



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

November 1, 2011

CHIEF FINANCIAL
OFFICER

Mr. Danny Werfel, Controller
Office of Management and Budget
725 17th Street, NW, Room 6025
Washington, DC 20503

Dear Mr. Werfel,

Pursuant to the Public Law signed by the President on July 22, 2010, the Improper Payments Elimination and Recovery Act (IPERA, Pub. L. 111-204) and the Office of Management and Budget (OMB) issued memorandum M-11-16 Issuance of Revised Parts I and II to Appendix C of OMB Circular A-123 (OMB guidance) which implements the requirements of Section 2(h) of the Improper Payments Elimination and Recovery Act requiring agencies to conduct payment recapture audits for each program and activity that expends \$1 million or more annually if conducting such audits would be cost-effective. The U.S. Nuclear Regulatory Commission (NRC) has developed and implemented their plan to address NRC's responsibilities relative to IPERA in accordance with OMB guidance.

During a meeting with OMB that was held on July 19, 2011, NRC discussed their plan for NRC's recapture audit efforts, which were to be determined based on the results of the IPERA assessment. In accordance with OMB guidance, NRC incorporated the required IPERA assessment activities into their 2011 A-123 Appendix A assessment.

In accordance with OMB guidance, the Agency performed a risk based analysis of programs and determined commercial payments to nongovernmental vendors as susceptible to improper payments, per OMB definitions. A statistical sample was selected for testing from the population of commercial payments from the beginning of the fiscal year (FY) 2011 through May 31, 2011. Based on a population of 7,734 invoices totaling \$138.6 million, NRC selected a statistically valid sample of 265 invoices totaling \$45.4 million and performed testing procedures against NRC error conditions. OMB approved this approach during the aforementioned meeting. The testing identified four instances in which discounts were not taken resulting in improper payments of \$3,200. Extrapolating the errors to the population resulted in an estimated \$26,810 in improper payments and an improper payment rate of 0.02 percent for commercial payments in FY 2011.

D. Werfel

- 2 -

Based on the amount of improper payments discovered, \$3,200 (\$26,810 extrapolated) and the approximate contractor costs of \$137,205 for the IPERA testing, NRC has determined that recovery audits are not cost effective. NRC will devise an internal monitoring process for improper payments.

Sincerely,



J. E. Dyer
Chief Financial Officer

cc: OIG