



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

**OFFICE OF THE  
INSPECTOR GENERAL**

August 12, 2010

The Honorable Edolphus Towns, Chairman  
Committee on Oversight and Government Reform  
U.S. House of Representatives  
2157 Rayburn House Office Building  
Washington, DC 20515-6143

Dear Representative Towns:

I am writing in response to your July 26, 2010, request for recent Office of the Inspector General audit recommendations which, if implemented, would produce the greatest cost savings to the Federal budget.

The U.S. Nuclear Regulatory Commission's (NRC) mission is to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. The agency achieves its safety and security mission through licensing and oversight programs designed to ensure that (1) individuals and organizations use radioactive materials for beneficial civilian purposes, (2) licensees perform at acceptable safety levels, and (3) licensees maintain controls over high-risk radiation sources and other risk-significant radioactive materials. The agency's FY 2010 budget is about \$1.07 billion, of which roughly 60 percent supports salaries and benefits. The remainder of the budget is used for contract support and for travel, which consists primarily of the expenses for nuclear reactor inspection trips.

Because NRC's mission is safety and security oriented, the majority of audits and evaluations performed by my office are focused on assessing NRC's performance of its safety and security functions. As a result, most of our recommendations have a safety and/or security focus and are intended to (1) strengthen NRC's efforts to protect public health and safety and the environment, and (2) enhance NRC's efforts to increase

security in response to an evolving threat environment. OIG also conducts audits intended to increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources. These corporate management audits are the most likely to yield recommendations with cost-savings implications.

Of my office's recent corporate management audits, the *Audit of NRC's Management of Agreements with Department of Energy Laboratories* (OIG-10-A-12) contained a set of recommendations that could lead to a significant cost-savings. As background, as of July 2009, NRC offices had 186 agreements with Department of Energy laboratories, totaling about \$365 million, to conduct research for NRC. Although NRC requires offices to develop convincing justifications for using a Department of Energy laboratory rather than a commercial source, many of the laboratory agreement justifications reviewed by auditors did not effectively demonstrate why a Department of Energy laboratory was preferred, and they often lacked indication that commercial firm capabilities were fully considered as part of the decisionmaking process. The audit made several recommendations to the agency to require NRC offices to fully consider the use of commercial sources before choosing to use a laboratory.

The agency agreed with these recommendations and is taking steps toward implementing them in a timely manner. Once implemented, the audit report recommendations are expected to result in cost savings to the Government.

Thank you for your strong support for the Inspector General mandate to promote economy, efficiency, and effectiveness in the Federal Government. If you have questions, please contact me at 301/415-5930 or Stephen D. Dingbaum, Assistant Inspector General for Audits, at 301/415-5915.

Sincerely,

Hubert T. Bell **/RA/**  
Inspector General