

December 22, 2005

The Honorable Tom Davis  
Chairman, Committee on Government Reform  
United States House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

On behalf of the U.S. Nuclear Regulatory Commission (NRC) and in accordance with 31 U.S.C. 720, I am submitting the following NRC response to the recommendation made by the U.S. Government Accountability Office (GAO) in its report entitled, "Financial Audit: Restatements to the Nuclear Regulatory Commission's Fiscal Year 2003 Financial Statements" (GAO-06-30R).

In its report, "Financial Audit: Restatement to the Nuclear Regulatory Commission's (NRC) Fiscal Year 2003 Financial Statements" (GAO-06-30R), the United States Government Accountability Office (GAO) made a recommendation that the NRC's Chief Financial Officer determine whether the new procedures, which NRC represents as having been established, effectively ensure that all eligible license fees are recorded and billed.

The NRC agrees with the report's recommendation. The NRC's Chief Financial Officer will determine whether the new fee billing procedures that the NRC has established effectively ensure that all eligible license fees are recorded and billed. The NRC plans to complete this determination by September 2006. Additionally, the NRC has implemented several improvements to its fee billing process. These include revised quality assurance procedures for the Part 170 billing process to include a global reconciliation for each quarterly fee billing cycle; modification of the Fee Billing System to improve functionality of the system's interface; expanded acceptance testing for the Fee Billing System software modifications; independent verification and validation of the acceptance testing for the Fee Billing System software modifications; separate billing and reconciliation functions; strengthened internal controls over the billing process; and development of a statistical sampling plan to test that internal controls are functioning as intended.

If you have any questions or comments on the written statement, please contact me.

Sincerely,

**/RA/**

Nils J. Diaz

cc: Representative Henry Waxman

Identical letter sent to:

The Honorable Tom Davis  
Chairman, Committee on Government Reform  
United States House of Representatives  
Washington, D.C. 20515  
cc: Representative Henry Waxman

The Honorable Susan Collins  
Chair, Committee on Homeland Security  
and Governmental Affairs  
United States Senate  
Washington, D.C. 20510  
cc: Senator Joseph I. Lieberman

The Honorable George V. Voinovich  
Chairman, Subcommittee on Clean Air,  
Climate Change, and Nuclear Safety  
Committee on Environment and Public Works  
United States Senate  
Washington, D.C. 20510  
cc: Senator Thomas Carper

The Honorable Ralph M. Hall  
Chairman, Subcommittee on Energy and Air Quality  
Committee on Energy and commerce  
United States House of Representatives  
Washington, D.C. 20515  
cc: Representative Rick Boucher

The Honorable Joe Barton  
Chairman, Committee on Energy and Commerce  
United States House of Representatives  
Washington, D.C. 20515  
cc: Representative John D. Dingell

The Honorable James M. Inhofe  
Chairman, Committee on Environment  
and Public Works  
United States Senate  
Washington, D.C. 20510  
cc: Senator James M. Jeffords

The Honorable David M. Walker  
Comptroller General of the United States  
Washington, D.C. 20548  
cc: Gene E. Aloise, GAO

The Honorable Joshua B. Bolten  
Director, Office of Management and Budget  
Washington, D.C. 20503

The Honorable Tom Coburn  
Chairman, Subcommittee on Federal Financial  
Management, Government Information,  
and International Security  
Committee on Homeland Security and  
Governmental Affairs  
United States Senate  
Washington, D.C. 20510  
cc: Senator Thomas Carper

The Honorable Todd Platts  
Chairman, Subcommittee on Government  
Management, Finance and Accountability  
Committee on Government Reform  
United States House of Representatives  
Washington, D.C. 20515  
cc: Edolphus Towns

The Honorable John Snow  
Secretary of Treasury  
Washington, D.C. 20220