

U.S. NUCLEAR REGULATORY COMMISSION

DIRECTIVE TRANSMITTAL

TN: DT-98-30

To: NRC Management Directives Custodians

Subject: Transmittal of Directive 6.1, "Resolution and Followup of Audit Recommendations"

Purpose: Directive and Handbook 6.1 are being revised as a result of an OIG audit on "Review of NRC's Management Directive (MD) 6.1." The OIG recommended the directive be revised to identify the NRC officials responsible for reviewing and responding to OIG draft audit reports and resolving disagreements on audit recommendations that arise between OIG and agency officials and to reflect organizational changes made by the Commission that became effective in January 1997. The Commission approved the proposed revision to the MD by SRM dated October 14, 1998.

Office and Division of Origin: Office of the Executive Director for Operations

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Volume: 6 Internal Management

Directive: 6.1 Resolution and Followup of Audit Recommendations

Availability: Rules and Directives Branch
Office of Administration
(301)415-7162 or (301)415-7086

Resolution and Followup of Audit Recommendations

Directive 6.1

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EDO

Resolution and Followup of Audit Recommendations Directive 6.1

Policy (6.1-01)

It is the policy of the NRC to resolve audit recommendations promptly and to correct deficiencies identified in audit reports. This directive and handbook provide internal guidance to NRC personnel for implementation of Office of Management and Budget (OMB) Circular A-50, "Audit Followup," as revised (September 29, 1982), and the Inspector General Act of 1978, as amended. OMB Circular A-50 establishes policies and procedures for use by agencies in following up on audit reports. Additionally, the Inspector General Act imposes reporting requirements on agency heads with respect to audit recommendations.

Objectives (6.1-02)

- To establish systems to ensure prompt and proper resolution and implementation of audit recommendations. (021)
- To ensure that accounting and collection controls are in place for amounts due the NRC as a result of management determinations on audit findings and recommendations. (022)

Organizational Responsibilities and Delegations of Authority

(6.1-03)

Commission (031)

- Approves responses to congressional committees regarding recommendations in reports from the General Accounting Office (GAO). (a)

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**Commission
(031) (continued)**

- Resolves matters raised in draft and final internal audit reports of the Office of the Inspector General (OIG) and in draft and final GAO reports when they involve policy formulation, certain types of rulemaking or orders, adjudications as defined in the Reorganization Plan No. 1 of 1980, or any other matter within the Commission's authority. (b)

**Chairman
(032)**

- Transmits responses to congressional committees regarding recommendations in reports from the GAO. (a)
- With regard to audit recommendations addressed to the Chairman—(b)
 - Responds to OIG on behalf of the Commission or on behalf of the Chairman alone, as appropriate, on recommendations contained in draft and final OIG audit reports and to GAO on behalf of the Commission on draft and final GAO audit reports. (i)
 - Ensures that recommendations of audit reports are resolved; that corrective actions are assigned, tracked, and completed; and that the Audit Followup Official (AFO) is advised of actions taken. (ii)
- When necessary, resolves differences between OIG and the Commission offices, EDO staff offices, the CFO, and/or the CIO with regard to recommendations contained in OIG internal audit reports. However, when the resolution involves matters relating to policy formulation, certain types of rulemaking or orders, adjudications (as defined in the Reorganization Plan No. 1 of 1980), or any other matter within the Commission's authority, refers such issues to the Commission. (c)
- Submits a report to the Congress on management decisions and final actions taken with regard to audit recommendations from the OIG. (d)

**Executive Director for Operations (EDO)
(033)**

- Provides policy guidance to ensure that management officials throughout the agency understand the value of the audit process and are responsive to audit recommendations. (a)

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Executive Director for Operations (EDO)
(033) (continued)

- With regard to audit recommendations addressed to the EDO—(b)
 - Responds to OIG, with a copy to the Chairman and each Commissioner, on recommendations contained in draft and final OIG reports, and to GAO, with a copy to the Chairman and each Commissioner, on draft GAO reports. (i)
 - Ensures that recommendations of audit reports are resolved and that corrective actions are assigned, tracked, and completed. (ii)
- Serves as Audit Followup Official (AFO). (c)
 - Provides oversight and direction to ensure that recommendations of audit reports are resolved in a timely manner and that corrective action is assigned and completed. (i)
 - Facilitates resolution of any disagreements between Commission offices and the Inspector General regarding internal audit findings and recommendations. (ii)
 - Resolves any disagreements between the Deputy Executive Directors for Operations and the Inspector General (IG) regarding internal audit findings and recommendations. (iii)
 - Provides a system to maintain accurate records and track the status of audit reports and recommendations through the entire process of resolution and corrective action. (iv)
 - Provides a program to ensure continuing effective corrective action in response to audit recommendations. (v)
 - Provides for an annual review of implementation of selected audit recommendations. (vi)
 - Ensures that periodic analyses are conducted of audit recommendations, resolution, and corrective action activities to determine trends and problems and to recommend solutions. (vii)
 - Reports quarterly on the status of GAO assignments to the Commission for information. (viii)
- Forwards to the Commission for approval and transmittal the required statements to congressional committees on recommendations contained in final GAO audit reports. (d)

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Executive Director for Operations (EDO)
(033) (continued)

- Prepares the NRC Chairman's report to the Congress on management decisions and final actions on OIG audit recommendations. (e)

Chief Financial Officer (CFO)
(034)

- Ensures that timely action is taken to pursue collection of funds that result from management determinations on audit findings and recommendations. (a)
- Establishes accounts receivable and pursues collection action under Management Directive 4.1, "Accounting Policy and Practices"; "Debt Collection Procedures," 10 CFR Part 15; the "Salary Offset Procedures for Collecting Debts Owed by Federal Employees to the Federal Government," 10 CFR Part 16; and the Federal Claims Collection Standards, 4 CFR Parts 101-104, for funds owed NRC as a result of audits. (b)
- Notifies the Deputy Inspector General when accounts receivable are established for funds owed NRC as a result of NRC contract audits. (c)
- Informs the AFO of significant audit findings and of any disagreements with OIG on audit findings and recommendations. (d)
- Provides information on collection of disallowed costs to the AFO for inclusion in the Chairman's report to Congress on management decisions and final actions regarding OIG audit recommendations. (e)
- With regard to an audit of the office—(f)
 - Responds directly to OIG, with a copy to the Chairman and each Commissioner, on recommendations contained in draft OIG and final audit reports, and to GAO, with a copy to the Chairman and each Commissioner, on the accuracy of facts and conclusions contained in draft GAO audit reports. (i)
 - Ensures that recommendations of audit reports are resolved; that corrective actions are assigned, tracked, and completed; and that the AFO and OIG are advised of actions taken. (ii)
- Forwards to the Commission for approval and transmittal the required statements to congressional committees on recommendations contained in final GAO audit reports. (g)

Chief Financial Officer (CFO)
(034) (continued)

- Develops a remediation plan in consultation with the Director, OMB, if there is a sustained audit finding that NRC financial management systems are not in compliance with the requirements of the Federal Financial Management Improvement Act of 1996. (h)

Chief Information Officer (CIO)
(035)

- With regard to an audit of the office—(a)
 - Responds directly to OIG, with a copy to the Chairman and each Commissioner, on recommendations contained in draft OIG and final audit reports, and to GAO, with a copy to the Chairman and each Commissioner, on the accuracy of facts and conclusions contained in draft GAO audit reports. (i)
 - Ensures that recommendations of audit reports are resolved; that corrective actions are assigned, tracked, and completed; and that the AFO and OIG are advised of actions taken. (ii)
- Informs the AFO of significant audit findings and of any disagreements with OIG on audit findings and recommendations. (b)
- Forwards to the Commission for approval and transmittal the required statements to congressional committees on recommendations contained in final GAO audit reports. (c)
- Concurs in responses and target dates for recommendations affecting NRC's information technology infrastructure or applications systems. (d)

**Inspector General, Office of the
Inspector General (OIG)**
(036)

- Provides copies of all internal audit reports to the AFO, the Chairman, and each Commissioner. (a)
- Provides copies of all contract audit reports issued by OIG to the Division of Contracts and Property Management, Office of Administration. (b)
- Informs the AFO about disagreements on internal audit recommendations and provides information copies of matters referred to the Commission for resolution. (c)

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**Inspector General, Office of the
Inspector General (OIG)
(036) (continued)**

- Provides information copies of all internal audit reports to the CFO. (d)
- Periodically evaluates audit recommendations, management decisions, and resulting corrective actions to identify trends and systemic problems. (e)
- Evaluates the adequacy of NRC's audit followup system. (f)
- Reviews implementation actions by NRC management to determine whether these actions were consistent with the management decision. (g)
- With regard to GAO audits of OIG—(h)
 - Responds directly to draft and final GAO audit reports. (i)
 - Transmits the required statements to congressional committees on recommendations contained in final GAO audit reports. (ii)

**Directors of Commission Offices,
Panels, and Advisory Committees
(037)**

With regard to audits of their offices—

- Respond directly to OIG with a copy to the Chairman and each Commissioner on recommendations contained in draft and final OIG audit reports, and to GAO, with a copy to the Chairman and each Commissioner, on the accuracy of facts and conclusions contained in draft GAO audit reports. (a)
- Provide to the Commission for approval and transmittal the required statements to congressional committees on recommendations contained in final GAO audit reports. (b)
- Ensure that recommendations of audit reports are resolved; that corrective actions are assigned, tracked, and completed; and that the AFO, OIG, and the Chairman and each Commissioner are advised of actions taken. (c)

**Deputy Executive Directors for Operations
(038)**

- Review and respond directly to OIG to draft internal audit reports for their respective areas of responsibility. (a)
- Coordinate resolution and corrective action on internal audit recommendations involving more than one program or agency. (b)
- Inform the AFO of significant audit findings and of any disagreements with OIG on audit findings and recommendations. (c)

**Deputy Chief Financial Officer
(039)**

- Reviews and responds to draft internal audit reports. (a)
- Coordinates resolution and corrective action on internal audit recommendations involving more than one program or agency. (b)

**Office Directors Reporting to the
EDO and Regional Administrators
(0310)**

- Submit responses to audit reports to the appropriate Deputy Executive Director for Operations. (a)
- Take corrective action in response to audit recommendations in a timely manner and advise the AFO and the OIG of the action taken. (b)
- Notify the CFO when corrective actions in response to audit recommendations result in significant changes to existing management controls or in the development of new management controls. (c)

**Director, Division of Contracts and
Property Management, Office of
Administration
(0311)**

- Resolves any disagreements on contract audit recommendations between contracting officers and OIG. (a)
- Informs the AFO of any disagreements on contract audit recommendations before taking final action. (b)
- Establishes target dates for corrective action in response to contract audit recommendations. (c)

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**Director, Division of Contracts and
Property Management, Office of
Administration
(0311) (continued)**

- Ensures there is written documentation that demonstrates the adequacy and appropriateness of actions taken in response to contract audit recommendations. (d)
- Provides information on contract audits to the AFO for inclusion in the Chairman's report to Congress on management decisions and final actions on OIG audit recommendations. (e)
- Provides for the maintenance of accurate records of the status of contract audit reports and recommendations through the entire process of resolution and corrective action. (f)

**Applicability
(6.1-04)**

This directive and handbook apply to all NRC and regional office employees responsible for resolution and followup of audit recommendations in reports issued by the OIG, executive branch audit organizations, the General Accounting Office (GAO), and non-Federal organizations.

**Handbook
(6.1-05)**

Handbook 6.1 contains detailed guidance for resolution and followup of audit recommendations.

**References
(6.1-06)**

Chief Financial Officers Act of 1990 (31 U.S.C. 902(a)).

Code of Federal Regulations—

“Federal Claims Collection Standards,” 4 CFR Parts 101-104.

“Debt Collection Procedures,” 10 CFR Part 15.

“Salary Offset Procedures for Collecting Debts Owed by Federal Employees to the Federal Government,” 10 CFR Part 16.

Contract Disputes Act of 1978 (41 U.S.C. 601 et seq.).

References

(6.1-06) (continued)

Federal Acquisition Regulation, FAR 1.603-2.

Federal Financial Management Improvement Act of 1996 (31 U.S.C. 3512 et seq.).

Federal Managers' Financial Integrity Act of 1982.

Inspector General Act of 1978 (5 U.S.C. App. 3).

Inspector General Act Amendments, Pub. L. 100-504.

Legislative Reorganization Act of 1970, Pub. L. 91-510.

NRC Management Directive—

4.1, "Accounting Policy and Practices."

4.4, "Management Controls."

OMB Circular A-50, "Audit Followup," Office of Management and Budget, September 29, 1982.

Reorganization Plan No. 1 of 1980, Nuclear Regulatory Commission (5 U.S.C. App. 1).

Treasury Financial Manual, I TFM 8025.20, Department of the Treasury.

Resolution and Followup of Audit Recommendations

Handbook 6.1

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Part I

Guidance for Resolution and Followup of Audit Recommendations

Introduction (A)

Audit followup is an integral part of good management and is a shared responsibility of agency management officials and auditors. Corrective action by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of agency operations. NRC will establish systems to ensure the prompt and proper resolution and implementation of audit recommendations. These systems will provide for a complete record of action on both monetary and non-monetary findings and recommendations. (1)

Audits of NRC programs and operations are typically conducted by the Inspector General and the General Accounting Office (GAO). Audits of NRC contracts and grants may be conducted by the Inspector General, the Defense Contract Audit Agency, the Department of Health and Human Services, the Department of Education, or other Federal agencies. In some instances, private accounting firms perform audits of State or local governments or institutions under the single audit concept; sometimes these reports contain findings that affect NRC funds. (2)

With the exception of certain recommendations in contract audits discussed below, audit recommendations will generally be resolved within 6 months after issuance of a final audit report. In the case of audits performed by non-Federal auditors, recommendations will generally be resolved within 6 months after receipt of the report by the Federal Government. NRC will maintain audit followup systems to track audit recommendations until corrective action has been completed. Controls will be in place, and will be modified as needed, to ensure amounts owed the NRC as a result of audits are accounted for

Introduction (A) (continued)

and collected promptly. NRC will provide a report to the Congress on the status of audit recommendations. (3)

The procedures for distributing audit reports, resolving audit recommendations, implementing and tracking corrective actions, are explained below. Accounting and Collection Controls and reporting to the Congress are explained, respectively, in Parts II and III of this handbook. (4)

Audit Followup Responsibilities (B)

Contracting Officers, Division of Contracts and Property Management (DCPM), Office of Administration (ADM) (1)

- Make initial management decision on recommendations resulting from audits of NRC contracts and grants. (a)
- Refer any disagreements with the Office of the Inspector General (OIG) on contract audit recommendations to the Director, DCPM, for final management decision and resolution. (b)
- Provide the Office of the Chief Financial Officer (OCFO) with a copy of the written determination establishing a contractor's indebtedness to the NRC as a result of audits of NRC contracts. (c)
- Inform the Assistant Inspector General for Audits, OIG, at the time the OCFO is notified of the debt to be collected by NRC as a result of audits of NRC contracts. (d)

Chief Financial Officer (2)

Evaluates OIG and GAO audit reports to identify areas concerning management controls for appropriate followup and for preparation of the annual management control report to the President and the Congress as required by the Federal Managers' Financial Integrity Act of 1982.

Distribution of Internal Audit Reports (C)

Draft OIG Audit Reports (1)

The Inspector General will issue draft internal audit reports for comment to the officials designated in the following chart.

Distribution of Internal Audit Reports (C) (continued)

Audited Organization	Receiving Official
Commission	Chairman
Chief Financial Officer (CFO)	CFO
Chief Information Officer (CIO)	CIO
Commission offices (including Commission panels and advisory committees)	Office Director
Executive Director for Operations (EDO)	EDO
EDO staff offices and regional offices	Cognizant Deputy EDO

Final OIG Internal Audit Reports (2)

The Inspector General (IG) will issue final audit reports to NRC receiving officials as the IG deems appropriate. The IG also will provide copies of final reports to the appropriate receiving officials shown in the above table, to the Audit Followup Official (EDO), and to the Chairman and each Commissioner.

Contract Audit Reports (3)

The IG will issue final audit reports to the cognizant contract negotiator or administrator.

Resolution of Audit Recommendations (D)

OIG Internal Audit Recommendations (1)

Audit recommendations should be resolved within 6 months after issuance of a final report. Corrective action must proceed as rapidly as possible. (a)

Resolution of Audit Recommendations (D) (continued)

OIG Internal Audit Recommendations (1) (continued)

- When a draft or final internal audit report is provided to agency management, management will evaluate the audit findings and recommendations contained in the report and issue a management decision with respect to these findings and recommendations. Internal audits are considered resolved when the audit organization and agency management agree on the action to be taken on reported findings and recommendations and the dollar savings resulting from a management decision. (i)
- OIG generally provides the audited organization with an opportunity, usually of 30 days, to formally comment on a draft OIG audit report before the final report is issued. OIG staff will meet with appropriate officials, as necessary, to discuss facts contained in the draft report and the actions needed to resolve the findings and recommendations of the report. (ii)
- The formal response to each draft audit report will indicate whether or not the audited organization agrees with each recommendation. If the audited organization agrees with a recommendation, the response will give the planned corrective action, the title of the management official responsible for ensuring action is taken, and the date each action will be completed. (iii)
- If the audited organization disagrees with a recommendation in an audit report, the response will explain fully the reason for the disagreement, as well as any alternative action the audited organization believes is necessary. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not take action, the response will be coordinated with the Office of the General Counsel (OGC) and will state the legal basis for the disagreement. (iv)

The Chairman, after consultation with the Commission, as appropriate, responds to OIG on recommendations directed to the Chairman or Commission that are contained in draft and final OIG audit reports. The CFO, CIO, and directors of Commission offices, panels, and independent advisory committees respond to draft and final OIG audit reports containing recommendations for their offices, with a copy to the Chairman and each Commissioner. The Deputy Executive Directors for Operations (Deputy EDOs) respond to draft

Resolution of Audit Recommendations (D) (continued)

OIG Internal Audit Recommendations (1) (continued)

and final OIG audit reports containing recommendations for their respective areas of responsibility, with a copy to the Chairman and each Commissioner. Sample responses to OIG reports are included in Exhibit 1 to this handbook. (b)

The Chairman has the final authority for audit resolution except for matters relating to policy formulation, certain types of rulemaking, orders, adjudications as defined in the Reorganization Plan No. 1 of 1980, or any other matter within the authority of the Commission. The Chairman will refer matters in these latter areas for Commission consideration and will subsequently communicate the decision to OIG. (c)

An internal audit recommendation is considered resolved when the Chairman or the Commission, as appropriate, makes a management decision on the recommendation. OIG disagreements with responses to audit recommendations from audited organizations other than the Commission may be submitted to the Chairman or the Commission, as appropriate, for resolution in accordance with the procedures set forth below. (d)

Disagreements on responses to audit recommendations from the CFO, CIO, or directors of Commission offices, panels, and committees may be submitted by the IG or the director directly to the Chairman or the Commission, as appropriate, for resolution. Disagreements on responses to audit recommendations from the Deputy EDOs may be submitted by the IG or the Deputy EDOs to the Audit Followup Official (AFO) for resolution. If the AFO and the IG cannot reach an agreement on the disputed issue, either party may submit the matter to the Chairman or the Commission, as appropriate, for resolution. (e)

- The resolution process may take place before or after OIG issues a final report. If a draft report has been issued to the audited organization for comment and there still are unresolved recommendations at the time the final report is issued, OIG will indicate in the final report which recommendations remain unresolved. OIG will include the positions of both OIG and the audited organization on these recommendations. (i)

Resolution of Audit Recommendations (D) (continued)

OIG Internal Audit Recommendations (1) (continued)

- If the IG disagrees with NRC management's position on an audit recommendation in a final audit report, the AFO will nevertheless consider the recommendation resolved unless the IG refers the matter to the Chairman or the Commission, as appropriate, for resolution within 30 days after the final report is issued. The IG and the AFO will work together to accomplish resolution within 6 months of the final report date. (ii)
- In some instances, the IG may decide not to request the Chairman or the Commission, as appropriate, to resolve the disagreement but will hold an issue open for further review or other OIG action. OIG will note this course of action in their final report and the AFO will consider the recommendation resolved. (iii)

OIG, in its discretion, may issue audit reports that contain recommendations without providing the audited organization a prior opportunity for formal comment. In these instances, the formal response to the audit report will generally be made within 30 days of the issuance of the report. Within 30 days after receipt of NRC management's response, the IG will notify both the responding management official and the AFO of any disagreement with the response, and the resolution process may proceed as described above. Unless such notification is received from OIG within 30 days after receipt of management's response, the AFO will consider the recommendation resolved. (f)

The audited organization will advise the AFO and OIG in writing when corrective action on audit recommendations is completed and provide a description of the actions taken to implement each recommendation. When the end product of an action is a document, a copy of the document closing out the recommendation will be provided. (g)

Financial Audit Recommendations (2)

Audits of agency financial statements required by the Chief Financial Officers Act of 1990 may be performed by the NRC Inspector General, GAO, or an independent external auditor as determined by the NRC Inspector General. Reports are issued to the Chairman not later than March 1 following the fiscal year for which a financial statement is submitted. These reports are processed in accordance with the

Resolution of Audit Recommendations (D) (continued)

Financial Audit Recommendations (2) (continued)

procedures for resolution of OIG internal audit and GAO audit recommendations. (a)

With regard to an audit finding that the NRC financial management systems do not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996, a remediation plan for bringing noncompliant systems into compliance will be established in consultation with the Director, OMB. (b)

GAO also may review any audit of a financial statement conducted by the NRCIG or an external auditor. GAO reports its audit findings and recommendations to the Congress, the Director of the Office of Management and Budget (OMB), and the Chairman. These reports are processed under the procedures for resolution of GAO audit recommendations. (c)

GAO Audit Recommendations (3)

GAO may provide draft reports to NRC for review and comment so that final reports may incorporate agency views. Under 31 U.S.C. 718(b)(1), NRC must provide comments on draft GAO reports within 30 days of issuance. An extension of the comment period may be requested if it is not possible to respond within 30 days and if GAO decides that a longer period is necessary and likely to result in a more accurate report. Typically, comments on GAO draft reports address the accuracy of facts and conclusions, but not the recommendations. (a)

The Commission, the CFO, CIO, and directors of Commission offices, panels, and boards respond to draft GAO audit reports involving their offices. The EDO responds to draft GAO audit reports concerning agency programs and operations within the EDO's area of responsibility. In all cases, a copy of the response shall be provided to the Chairman and each Commissioner. The IG responds to draft GAO audit reports involving the OIG. (b)

GAO issues final reports to the Congress or to the Chairman. If the report is issued to the Congress, a copy is provided to the Chairman. Additional copies are provided to the Audit Followup Official and to the Director, OMB. (c)

Resolution of Audit Recommendations (D) (continued)

GAO Audit Recommendations (3) (continued)

- GAO final reports require, by statute, a response to Congress within 60 days on the recommendations presented by GAO. The response will discuss the action taken, or to be taken, by the agency. The Commission reviews and approves the NRC response and requires 14 to 21 days for review. Commission approval constitutes a management decision and resolution. (i)
- If NRC staff disagrees with a recommendation contained in a final audit report, the response will state the reason for the disagreement, as well as any alternative action the staff believes necessary. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not take action, the response will be coordinated with OGC and will state the legal basis for the disagreement. (ii)

Sample responses to GAO reports are included in Exhibits 2 and 3 of this handbook. (d)

Statements to the Office of Management and Budget (OMB) are processed as follows—(e)

- The Chairman, NRC, must submit a statement to the Director, OMB, within 60 calendar days after formal transmittal of a GAO report to the NRC when at least one of the following applies—(i)
 - The report contains a specific recommendation for the Chairman, NRC. (a)
 - The report contains financial statements accompanied by either a qualified audit opinion or a disclaimer of opinion. (b)
 - The report indicates a violation of the Antideficiency Act that has not been reported to the appropriate authorities. (c)
 - The report indicates a violation of other laws. (d)
 - OMB requests NRC to comment. (e)
- The statement will identify the GAO report by number and date and will be submitted in duplicate. The statement will inform OMB of NRC's views on GAO's findings and recommendations and identify any action taken, or planned, in response to each significant

Resolution of Audit Recommendations (D) (continued)

GAO Audit Recommendations (3) (continued)

finding or recommendation. A copy of the agency's response to the final GAO report will satisfy this requirement, provided the response accurately and adequately reflects NRC's current views. When corrective action is incomplete, still under study, or planned, a statement will be included as to when NRC expects action to be completed. The corrective action will be reported to OMB after it is completed. (ii)

- Copies of statements required by Section 236 of the Legislative Reorganization Act of 1970 will be submitted along with the statement to OMB. These statements may be used to satisfy the initial OMB reporting requirements. The statements should be accompanied by any additional information not provided to the Congress but otherwise required by OMB. (iii)

Statements to congressional committees are processed as follows—(f)

- Under Section 236 of the Legislative Reorganization Act of 1970, when a GAO report contains recommendations to the Commission, NRC shall—(i)
 - Submit a written statement to the Senate Committee on Governmental Affairs and the House Committee on Government Reform and Oversight no later than 60 days from the date of receipt of the report. This statement will report the action taken or to be taken by NRC with respect to the GAO's recommendations. (a)
 - Submit a written statement to the Committees on Appropriations of the Senate and the House of Representatives in connection with the first request for appropriations submitted to the Congress more than 60 days after the date of the GAO report. This statement will report the action taken or to be taken by the agency with respect to the recommendations to the Commission. (b)
- A copy of the above statements will be submitted on the same date to OMB and GAO. (ii)

Resolution of Audit Recommendations (D) (continued)

Executive Branch Agency Audits (4)

If programmatic audit reports that relate to NRC activities are received by NRC from Executive Branch agencies, the receiving office (e.g., OIG, EDO, Commission) forwards them to the appropriate office (EDO, CFO, CIO, Commission offices, panels, or advisory committees) for resolution with a copy to the OIG, AFO, and to the Chairman and each Commissioner. The responsible office will prepare a response to the originating organization at the appropriate signatory level with a copy to the OIG, AFO, and to the Chairman and each Commissioner. (a)

If the report concerns matters that involve policy formulation, certain types of rulemaking, orders, adjudications as defined in the Reorganization Plan No. 1 of 1980, or any other matter within the authority of the Commission, the response will be forwarded to the Commission for approval. (b)

Examples of programmatic audits, though not inclusive, could involve areas of overlapping responsibilities (such as with the Department of Energy (DOE), the Agency for International Development, and the Department of State on aid to the nuclear safety programs of various East European and former Soviet Union countries, or with the Environmental Protection Agency and DOE on the various cross-cutting functions identified in NRC's Performance Plan). (c)

Contract Audit Recommendations (5)

Audits of NRC contracts and grants can be performed by OIG or executive branch agencies, such as the Defense Contract Audit Agency, the Department of Health and Human Services, and the Department of Education. Audit reports from other agencies are sent directly to the Inspector General, who reviews the reports, notes his or her agreement or disagreement, and issues the reports and comments to DCPM, ADM, for resolution. In instances in which the 6-month time limit for resolution of audit recommendations applies, the 6-month period will begin on the date the IG issues the contract audit report to DCPM.

Resolution of Audit Recommendations (D) (continued)

Contract Audit Recommendations (5) (continued)

Preaward Contract Audits (a)

Preaward contract audits, that is, audits involving recommendations on contractor estimates of future costs, are considered resolved at the point at which agreement is reached, a contract price is negotiated, or a proposed award is cancelled, whichever occurs first. They are not subject to the 6-month time limits for resolution of audit recommendations and the reporting requirement for audit recommendations that remain unresolved for more than 6 months. (i)

The contract files will contain adequate records of the status of audit reports or recommendations. (ii)

Postaward Contract Audits (b)

Postaward audits are resolved when the audit organization and contracting officials agree on the action to be taken on reported findings and recommendations and the dollar savings. In the event of disagreement, resolution occurs at the point at which the Director, DCPM, determines the matter to be resolved. (i)

The contracting officer (CO) will attempt to resolve audit recommendations that result from postaward audits of NRC contracts. The CO will prepare a written determination of the allowability of all questioned costs within 3 months of receipt of an audit report. (ii)

The CO will maintain sufficient records to show how questioned costs on NRC contracts are resolved. Within 3 months of receipt of the audit report, the CO will refer any action that is contrary to that recommended by the Inspector General to the Director, DCPM. The Director, DCPM, will resolve the recommendations within the timeframes delineated in the Memorandum of Understanding between OIG and ADM. (See Exhibit 4 of this handbook.) (iii)

- **Note:** The CO's resolution of postaward audit recommendations may result in actions adverse to the contractor and could give rise to a contract dispute. The Contract Disputes Act of 1978 establishes the authority of the CO to resolve disputes under a Government contract. The contractor can, however, appeal the CO's decision on the dispute to an agency Board of Contract Appeals or to the U.S. Claims Court. (a)

Resolution of Audit Recommendations (D) (continued)

Contract Audit Recommendations (5) (continued)

- The potential exists, therefore, that resolution of postaward audit recommendations will lead to a dispute under a Government contract. Given the regulatory and judicial framework in which decisions on postaward contract audit recommendations are made, only contracting officials selected under the principles stated in the Federal Acquisition Regulation (FAR 1.603-2) will have the authority to overturn or rule on disagreements between COs and auditors. Consequently, disagreements between OIG and NRC COs are referred to the Director, DCPM, for resolution. (b)

OIG will notify the cognizant audit agency of the final action taken by NRC in response to audit recommendations. (iv)

Resolution of audit recommendations as a result of postaward audit reports must be consistent with laws and regulations governing NRC operations. When deemed necessary by the cognizant CO, the advice of the NRC's Office of the General Counsel will be sought. Any decisions by DCPM not to recover questioned costs must be made in writing. (v)

When it is determined that certain claimed contract costs are unallowable, immediate action must be taken to recover any funds that were improperly paid, or to offset them against undisbursed funds. The CO will provide the Division of Accounting and Finance (DAF), OCFO, with a copy of the written determination establishing a contractor's indebtedness to NRC so that DAF can establish an accounts receivable for the debt within 30 days of the date of the written determination. The CO also will provide OIG with a copy of the written determination establishing a contractor's indebtedness to NRC. DAF will provide OIG with a statement that the appropriate account receivable has been established and advise the cognizant CO when a contractor has discharged his indebtedness or collection action has been terminated. (vi)

Review of Implementation of Corrective Action (E)

NRC Management Followup Reviews (1)

Periodically, the AFO will select a sample of corrective actions and review their implementation to ensure that the action taken resolves the problem identified by the audit. This review will ensure that the corrective action agreed to as a result of audit recommendations has been implemented and the desired effect is being achieved. (a)

The AFO will periodically, but at least annually, select a sample of completed audits in a variety of programs for followup review. The AFO will inform office directors of the audit followup review and provide the name of the person who will conduct the review. Office directors will be asked to provide the AFO with the name of an office contact who will assist the reviewer. (b)

The reviewer will prepare a brief report to the AFO that includes the following information—(c)

- Recommendation (i)
- Agency response (ii)
- Agency action (iii)
- Description of how the review was conducted (iv)
- Conclusion (v)

The reviewer's report, highlighting findings and any corrective action that is needed, will be submitted to the AFO within 30 days after the audited office is notified of the review. Recommendations resulting from these reviews will be included in the agency's system for tracking corrective actions. (d)

The initiation of reviews will be coordinated with OIG to avoid duplication of effort. (e)

Review of Implementation of Corrective Action (E) (continued)

OIG Followup Reviews (2)

OIG will perform reviews of the agency's followup system to determine whether management is carrying out this responsibility in a satisfactory manner. In addition, OIG will perform followup reviews of prior audit recommendations whenever another audit is scheduled in the audit area. This will also serve as a partial basis for OIG's evaluation of the adequacy of the agency's audit followup system. The results of OIG's reviews will be included in the agency's system for tracking corrective actions. (a)

The scope of followup reviews is examination of management's performance in implementing the response concurred in during the management decision process. Followup reports state the results of this examination. Where progress in implementing corrective action is found to be unsatisfactory, the reports identify, to the extent possible, the cause of the situation. (b)

Tracking Corrective Actions (F)

Official Agency System (1)

The AFO will maintain the official agency system to track resolution of audit recommendations and the actions NRC management has agreed to take in response to audit reports. The Director, DCPM, ADM, will maintain a subsystem to track contract audits. Other subsystems may be established with the approval of the AFO.

Unresolved Recommendations (2)

The IG will include a statement in each final audit report regarding any recommendation in the report the IG believes is unresolved. The AFO or an appropriate subsystem manager will include all unresolved recommendations in the tracking system or subsystem and will monitor the status of these recommendations until a final management decision is made and the recommendation resolved.

Tracking Corrective Actions (F) (continued)

Implementation of Corrective Actions (3)

The AFO will track recommendations until the action agreed to by management is implemented. If the AFO or OIG determines upon a subsequent review of the implementation of the corrective action that the problem identified in the audit has not been corrected, the new corrective action agreed upon by management will be put into the tracking system and monitored in accordance with the above procedure.

Recovery of Funds (4)

The AFO will track audit recommendations that involve the recovery of funds until the issues have been settled and the related funds have been recovered or the debt is otherwise resolved.

Part II

Accounting and Collection Controls

The Office of the Chief Financial Officer (OCFO) will ensure effective recovery action for amounts determined to be owed the Government resulting from resolved audit findings and recommendations. Unless otherwise required by statute, collection action must be pursued on all claims arising from audit disallowances in accordance with the Federal Claims Collection Standards, "Debt Collection Procedures," the "Salary Offset Procedures for Collecting Debts Owed by Federal Employees to the Federal Government," and Management Directive 4.1, "Accounting Policy and Practices."

Recording Receivables (A)

Amounts due the Government must be recorded promptly as accounts receivable in the Division of Accounting and Finance (DAF), Office of the Chief Financial Officer, upon completion of the actions that entitle NRC to pursue collection of the amounts. Amounts determined to be owed as a result of the audit recommendations will be recorded as accounts receivable within 30 days of being resolved. These accounts receivable are to be recorded even though the indebtedness is subject to administrative appeal or litigation by persons outside the agency.

Interest Charges (B)

Interest on audit-related debts begins to accrue on the date that the auditee is notified of the debt; however, interest will be waived on the debt or any portion of the debt that is paid in full within 30 days after the date the auditee is notified of the debt. To discourage unwarranted appeals, interest will continue to accrue while an appeal is in progress. Unless otherwise required by statute or regulation, the interest applied will be that prescribed by the Treasury Financial Manual (I TFM 8025.20).

Allowance for Uncollectible Amounts (C)

NRC management should consider the potential for not being able to collect audit-related debts. An allowance account will be established in DAF to reflect the amount of accounts receivable estimated to be uncollectible.

Payment of Debts (D)

Procedures will be established in DAF to ensure that the payment of audit-related debts does not result in charges to other Federal programs or in a reduced level of program activity.

Exceptions (E)

There may be instances in which a portion of the funds owed by the NRC on a grant, a contract, or other agreement are held back—(1)

- As a safeguard against overpayment. (a)
- Pending completion, final inspection, or approval of work. (b)
- Under other provisions of a grant or contract. (c)

In these instances, it is not necessary to record a receivable because disallowed costs may be offset against undisbursed funds in the grant or the contract audited. (2)

Part III

Reporting Requirements

The Chairman's Report to the Congress on Management Decisions and Final Action on OIG Recommendations (A)

The Audit Followup Official (AFO) will prepare, for the Chairman's approval and submission to the Congress, a report on management decisions and final actions with regard to recommendations from the Office of the Inspector General (OIG). The Commission should be provided a copy of the Chairman's comments on any portion of the report that involves matters within the authority of the Commission before submission to Congress. (1)

The Chairman's report will contain any comments the Chairman believes appropriate and will include the following—(2)

- Statistical tables showing the total number of audit reports and the dollar value of disallowed costs for audit reports—(a)
 - For which final action had not been taken by the commencement of the reporting period (i)
 - On which management decisions were made during the reporting period (ii)
 - For which final action was taken during the reporting period, including—(iii)
 - The dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise (a)

**The Chairman's Report to the
Congress on Management
Decisions and Final Action on OIG
Recommendations (A) (continued)**

- The dollar value of disallowed costs that were written off by management (b)
 - For which no final action has been taken by the end of the reporting period (iv)
- Statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision for audit reports—(b)
 - For which final action had not been taken by the commencement of the reporting period (i)
 - On which management decisions were made during the reporting period (ii)
 - For which final action was taken during the reporting period, including the dollar value of recommendations that—(iii)
 - Were actually completed (a)
 - Management has subsequently concluded should not or could not be implemented or completed (b)
- A statement with regard to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year, containing—(c)
 - A list of such audit reports and the date each such report was issued (i)
 - The dollar value of disallowed costs for each report (ii)
 - The dollar value of recommendations that funds be put to better use agreed to by management for each report (iii)

**The Chairman's Report to the
Congress on Management
Decisions and Final Action on OIG
Recommendations (A) (continued)**

– An explanation of the reason final action has not been taken with regard to each such audit report. (Such statement may exclude audit reports that are under formal administrative or judicial appeal or upon which management of an establishment has agreed to pursue a legislative solution, but shall identify the number of reports in each category so excluded.) (iv)

- The report will be annotated to identify the number of audit reports issued by the Defense Contract Audit Agency and the related dollars that are included in the statistics reported by the agency. (d)

**OIG Semiannual Report to the
Chairman (B)**

Pursuant to the Inspector General Act Amendments of 1988, the IG must furnish to the Chairman a semiannual report for transmission to the Congress. The report must describe the results of audit activity during the period, including the status of resolution of audit reports issued.

Glossary

Audit Report. All final reports of audit concerning NRC programs, operations, and contracts, including interim reports and followup reports issued by the Office of the Inspector General (OIG), the General Accounting Office (GAO), executive branch agencies, and non-Federal organizations.

Interim Audit Report. Report that is issued during the course of an audit whenever the auditors discover information that is, in the auditor's opinion, significant enough to bring to the attention of NRC management before the completion of the audit.

Internal Audit Report. Report of audit, issued by OIG, of NRC programs and operations to evaluate and assess their efficiency and effectiveness and financial statements required by the Chief Financial Officers Act of 1990. Reports may include audits performed by internal or external auditors and may contain monetary and nonmonetary recommendations.

Financial Audit Report. Report of audit of agency financial statements as required by the Chief Financial Officers Act of 1990. Reports issued by the Inspector General (IG) include audits of financial statements performed by OIG or an independent external auditor as determined by the IG. The GAO may also audit agency financial statements and issue financial audit reports.

Followup Audit Report. Report of OIG followup activity that reviews the implementation of audit recommendations.

Inspection Report. Report of inspection activity by the IG that provides a quick response mechanism for addressing issues associated with fraud, waste, and abuse. An inspection has traits common to both audits and investigations.

Investigative Report. Report of OIG activity to ascertain and verify facts regarding the integrity of NRC programs and operations and to investigate possible irregularities or alleged misconduct by NRC employees and contractors.

Glossary (continued)

Contract Audit Report. Reports of audit of NRC contractors or grantees issued by OIG or Federal executive agencies such as the Defense Contract Audit Agency, the Department of Health and Human Services, and the Department of Education, and non-Federal organizations such as accounting firms that conduct State and university audits under the single audit concept. These reports include—

Preaward Contract Audit Report. Report of advisory audit conducted on pending awards where funds have not yet been obligated or awarded. Recommendations pertain to contractor estimates of future costs.

Postaward Contract Audit Report. Report of audit of contract that has been awarded and under which funds have been expended. These audits are conducted to evaluate the level of contract compliance and may result in monetary recoveries.

Corrective Action. Measures taken to implement resolved audit recommendations.

Disallowed Costs. A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

Final Action. The completion of all management actions that NRC management has concluded, in a management decision, are necessary with respect to the findings and recommendations included in an audit report. In the event that NRC management concludes no action is necessary, final action occurs when such management decision has been made.

Implementation of Audit Recommendations. Action taken by NRC management in response to audit recommendations.

Management Decision. Management's evaluation of audit findings and recommendations, and the issuance of a decision concerning its response to these findings and recommendations, including any actions deemed necessary.

Glossary (continued)

Questioned Cost. A cost questioned as a result of an alleged violation of law, regulation, contract, grant, cooperative agreement, or other agreement governing the expenditure of funds; a finding that, at the time of the audit, the cost is not supported by adequate documentation; or a finding that, the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Recommendation That Funds Be Put To Better Use. Funds identified in audit recommendations as funds that could be used more efficiently if NRC management took action to implement and complete the recommendation, including reductions in outlays; deobligation of funds from programs or operations; costs not incurred by implementing recommended improvements related to the operations of the NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings that are specifically identified.

Resolution. For most audits, the point at which the audit organization and agency management or contracting officials agree on the action to be taken on reported findings and recommendations and the dollar savings resulting from the management decision in terms of disallowed costs and funds to be put to better use. In event of disagreement, the point at which the Audit Followup Official or, in the case of contract audits, the Director, Division of Contracts and Property Management, Office of Administration, determines the matter to be resolved. The Commission has final resolution authority for internal audits.

An audit report may be considered resolved despite the right of persons outside the agency to negotiate, appeal, or litigate. Resolution of a report with respect to parties outside the Government does not preclude further consideration of issues in the report by agency management.

For preaward contract audits, the point at which agreement is reached, a contract price is negotiated, or a proposed award is cancelled, whichever occurs first.

For GAO reports, the point at which the NRC responds to the Congress, as required by the Legislative Reorganization Act of 1970.

Unsupported Cost. A cost questioned by an audit organization because the cost was not supported by adequate documentation at the time of the audit.

Exhibit 1
Sample Response to OIG Audit Report



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

(Date)

MEMORANDUM TO: [Name]
Assistant Inspector General for Audits

FROM: [Name]
Title of appropriate Deputy Executive Director

SUBJECT: DRAFT REPORT — MANAGEMENT
CONTROLS OVER NRC PROPERTY AT DOE
LABORATORIES SHOULD BE
STRENGTHENED

This responds to the January 31, 1997, memorandum transmitting the subject audit report. I am pleased to note your conclusion that agency project managers have made important progress in administering and controlling projects placed with DOE laboratories. I agree that the management of agency-funded property at DOE should be strengthened by improving management controls and implementing a streamlined process to aggregately track and oversee NRC-funded property at DOE laboratories.

We have reviewed your specific recommendations and provide the following responses:

Recommendation 1

Take steps to encourage DOE to provide the annual listing of NRC-titled software as required by Management Directive (MD) 11.7.

Response

Agree. We are sending a letter to DOE to remind them of the MD 11.7 requirement to provide information on NRC-titled software in their annual

Exhibit 1 (continued)
Sample Response to OIG Audit Report
(continued)

property reports. We will also direct DOE to send this information to the Office of Administration (ADM) instead of the Office of Information Resources Management (IRM), as currently required. This will provide a central focus for review and reconciliation of all NRC-funded property at DOE labs (see response to Recommendation 3). We will amend MD 11.7 to reflect this change. Completion: May 30, 1997.

Recommendation 2

Reassess the procedures identified in the currently proposed revisions to MD 11.7 and other agency documents to more clearly define the expectations and internal processes for tracking and overseeing NRC-funded property maintained at DOE laboratories.

Response

Agree. We plan to revise MD 11.7 to clearly state the process, controls and office responsibilities necessary to ensure effective management and tracking of property acquired under DOE agreements. Completion: May 30, 1997.

Recommendation 3

Develop and maintain a centralized inventory for tracking and overseeing NRC-funded property maintained at DOE laboratories.

Response

Agree. ADM will be responsible for developing and maintaining a centralized database of NRC-funded DOE-held property, including NRC-titled software, acquired under DOE agreements. We will compare this information against the information provided by DOE in its annual report and will resolve any discrepancies. ADM will also coordinate data regarding NRC-titled software with IRM to ensure that accurate and complete inventory information is provided to the Office of the Controller for capitalization purposes as required for agency financial statements. Completion: July 31, 1997.

Please contact me at 415-7443 or Edward L. Halman at 415-6222 should you have any questions regarding our response.

Exhibit 2

Sample Response to Draft GAO Report



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

(Date)

Mr. [Name]
Assistant Comptroller General
Resources, Community, and
Economic Development Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. [Name]:

We appreciate the opportunity to comment on the draft U.S. General Accounting Office (GAO) report "Emergency Preparedness Around Nuclear Facilities Needs Improvement." The report makes several points that are useful to the U.S. Nuclear Regulatory Commission (NRC) and to other Federal agencies involved in this area, and it highlights several areas in which we agree that further work by NRC may be desirable.

The general tone of the report suggests that emergency preparedness by State and local governments around NRC licensed facilities is in disarray. Although we agree that improvements can certainly be made in this area, we believe that the impression left by the report on the capabilities and preparedness of State and local officials may be doing them a disservice. Although short of the results we ultimately desire, we believe the level of planning and preparedness is definitely improving due in large part to the support and voluntary cooperation of the State and local personnel.

Specific comments on the recommendation in the report are enclosed.

Sincerely,

[Name]
Executive Director
for Operations

Enclosure:
Comments on GAO Recommendations

Exhibit 2 (continued)

Enclosure

Comments on GAO Recommendations

1. Recommendation 1

GAO should distinguish its own conclusions from those of the Reactor Safety Study (WASH-1400) in the following statement: "The study concluded that nuclear accidents may happen and would present a potential adverse health consequence that provides a sobering contrast to the estimated risk." The words "in our opinion" should be inserted after the words "health consequence that, in our opinion, provides" because the "sobering contrast" statement is the GAO conclusion and is not found in WASH-1400.

2. Recommendation 2

The statement "that there will be evacuation of an area 25 miles downwind from the accident site" is misleading since the study assumed that 30 percent of the population remained in place.

3. Recommendation 3

The report creates an impression that the offsite supportive services from State and local agencies are taken for granted. The NRC, however, does not take these services for granted. Specific requirements are set forth in Appendix E to 10 CFR Part 50. As an example, licensees' emergency plans are required to provide "agreements reached with local, State, and Federal officials and agencies for the early warning of the public and for public evacuation or other protective measures should such warning, evacuation, or other protection measures become necessary or desirable."

Exhibit 3

Sample Response to Final GAO Report

The Honorable [Name], Chairman
Committee on Governmental Affairs
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In accordance with the statutory obligation to respond to recommendations by the General Accounting Office (GAO), we hereby submit our responses to the recommendations made by the GAO in their report entitled "The Problem of Disposing of Nuclear Low-Level Waste: Where Do We Go From Here?"

The Commission in its responses to several GAO recommendations (Item Nos. 3, 4, and 7 of the enclosure) believes that the protection of the public health and safety could be enhanced through legislation that would establish minimum technical and procedural standards for the development and operation of low-level waste disposal sites. This legislation should assure that uniform minimum national standards are followed in these areas for both Agreement and non-Agreement States. Over the past year, the Commission has testified before several congressional committees in favor of such legislation.

Specific comments on the GAO recommendations are presented in the enclosure.

Sincerely,

Chairman's [Name]

Enclosure:
Responses to GAO Recommendations

cc: Senator [Name]

[Identical Letters Sent to Those On Attached List]

Exhibit 3 (continued)

Response to GAO Recommendations

Chapter 2

The GAO stated that addressing several basic questions will alleviate the present disposal problem.

Recommendation 1

What is low-level radioactive waste? GAO Recommendation: "Give top priority to defining low-level waste by establishing categories based upon requirements for safe disposal."

NRC Response

The NRC has been aware of this need and will utilize a waste classification methodology in the development of its planned rulemaking (10 CFR Part 61) on licensing and regulation of the disposal of low-level radioactive waste (LLW). The NRC earlier commissioned a study by Ford, Bacon, Davis Utah, Inc., to characterize and classify waste streams from a variety of sources and incorporate this work into the draft environmental impact statement (EIS) being prepared to accompany the proposed low-level waste regulation. This will allow different types of wastes to be examined against different types of disposal techniques, and permit interested members of the public to evaluate and recommend alternatives. The Commission anticipates that the proposed low-level waste regulation (10 CFR 61) and its accompanying draft EIS will be published for public comment early in 1981.

Recommendation 2

Who are the generators of low-level waste and how much waste do they generate? GAO Recommendation: "Determine who the generators of low-level waste are in both the Agreement and non-Agreement States and how much waste each licensee is generating."

NRC Response

The Commission does not believe that the benefit resulting from a license-by-license determination of waste generation by thousands of licensees would offset the cost to the Commission and to the licensees to accumulate this information. This GAO recommendation will not result in meaningful additional data on LLW volumes and characteristics. As part of the staff's ongoing efforts to prepare an environmental impact statement (EIS) for the LLW disposal regulation (10 CFR Part 61), the staff is analyzing the volumes and characteristics of different waste streams from different types of licensees. There are approximately 8,000 NRC licensees and 12,000 Agreement State licensees ranging from individual physicians to fuel plants and reactors. However, preliminary data indicates that the majority of the radioactivity (in excess of 90%) contained in LLW is generated by a relatively small number of NRC and Agreement State licensees (approximately 100 licensees).

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Exhibit 3 (continued)

The Honorable [Name], Chairman
Committee on Government Reform and Oversight
United States House of Representatives
Washington, DC 20515

cc: Representative [Name]*

The Honorable [Name], Chairman
Subcommittee on Clean Air, Wetlands, Private
Property and Nuclear Safety
Committee on Environment and Public Works
United States Senate
Washington, DC 20510

cc: Senator [Name]

The Honorable [Name], Chairman
Subcommittee on Energy and Power
Committee on Commerce
United States House of Representatives
Washington, DC 20515

cc: Representative [Name]

The Honorable [Name]
Comptroller General of the United States
General Accounting Office
Washington, DC 20548

The Honorable [Name], Director
Office of Management and Budget
Washington, DC 20503

*The cc is the Ranking Minority Individual on the Committee.

Exhibit 4

MEMORANDUM OF UNDERSTANDING
BETWEEN
THE OFFICE OF THE INSPECTOR GENERAL
AND
THE OFFICE OF ADMINISTRATION

Purpose

The purpose of this Memorandum of Understanding is to delineate the working relationship between the Division of Contracts and Property Management (DCPM), Office of Administration, and the Office of the Inspector General (OIG), U.S. Nuclear Regulatory Commission (NRC), in oversight and execution of the Defense Contract Audit Agency (DCAA) audits of NRC contracts.

Authority and Background

Prior to the beginning of Fiscal Year 1990, the DCPM had sole responsibility for execution and oversight of the DCAA audit program as it related to NRC contracts. The Inspector General Act of 1978, as amended, however, vests certain responsibilities with the OIG for oversight of all audits of agency programs and contractors. Specifically, this legislation states that one of the principal purposes of the Act is to create an independent and objective OIG to conduct and supervise audits relating to the programs and operations of the agency. Additionally, the OIG is to provide leadership and coordination for activities designed to promote economy, efficiency, and effectiveness in the administration of agency programs and operations.

Execution

The following provisions provide guidelines for execution and oversight of the DCAA audit program. In general, the OIG will be responsible for oversight of the DCAA audit program including issuance of reports and compiling and reporting findings. The DCPM will execute the day-to-day activities of the program to support the agency's contracting function and make decisions concerning the course of action on all audit findings.

Pre-award Audits

DCPM will initiate the requests for audits with DCAA and provide written copies of the requests to the OIG Planning and Resource Officer.

The DCPM contracting officer will interact with the cognizant DCAA auditor as necessary during the course of the audit. OIG will be informed of these contacts only in those instances in which potential wrongdoing within the investigative jurisdiction of OIG is identified. DCAA will address the final audit report to the Assistant Inspector General for Audits (AIGA). DCAA will send a copy of each report to the contracting officer. The Inspector General or his designee, whenever possible, will formally issue the final report to the Director, DCPM, within three working days of its receipt by the AIGA. For pre-award audits, the contracting process may continue while the OIG is reviewing the audit report. The cognizant DCPM contracting officer may request a verbal report directly from DCAA prior to the final report being issued whenever he/she deems it necessary to expedite the contracting process.

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Handbook 6.1 Exhibits

Exhibit 4 (continued)

2

Decisions regarding agency action on DCAA recommendations will be made by the contracting officer, but may be subject to subsequent review by the OIG.

DCPM will promptly provide the OIG Planning and Resource Officer with all required information to be entered into the OIG's tracking system for DCAA audit reports.

Post-Award Audits

Requests for post-award audits of NRC contracts by DCAA will be made by the OIG. Accordingly, DCPM requests for such audits should be made directly to the Inspector General or his designee.

DCAA will submit post-award audit reports to the AIGA. OIG will promptly review and transmit to DCPM each post-award audit report. Within sixty days after receipt of audit reports, the Director, DCPM, will advise the Inspector General of actions taken on the following DCAA findings:

- (a) questioned costs under active contracts,
- (b) allegations of wrongdoing (waste, fraud or abuse) on the part of contractors, and
- (c) questioned costs which exceed \$20,000 under inactive contracts.

All other DCAA audit reports containing questioned costs will be resolved in accordance with time frames specified in OMB Circular A-50. In the event the Director, DCPM disagrees with questioned costs in DCAA audit reports and is unable to resolve those disagreements with the IG, those disagreements will be referred to NRC's Audit Follow-Up Official (Assistant for Operations, OEDO), for resolution as required by OMB Circular A-50.

The OIG may request DCAA to conduct post-award contract audits when, in the opinion of the OIG, such audits are necessary.

Amendments and Supplemental Agreements

The Inspector General and the Director, Office of Administration, by mutual agreement, may amend this document or enter into any supplementary agreements as they deem appropriate.

Limitations

The policies and authorities contained in this document shall go into effect when signed by both the Inspector General and the Director, Office of Administration, and shall remain in effect unless changed by mutual agreement.


Martin G. Maisch
Inspector General (Acting)
Office of the Inspector General

Sept 28, 1989


Patricia G. Norry, Director
Office of Administration

September 28, 1989