



OFFICE OF THE
CHAIRMAN

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

April 1, 1981

COMMISSION
CORRESPONDENCE

The Honorable Jack Brooks, Chairman
Subcommittee on Legislation
and National Security
Committee on Government Operations
United States House of Representatives
Washington, D.C. 20515



Dear Mr. Chairman:

This is in response to your letter of February 19, 1981, asking for our comments on the General Accounting Office's (GAO) report entitled, "Disappointing Progress in Improving Systems for Resolving Billions in Audit Findings."

The U.S. Nuclear Regulatory Commission's (NRC) internal audit organization is the Office of Inspector and Auditor (OIA). They have 14 auditors including the Assistant Director for Audits. OIA principally performs internal audits of NRC's operations. In addition, OIA has entered into an agreement with NRC's Division of Contracts whereby pre-award and close out audits of NRC contracts are carried out by the Defense Contract Audit Agency (DCAA), and the Department of Health, Education, and Welfare (HEW) -- now the Department of Health and Human Services and Department of Education -- audit staffs.

NRC's procedures for following up on audit recommendations were developed and approved by the Commission in January 1979 and were in effect at the time the GAO audit was performed.

NRC is mentioned in the GAO report in Appendix II and Appendix III. Following are our comments on each of these appendices.

Appendix II

Appendix II of the GAO report identifies \$195,000 of unresolved monetary findings resulting from NRC audits, of which \$10,000 was over one year old. These monetary findings resulted from two DCAA audits of NRC contracts. NRC's Division of contracts resolved \$185,000 of this amount on August 18, 1980. The remaining \$10,000 is still unresolved because the

810423086

contractor, a private consultant, died. NRC is currently reviewing the audit report and contract close out and contemplates resolving the issue with the executor of the contractor's estate.

Appendix III

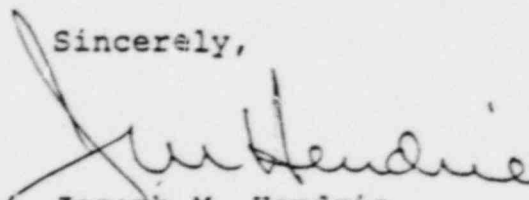
Appendix III identifies five areas in which GAO believes NRC's follow up procedures are deficient. While we recognize that some improvements may be necessary in our written follow up procedures so that they perfectly parallel Circular A-73 as revised, we disagree that our existing system is not in compliance with A-73 in the five ways stated by GAO.

After OMB Circular A-73 was revised, NRC's existing reporting and follow up procedures were reviewed to determine what changes were necessary. We believed at that time that the only change necessary was preparation of semiannual reports to the Commission on audit reports over six months old. Our existing reporting and follow up procedures already provided for written determinations on audit findings before final reports are issued to the Commission and for evaluating auditor/agency official disagreements to the Commission in final audit reports. Furthermore, our existing system had adequately dealt with findings regarding recovery of money and coordination with other agencies even though the system had not been fully documented. As a result, we believe four of GAO's five findings relating to NRC are the result of not fully documenting our system rather than not having a workable system in place.

In regard to the issuance of semiannual reports to the Commission, OIA's first semiannual report on audit reports over six months old was sent to the Commission on February 10, 1981. This report covered all audit reports issued before July 1980. Semiannual reports will be prepared as of June 30 and December 31 each year and will be consistent with OMB Circular A-73. In regard to the other four areas identified in Appendix III, NRC's written follow up procedures are being revised at the present time to fully document our compliance with OMB Circular A-73.

We appreciate the opportunity to provide our comments on this GAO report.

Sincerely,



Joseph M. Hendrie
Chairman