This audit report contains the Annual Financial Statement of the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) for the fiscal years (FY) ended September 30, 2009, and September 30, 2008. Under the direction of the Office of the Inspector General (OIG), KPMG LLP performed the audit in accordance with U.S. generally accepted government auditing standards. The audit resulted in an unqualified opinion on the FY 2009 financial statements. An unqualified opinion means that the financial statements present fairly, in all material respects, the financial position and the results of the entity’s operations in conformity with U.S. generally accepted accounting principles. For FY 2008, ATF also received an unqualified opinion on its financial statements (OIG Report No. 09-15).

KPMG LLP also issued reports on internal control and on compliance and other matters. For FY 2009, the Independent Auditors’ Report on Internal Control over Financial Reporting did not identify any significant deficiencies. No instances of non-compliance with applicable laws and regulations or other matters were identified during the audit.

The OIG reviewed KPMG LLP’s reports and related documentation and made necessary inquiries of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, an opinion on ATF’s financial statements, conclusions about the effectiveness of internal control, conclusions on whether ATF’s financial management systems substantially complied with the Federal Financial Management Integrity Act of 1996, or conclusions on compliance with laws and regulations. KPMG LLP is responsible for the attached auditor’s reports dated November 2, 2009, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG LLP did not comply, in all material respects, with U.S. generally accepted government auditing standards.