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

OFFICE OF THE
CHAIRMAN

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January 5, 1979

The Honorable Abraham A. Ribicoff, Chairman
Committee on Governmental Affairs
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

In accordance with Section 236 of the Legislative Reorganization Act of 1970, the U. S. Nuclear Regulatory Commission is hereby submitting a statement on the Commission actions being taken with regard to the recommendations made by the U. S. General Accounting Office (GAO) in a report entitled, "More Effective Action Is Needed On Auditors' Findings--Millions Can Be Collected Or Saved." The Commission's general response to the GAO report and specific responses to the GAO recommendations regarding the NRC are enclosed.

Sincerely,

for Joseph M. Hendrie
Chairman

Enclosure:
Response to GAO Report

cc: Sen. Charles H. Percy, w/encl

Identical letter sent to: Rep. Brooks, Rep. Udall, Rep. Dingell, Sen. Hart, Elmer Staats & James McIntyre

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NRC GENERAL RESPONSE TO THE REPORT

The auditing of NRC's programs and contracts is the responsibility of the Office of Inspector and Auditor (OIA). OIA has, however, entered into an agreement with the NRC Division of Contracts whereby pre-award and closeout audits of contracts are to be carried out by the Defense Contract Audit Agency (DCAA) or the Department of Health, Education, and Welfare (HEW) audit staff. NRC makes no grants.

Although OIA has audit responsibility for all NRC offices, OIA audit reports, for the most part, address programs under the direction of the Executive Director for Operations (EDO). In preparing draft reports, the auditors discuss their findings and proposed recommendations informally with the NRC officials directly responsible for the program being audited. In addition, the responsible agency official, generally the EDO, is given an opportunity to formally comment on draft reports before they are sent to the Commission. In the past, OIA has been able to reach agreement with the responsible agency officials before the final report is issued in regard to actions which needed to be taken to resolve the findings contained in audit reports. In the event there is disagreement between the EDO, or other officials, and OIA in regard to the need for corrective action, it is the Commission's responsibility to make a final decision as to what action is needed.

OIA's present system for followup is to wait at least six months after the issuance of a report before initiating a followup review. Upon completion of its followup review, OIA issues a report to the Commission and continues to follow up until all recommendations agreed to have been implemented. In addition, the EDO has a work item tracking system which is used to follow up on actions taken on audit recommendations.

We recognize, however, that the existing system can be both more effectively implemented and improved. Therefore, the following revised procedures for following up audit reports is being implemented. The EDO's comments on draft reports will provide OIA with a statement as to what actions will be taken and by whom and a date by which each action will be completed. These commitments will be included in the final report sent to the Commission. The EDO will then be responsible for advising OIA no later than the dates specified either (1) that the action is completed or (2) the status of the action underway and a revised target date for completing the action and again responding to OIA. After the EDO has advised OIA that all recommendations agreed to have been implemented, OIA will perform sufficient checks to assure itself that all recommendations have been satisfactorily implemented and will issue a followup report to the Commission. When OIA and the EDO cannot agree on the need for, or adequacy of, any action, the Commission will be so advised.

Enclosure

We envision two types of findings resulting from DCAA or HEW audits performed for NRC; those requiring a change by the contractor and those requiring an action by NRC. We believe it should be DCAA's or HEW's responsibility to follow up on findings at contractor facilities while recommendations addressed to NRC will fall within established NRC followup procedures. When DCAA or HEW audit reports are received, OIA will notify them as to the findings we believe they are responsible for following up on.

Our responses to the specific GAO recommendations follow:

1. Recommendation

   Agency auditors be required to keep accurate records of all findings until a final disposition has been made--where recovery of funds is involved this means until the funds are recovered, the debt forgiven, or the finding determined to be in error.

   NRC Response

   OIA currently maintains a status record of all its open audit recommendations until satisfactory actions have been taken. This record is also retained after the recommendations are closed to show their disposition. No findings will be closed out until OIA is satisfied that satisfactory actions have been taken or until the Commission decides that no action or an alternative action is necessary.

2. Recommendation

   Program administrators be given 6 months to reach decisions on what amount, if any, is due from grantees or contractors as the result of audit findings. Written decisions signed by the program administrator be required to justify not seeking collection of any amounts shown to be due by the auditors' report. Such decisions should also be reviewed for legality and endorsed by the legal official who performs the review.

   NRC Response

   OIA has not issued any audit reports which have resulted in amounts being due the Government. However, the Commission is aware that there are a large number of closeout audits which had not been done but which will require closeout audits by DCAA or HEW. The Commission is reviewing this matter to determine what additional actions are necessary. As a result, we have no experience within the agency in the collection of such

amounts. In our revised followup procedures to be issued in the near future, we will require that for all audit reports in which we recommend making a financial recovery, OIA be advised within six months of the date of the report as to the amount which will be recovered and why any amounts are not to be recovered. The justification for not recovering funds will have to be concurred in by NRC's Executive Legal Director.

3. Recommendation

An official, independent of the program administrator and the auditor, be responsible for deciding whether to make recoveries on findings not decided on within the 6-month time frame specified above. Any decisions not to recover should be justified by the official and reviewed for legality as previously mentioned. GAO believes this official, who should be at a high level in the organization, could also handle resolution of audit findings not involving grantees or contractors that are not resolved within a 6-month period.

NRC Response

As was stated above, in cases where OIA and the EDO disagree on the need for making recoveries of monies due NRC from audit findings, these findings will be referred to the Commission for decision. Prior to Commission action, NRC's Office of the Executive Legal Director will review the action for legality. To date, there have been no disagreements requiring that this system be utilized. Also, those findings not involving financial recoveries which OIA and the EDO cannot resolve and on which there is significant disagreement will also be referred to the Commission for decision.

4. Recommendation

Such officials be required to issue quarterly reports to the agency head on the status of all findings which they are responsible for resolving, including the age and amounts of unresolved findings and results of findings they closed during the period.

NRC Response

Because the officials responsible for making final determinations at NRC are the Commissioners, we see no need for this type of reporting system. OIA will, however, periodi-

cally report to the Commission on the status of recommendations on which final action has not yet been taken. This report will include a listing of findings on which OIA and the EDO disagree and on which the Commission needs to make a decision.

5. Recommendation

To insure aggressive recovery efforts, GAO recommends that accounting and collection controls be established for any amounts due the Government as a result of audit findings.

NRC Response

OIA has not issued any audit reports which resulted in amounts being due the Government. However, in the event audit findings do recommend collections, existing NRC controls over accounts receivable, as outlined in NRC directives, will be followed. These controls provide that the Division of Accounting (DA), based upon the audit report, will establish the debt as an account receivable in the accounting records. All accounts receivable are periodically reviewed by DA to assure that delinquencies are systematically followed up. In addition, as noted above, OIA will also perform a followup review to determine if recommendations are acted upon.

6. Recommendation

If the agency decides against collection for any reason, then it should take action to resolve the underlying causes which resulted in the debt. These can include providing technical assistance to help grantees improve operation of the program or changing ambiguous or conflicting regulations which impede accomplishing program objectives.

NRC Response

In cases when OIA recommends financial recoveries, OIA will also determine what actions, if any, are needed to prevent future similar occurrences. When actions are deemed by OIA to be needed, recommendations to correct the underlying problems will be made.