its new enrichment services contract, and obligations the government will incur as a result of the new contract.

Question: Please identify any repayments to the Treasury by the program of this (unrecovered government costs) borrowed amount.

GAO response

DOE has not made specific repayments to the Treasury, as indicated in the response to the previous question, because no specific repayments are required. Government costs are being recovered, however, and have been designated by the Congress for use as part of actual appropriations or to offset appropriations. A discussion of this is also found in the previous response.

Question: The program has been charging its customers for depreciation of the original government investment. What use was made of these customer funds if the funds were not used to repay the government's loan to the program?

GAO response

As indicated in your question, the enrichment program charges its customers for depreciation of the government's unrecovered cost in plant and equipment. The fiscal year 1971 financial statements showed that the government's unrecovered cost was about \$1.4 billion, and of that amount, about \$1 billion was the remaining undepreciated balance of the original gaseous diffusion plants. The fiscal year 1983 financial statements showed that the undepreciated balance in the gaseous diffusion plants had grown to about \$2 billion because of the Cascade Improvement and Upgrading Programs and other plant improvements. However, of this \$2 billion, only about \$300 million represents the undepreciated balance of the original gaseous diffusion plants. Thus, about \$700 million (\$1 billion minus \$300 million) of the original gaseous diffusion plants has been recovered through the depreciation portion of the enrichment services price that DOE has charged its enrichment customers. These recovered costs, along with all other recovered costs, have been added to or used to offset annual program appropriations for operating and capital expenditures or, in some cases, transferred to other DOE programs in accordance with the various appropriation acts.

QUESTIONS ABOUT THE AUDITS OF  
THE URANIUM ENRICHMENT PROGRAM'S  
FINANCIAL STATEMENTS

Question: What internal DOE auditing is performed to ensure the accuracy of the Uranium Enrichment Program's annual financial statements?

GAO response

Annual financial statements have been prepared for the Uranium Enrichment Program since fiscal year 1971.<sup>12</sup> The program's statements serve as a supplement to DOE's annual agencywide financial report. Although there are no legislative or regulatory requirements that the Uranium Enrichment Program's financial statements be audited, annual audits have been performed since fiscal year 1972.

Over the years, financial statement audits have been performed by three different DOE (and predecessor agencies) audit groups. The following chart identifies those groups and indicates the statements they audited.

---

<sup>12</sup>The Uranium Enrichment Program is not a separate or distinct enterprise within or apart from DOE. However, DOE and its predecessor agencies decided it was necessary for the program to have its own financial statements (1) to provide public information on the program's financial position and results of operations and (2) to provide DOE management with financial data to assist them in ensuring that the program is meeting its statutory requirement of recovering the government's costs of providing enrichment services.

DOE Groups That Audited the Uranium  
Enrichment Program's Financial  
Statements for Fiscal Years 1972-83

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u>
Finance Division's Audit Branch <sup>a</sup>	X	X	X	X	--	--	--	--	--	--	--	--
Office of Performance Evaluation <sup>a</sup>	--	--	--	--	X	X <sup>b</sup>	X	X	X	--	X	X
Office of the Inspector General <sup>c</sup>	--	--	--	--	--	--	--	--	--	X	X	--

<sup>a</sup>The Finance Division's Audit Branch became part of the Office of Performance Evaluation which is located at DOE's Oak Ridge Operations Office, Oak Ridge, Tennessee.

<sup>b</sup>The printed fiscal year 1977 financial statements for the enrichment program indicate that the audit of the statements was conducted by the Office of the Inspector General. According to DOE, that printed statement is in error; the audit was actually conducted by the Office of Performance Evaluation.

<sup>c</sup>The Office of the Inspector General performed the fiscal year 1982 audit with the assistance of personnel from the Office of Performance Evaluation.

Source: Prepared by GAO using information obtained from DOE's Finance Division, Oak Ridge Operations Office.

Our review of the published financial statements revealed that only the fiscal year 1982 statements contained language stating that they had been examined in accordance with generally accepted government auditing standards.<sup>13</sup> An audit conducted under generally accepted government auditing standards would require at least a preliminary study and evaluation of internal accounting controls, an evaluation of compliance with laws and regulations, and substantiation of account balances through vouching, confirmation, and other audit procedures. Material

---

<sup>13</sup>Generally accepted government auditing standards relate to the scope and quality of audit effort and to the characteristics of professional and meaningful audit reports. These standards must be used for audits of government organizations, programs, activities, and functions whether performed by government or nongovernment auditors and are published by GAO in its Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, revised Feb. 27, 1981.

departures from generally accepted accounting principles<sup>14</sup> would require an explanation in the footnotes to the financial statements and disclosure in the auditor's opinion.

The Inspector General's office was originally scheduled to audit the financial statements for fiscal year 1983 but told us that because it lacked sufficient staff, the Office of Performance Evaluation conducted the audit. Officials from the Office of Performance Evaluation told us that their examination consisted primarily of reviews conducted in accordance with established criteria, assumptions, and instructions of DOE's management, and only as applicable, generally accepted accounting principles. For fiscal year 1984, officials from the Office of Performance Evaluation and the Office of the Inspector General have indicated that neither office has plans to audit the financial statements. Therefore, according to DOE, no audit group has been designated to conduct the audit of the fiscal year 1984 financial statements.

On July 6, 1984, we spoke with the Deputy Assistant Secretary for Uranium Enrichment concerning future audits of the program's financial statements. He said that the auditing of the statements will be extremely important in the future since one of DOE's long-range plans is to encourage private investment for new plant and equipment. As such, he said he is planning to recommend to DOE management that the annual audits be conducted by a certified public accounting firm. As of that date, however, no official recommendation had been made.

Question: What certification, either internal or external to DOE, should be provided to enhance the stature and the quality of the financial statement?

GAO response

To enhance the stature and the quality of the Uranium Enrichment Program's financial statements, they should be examined annually by independent auditors in accordance with generally accepted government auditing standards. An auditor's opinion should be expressed on (1) the fairness of the statement's presentation of the program's financial position and results of operations for the period then ended and (2) the consistency of the

<sup>14</sup>"Generally accepted accounting principles" (GAAP) refers to the conventions, rules, and procedures necessary to define accepted accounting practice at a particular time. These principles are provided by various publications of the American Institute of Certified Public Accountants and the Financial Accounting Standards Board. Federal agencies are required to follow Title II of the Policy and Procedures Manual for Guidance of Federal Agencies, issued by GAO, which constitutes federal generally accepted accounting principles.

statements with generally accepted accounting principles. In all matters relating to the audit work, generally accepted government auditing standards require that the audit organization and the individual auditors, whether government or private, be free from personal or external impairments to independence, be organizationally independent, and maintain an independent attitude and appearance.

In accordance with generally accepted government auditing standards, the only DOE audit group considered to have organizational independence to conduct an audit of this program's financial statements is the Office of the Inspector General. As shown in the chart on page 12, since DOE's Office of the Inspector General was established in 1977, it has only conducted two of the program's financial statement audits. The Office of Performance Evaluation assisted in one of these, the fiscal year 1982 audit. Thus, the remaining audits, including the most recent one, were conducted by audit groups that are not considered to have the proper organizational independence.

Question: Does the General Accounting Office audit each financial statement published by the Department?

GAO response

When the first financial statements for this program were being prepared for issuance in 1971, GAO reviewed the accounting principles, theories, and methods used in the development of those statements and made several suggestions,<sup>15</sup> some of which were implemented by the Controller of the former Atomic Energy Commission. We also suggested that the financial statements be published annually. While GAO has not performed a financial audit of any of the Uranium Enrichment Program's financial statements, we plan to audit the fiscal year 1984 statements. Our authority to conduct such an audit is provided by the Accounting and Auditing Act of 1950.<sup>16</sup>

---

<sup>15</sup>Price Increase and Change in Criteria for Uranium Enrichment Services (B-159687, Feb. 9, 1971) and report to the Chairman of the Atomic Energy Commission (B-159687, Mar. 31, 1972).

<sup>16</sup>The Accounting and Auditing Act of 1950 (CH. 946, Title I, Part II; 64 STAT. 834) provides GAO with general statutory authority for auditing executive branch departments.

Question: What is generally acceptable accounting procedure for certification of a private corporation's financial statement?

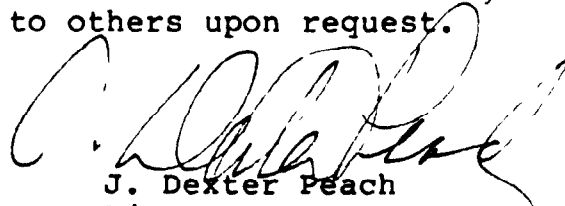
GAO response

Most corporations whose stock is publicly traded are required by the Securities and Exchange Commission to have an annual audit performed by an independent public accountant. A company's articles of incorporation, stockholders, and lenders may also require periodic independent audits. Sound management practice also argues for annual examination of a company's financial statements by independent auditors, even if such an audit is not specifically required.

An audit of financial statements in the private sector is conducted in accordance with the published generally accepted auditing standards prescribed by the American Institute of Certified Public Accountants. A company's board of directors or audit committee typically selects a certified public accounting firm to conduct an annual audit in accordance with generally accepted auditing standards. The purpose of such an audit is to obtain an opinion on the fairness and consistency of the presentation of the company's financial statements in accordance with generally accepted accounting principles. The financial statements, which include the audit firm's opinion, are issued to stockholders, creditors, potential investors, and other interested parties separately, or incorporated in the corporation's annual report.

- - - -

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days from its publication date. At that time, we will send copies to the Director, Office of Management and Budget; the Secretary of Energy; and interested committees and Members of Congress. Copies will also be made available to others upon request.

  
J. Dexter Peach  
Director

Enclosure

Uranium Enrichment Program  
Revenues For Fiscal Years  
1972 Through 1983

<u>Fiscal year</u>	<u>Amount</u>
	(in millions)
1972	\$ 165.2
1973	266.1
1974	460.2
1975	323.6
1976	612.0
1977	717.9
1978	1,045.8
1979	1,414.2
1980	1,304.1
1981	1,335.7
1982	2,062.8
1983	<u>2,169.4</u>
Total	<u>\$11,877.0</u>

SOURCE: Prepared by GAO using data from the enrichment program's fiscal year 1972-83 financial statements.