

U.S. NUCLEAR REGULATORY COMMISSION

DIRECTIVE TRANSMITTAL

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To: NRC Management Directives Custodians

Subject: Transmittal of Management Directive 6.1, "Resolution and Followup of Audit Recommendations"

Purpose: Directive and Handbook 6.1 are being revised to reflect changes in alignment of the Executive Director for Operations, the Chief Information Officer, and the Chief Financial Officer as a result of the Commission's abolition of the NRC's Executive Council in January 2001. The revision also better defines the agency's periodic analyses of audit recommendations to determine possible trends and systemwide problems and recommend solutions, as required by Office of Management and Budget Circular A-50, and changes the requirement for conducting audit followup reviews from annually to triennially. These revisions respond, in part, to the Office of the Inspector General's audit "Review of NRC's Audit Follow-Up System" and its "Special Evaluation of the Role and Structure of NRC's Executive Council."

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Directive: 6.1 Resolution and Followup of Audit Recommendations

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Resolution and Followup of Audit Recommendations

Directive
6.1

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U. S. Nuclear Regulatory Commission

Volume: 6 Internal Management

EDO

Resolution and Followup of Audit Recommendations Directive 6.1

Policy (6.1-01)

It is the policy of NRC to resolve audit recommendations promptly and to correct deficiencies identified in final audit reports. This directive and handbook provide internal guidance to NRC personnel for implementation of Office of Management and Budget (OMB) Circular A-50, "Audit Followup," as revised (September 29, 1982), and the Inspector General Act of 1978, as amended. OMB Circular A-50 establishes policies and procedures for use by agencies in following up on audit reports. Additionally, the Inspector General Act imposes reporting requirements on agency heads with respect to audit recommendations.

Objectives (6.1-02)

- To establish systems to ensure prompt and proper resolution and implementation of audit recommendations. (021)
- To ensure that all attempts are made to recover amounts due NRC as a result of management determinations on audit findings and recommendations. (022)
- To provide specific guidance on addressing audits by the U.S. Government Accountability Office (GAO) and the Office of the

Objectives

(6.1-02) (continued)

Inspector General (OIG), which can be used as a framework for other auditing organizations. (023)

Organizational Responsibilities and

Delegations of Authority

(6.1-03)

Chairman

(031)

- Transmits responses to congressional committees regarding recommendations in reports from the GAO. (a)
- With regard to audit recommendations addressed to the Chairman— (b)
 - Responds to the OIG on behalf of the Commission or on behalf of the Chairman alone, as appropriate, on recommendations contained in draft and final OIG audit reports and to GAO on behalf of the Commission on final and, where appropriate, draft GAO audit reports. (i)
 - Ensures that recommendations of audit reports are resolved; that corrective actions are assigned, tracked, and completed; and that the Audit Followup Official (AFO), as designated in Section 033(c), is advised of actions taken. (ii)
- When necessary, resolves differences between OIG and the Commission offices, Executive Director for Operations (EDO) staff offices, and/or the Chief Financial Officer (CFO) with regard to recommendations contained in OIG internal audit reports. However, when the resolution involves matters relating to policy formulation, certain types of rulemaking or orders,

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Chairman
(031) (continued)

adjudications (as defined in the Reorganization Plan No. 1 of 1980), or any other matter within the Commission's authority, refers such issues to the Commission. (c)

- Within the Performance and Accountability Report, informs Congress on management decisions and final actions taken with regard to audit recommendations from OIG that are more than 1 year old. (d)
- Transmits the OIG semiannual reports to congressional committees, along with any agency comments, within 30 days of receipt from the IG. (e)

Commission
(032)

- Approves responses to congressional committees regarding recommendations in reports from GAO. (a)
- Approves responses to GAO on selected draft audit reports from GAO. (b)
- Ensures that appropriate agency actions are taken to address matters raised in audit reports when they involve policy formulation, certain types of rulemaking or orders, adjudications as defined in the Reorganization Plan No. 1 of 1980, or any other matter within the Commission's authority. (c)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Executive Director for Operations (EDO)
(033)

- Provides policy guidance to ensure that management officials throughout the agency understand the value of the audit process and are responsive to audit recommendations. (a)
- With regard to audit recommendations addressed to the EDO— (b)
 - Responds to OIG, with a copy to the Chairman and each Commissioner, on recommendations contained in draft reports for any offices reporting directly to the EDO (including multiple Deputy Executive Directors for Operations [DEDOs]), as well as final OIG reports for all offices under the EDO. (i)
 - Responds to GAO, with a copy to the Chairman and each Commissioner, on the accuracy of facts and conclusions contained in draft GAO reports. (ii)
 - Ensures that recommendations of audit reports are resolved, that corrective actions are assigned, tracked, and completed, and that OIG is advised of actions taken relative to their audit report recommendations. (iii)
- Serves as the NRC's Audit Followup Official (AFO). (c)
 - Provides oversight and direction to ensure that recommendations of audit reports are resolved in a timely manner and that corrective action is assigned and completed. (i)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Executive Director for Operations (EDO)
(033) (continued)

- Provides a system to maintain accurate records and track the status of audit reports and recommendations through the entire process of issue resolution and corrective action implementation (except for contract audits [see Section 039(f)]). (ii)
- Facilitates resolution of any disagreements between offices reporting to the Commission (including Commission panels and advisory committees) and the IG regarding internal audit findings and recommendations. (iii)
- Resolves any disagreements between the DEDOs and the IG regarding internal audit findings and recommendations. (iv)
- Provides for a triennial review of implementation of selected audit recommendations, including analyses of audit recommendations, resolution, and corrective action activities to determine if there are any trends or problems that warrant further action. (v)
- Reports periodically on the status of GAO assignments to the Commission for information. (vi)
- Forwards to the Commission for approval and transmittal the required statements to congressional committees on recommendations contained in final GAO audit reports. (d)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Executive Director for Operations (EDO)
(033) (continued)

- Integrates input from individual regions and offices to prepare the section of the Performance and Accountability Report on management decisions and final actions on OIG audit recommendations that are more than 1 year old. (e)

Chief Financial Officer (CFO)
(034)

- Ensures that timely action is taken to pursue collection of funds that result from management determinations on audit findings and recommendations. (a)
- Establishes accounts receivable and pursues collection action under Management Directive 4.1, "Accounting Policy and Practices"; "Debt Collection Procedures," 10 CFR Part 15; "Salary Offset Procedures for Collecting Debts Owed by Federal Employees to the Federal Government," 10 CFR Part 16; and "Federal Claims Collection Standards," 31 CFR Chapter IX, Parts 900-904; for funds owed NRC as a result of audits. (b)
- Notifies the Assistant Inspector General for Audits when accounts receivable are established for funds owed NRC as a result of NRC contract audits. (c)
- Informs the AFO of significant audit findings and of any disagreements with OIG on audit findings and recommendations. (d)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Chief Financial Officer (CFO)
(034) (continued)

- With regard to an audit of the office— (e)
 - Responds directly to OIG, with a copy to the Chairman, each Commissioner, and the AFO, on recommendations contained in draft OIG and final audit reports. (i)
 - Responds to GAO, with a copy to the Chairman, each Commissioner, and the AFO, on the accuracy of facts and conclusions contained in draft GAO reports. (ii)
 - Ensures that recommendations of audit reports are resolved; that corrective actions are assigned, tracked, and completed; and that the AFO and OIG are advised of actions taken. (iii)
- Forwards to the Commission, with a copy to the AFO, for approval and transmittal the required statements to congressional committees on recommendations contained in final GAO audit reports. (f)
- Develops a remediation plan in consultation with the Director of OMB if there is a sustained audit finding that NRC financial management systems are not in compliance with the requirements of the Federal Financial Management Improvement Act of 1996. (g)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Inspector General (IG), Office of the
Inspector General (OIG)
(035)

- Provides copies of all final internal audit reports to the Chairman, each Commissioner, and the AFO. (a)
- Provides copies of all contract audit reports issued by OIG to the Division of Contracts (DC), Office of Administration (ADM). (b)
- Informs the AFO about disagreements on internal audit recommendations and provides information copies of matters referred to the Commission for resolution. (c)
- Periodically evaluates audit recommendations, management decisions, and resulting corrective actions to identify trends and systemic problems. (d)
- Evaluates the adequacy of NRC's audit followup system. (e)
- Reviews implementation of corrective actions in response to OIG audit recommendations by NRC management to determine whether these actions were consistent with the management decision. (f)
- Forwards to the Chairman for transmittal to congressional committees those semiannual reports required by the Inspector General Act of 1978, as amended. (g)
- With regard to GAO audits of OIG— (h)
 - Responds directly to draft and final GAO audit reports, with copies to the Chairman and each Commissioner. (i)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Inspector General (IG), Office of the
Inspector General (OIG)
(035) (continued)

- Transmits the required statements to congressional committees on recommendations contained in final GAO audit reports, with copies to the Chairman and each Commissioner. (ii)

Directors of Commission Offices,
Panels, and Advisory Committees
(036)

With regard to audits of their offices—

- Respond directly to OIG, with a copy to the Chairman, each Commissioner, and the AFO on recommendations contained in draft and final OIG audit reports. (a)
- Respond to GAO, with a copy to the Chairman, each Commissioner, and the AFO, on the accuracy of facts and conclusions contained in draft GAO audit reports. (b)
- Forward to the Commission for approval and transmittal the required statements to congressional committees on recommendations contained in final GAO audit reports, with a copy to the AFO. (c)
- Ensure that recommendations of audit reports are resolved; that corrective actions are assigned, tracked, and completed; and that the Chairman, each Commissioner, the AFO, and OIG are advised of actions taken. (d)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Deputy Executive Directors for Operations (DEDOs)
and Deputy Chief Financial Officer, Office of the CFO (OCFO)
(037)

- Review and respond directly to OIG on draft internal audit reports for their respective areas of responsibility. (a)
- Coordinate resolution and corrective action on audit recommendations involving more than one internal program or agency. (b)
- Inform the AFO of significant audit findings and of any disagreements with OIG on audit findings and recommendations. (c)

Regional Administrators and Office
Directors Reporting to the EDO
(038)

- Develop, coordinate, and submit responses to audit reports to the appropriate DEDO or to the EDO (for offices reporting directly to the EDO). (a)
- Ensure that corrective actions within areas of responsibility are prioritized, assigned, tracked, and implemented and advise the AFO and OIG of the action taken. (b)
- Notify the CFO when corrective actions in response to audit recommendations result in significant changes to existing internal controls or in the development of new internal controls. (c)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Regional Administrators and Office
Directors Reporting to the EDO
(038) (continued)

- Prepare input on management decisions and final actions on OIG audit recommendations that are more than 1 year old and submit it to the EDO for inclusion in the Performance and Accountability Report. (d)

Director, Division of Contracts (DC),
Office of Administration (ADM)
(039)

- Resolves any disagreements on contract audit recommendations between contracting officers and OIG (including audits performed by the Defense Contract Audit Agency). (a)
- Informs the AFO of any disagreements on contract audit recommendations before taking final action. (b)
- Establishes target dates for completing corrective action in response to contract audit recommendations. (c)
- Ensures there is written documentation that demonstrates the adequacy and appropriateness of actions taken in response to contract audit recommendations. (d)
- Provides information on contract audits and disallowed costs to the AFO for inclusion in the annual Performance and Accountability Report. (e)

Organizational Responsibilities and
Delegations of Authority
(6.1-03) (continued)

Director, Division of Contracts (DC),
Office of Administration (ADM)
(039) (continued)

- Provides for the maintenance of accurate records of the status of contract audit reports and recommendations through the entire process of resolution and corrective action. (f)

Applicability
(6.1-04)

This directive and handbook apply to all NRC and regional office employees responsible for resolution and followup of audit recommendations in reports issued by OIG, executive branch audit organizations, GAO, and non-Federal organizations.

Handbook
(6.1-05)

Handbook 6.1 contains detailed guidance for resolution and followup of audit recommendations.

References
(6.1-06)

Code of Federal Regulations

"Debt Collection Procedures," 10 CFR Part 15.

"Salary Offset Procedures for Collecting Debts Owed by Federal Employees to the Federal Government," 10 CFR Part 16.

References

(6.1-06) (continued)

"Federal Claims Collection Standards," 31 CFR Chapter IX, Parts 900-904.

Department of the Treasury

Treasury Financial Manual, I TFM 8025.20, Department of the Treasury.

NRC Management Directives

4.1, "Accounting Policy and Practices."

4.4, "Management Controls."

Office of Management and Budget

OMB Circular A-50, "Audit Followup," Office of Management and Budget, September 29, 1982.

United States Code

Chief Financial Officers Act of 1990 (31 U.S.C. 902(a)).

Contract Disputes Act of 1978 (41 U.S.C. 601 et seq.).

Debt Collection Improvement Act of 1996 (31 U.S.C. 3701 et seq.).

Federal Acquisition Regulation, FAR 1.603-2.

Federal Financial Management Improvement Act of 1996 (31 U.S.C. 3512 et seq.).

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References

(6.1-06) (continued)

Federal Managers' Financial Integrity Act of 1982.

Inspector General Act of 1978 (5 U.S.C. App. 3).

Legislative Reorganization Act of 1970, Pub. L. 91-510.

Reorganization Plan No. 1 of 1980, Nuclear Regulatory Commission (5 U.S.C. App. 1).

Resolution and Followup of Audit Recommendations

Handbook

6.1

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Part I

Guidance for Resolution and Followup of Audit Recommendations

Introduction (A)

Audit followup is an integral part of good management and is a shared responsibility of agency management officials and auditors. Corrective action by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of agency operations. NRC will establish systems to ensure the prompt and proper resolution and implementation of audit recommendations. These systems will provide for a complete record of action on both monetary and nonmonetary findings and recommendations. (1)

Audits of NRC programs and operations are typically conducted by the Office of the Inspector General (OIG) and the Government Accountability Office (GAO). Audits of NRC contracts and grants may be conducted by OIG, the Defense Contract Audit Agency, the Department of Health and Human Services, the Department of Education, or other Federal agencies. In some instances, private accounting firms perform audits of State or local governments or institutions under the single audit concept; sometimes these reports contain findings that affect NRC funds. (2)

With the exception of certain recommendations in contract audits discussed below, audit recommendations will generally be resolved within 6 months after issuance of a final audit report. In the case of audits performed by non-Federal auditors, recommendations will generally be resolved within 6 months after receipt of the report by the Federal Government. NRC will maintain audit followup systems to track audit recommendations until corrective action has been completed. Controls will be in place, and will be modified as needed, to ensure amounts owed NRC as a result of audits are accounted for and collected

Introduction (A) (continued)

promptly. NRC will provide a report to the Congress on the status of audit recommendations. (3)

The procedures for distributing audit reports, resolving audit recommendations, and implementing and tracking corrective actions are explained below. Accounting and collection controls and reporting to Congress are explained respectively in Parts II and III of this handbook. (4)

Audit Followup Responsibilities (B)

Contracting Officers, Division of Contracts (DC), Office of Administration (ADM) (1)

- Make initial management decision on recommendations resulting from audits of NRC contracts and grants. (a)
- Refer any disagreements with OIG on contract audit recommendations to the Director of DC for final management decision and resolution. (b)
- Provide the Office of the Chief Financial Officer (OCFO) with a copy of the written determination establishing a contractor's indebtedness to NRC as a result of audits of NRC contracts. (c)
- Inform the Assistant Inspector General for Audits, OIG, at the time OCFO is notified of the debt to be collected by NRC as a result of audits of NRC contracts. (d)

Chief Financial Officer (CFO) (2)

Evaluates OIG and GAO audit reports to identify areas concerning internal controls for appropriate followup and for preparation of the annual report to the President and Congress as required by the Federal Managers' Financial Integrity Act of 1982.

Distribution of Internal Audit Reports (C)

Draft OIG Audit Reports (1)

The Inspector General (IG) will issue draft internal audit reports for comment to the officials designated in the following chart.

Audited Organization	Receiving Official
Commission	Chairman
Office of the Chief Financial Officer	CFO
Offices reporting to the Commission (including Commission panels and advisory committees)	Office director
Office of the Executive Director for Operations	EDO
Offices reporting to the EDO and regional offices	EDO

Final OIG Internal Audit Reports (2)

The IG will issue final audit reports to NRC receiving officials as the IG deems appropriate. The IG also will provide copies of final reports to the appropriate receiving officials shown in the above table, the Audit Followup Official (AFO, i.e., the EDO), the CFO, and the Chairman and each Commissioner.

Contract Audit Reports (3)

The IG will issue final audit reports completed by outside contractors to the Director of DC, ADM, and by the Defense Contract Audit Agency to the cognizant contracting officer.

Resolution of Audit Recommendations (D)

OIG Internal Audit Recommendations (1)

Audit recommendations should generally be resolved within 30 days of receipt by OIG of the staff's response to the final report. Corrective action should be appropriately prioritized and proceed as rapidly as possible. Corrective actions should be scheduled for completion utilizing the agency's Planning, Budgeting, and Performance Management (PBPM) process. (a)

- OIG generally provides the audited organization no more than 30 days to formally comment on a draft OIG audit report before the final report is issued. OIG staff will meet with appropriate officials, as necessary, to discuss facts contained in the draft report and the actions needed to resolve the findings and recommendations of the report. (i)
- OIG, at its discretion, may issue audit reports that contain recommendations without providing the audited organization a prior opportunity for formal comment. In these instances, the formal response to the audit report will usually be made within 30 days of the issuance of the report. (ii)
- When a final internal audit report is provided to agency management, management will evaluate the audit findings and recommendations contained in the report and issue a management decision with respect to these findings and recommendations in a formal response to OIG. (iii)
- The response to each audit report will document the management decision, that is, whether or not the audited organization agrees with each recommendation. If the audited organization agrees with a recommendation, the response will give the planned corrective action and an estimate of the date each action will be completed. (iv)

Resolution of Audit Recommendations (D) (continued)

OIG Internal Audit Recommendations (1) (continued)

- If the audited organization disagrees with a recommendation in an audit report, the response will explain fully the reason for the disagreement, as well as any alternative action the audited organization believes is necessary. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not take action, the response will be coordinated with the Office of the General Counsel (OGC) and will state the legal basis for the disagreement. (v)
- Internal audit recommendations are considered resolved when the OIG and agency management agree on the action to be taken on reported findings and recommendations and the dollar savings resulting from a management decision. At times, issues may be resolved before the issuance of the final report. OIG will annotate the report to indicate this fact. (vi)

The Chairman, after consultation with the Commission, as appropriate, responds to OIG on recommendations directed to the Chairman or the Commission that are contained in final OIG audit reports. The CFO, directors of offices reporting to the Commission, panels, and independent advisory committees respond to final OIG audit reports containing recommendations for their offices, with a copy to the Chairman, each Commissioner, and the AFO. (b)

The Deputy Executive Directors for Operations (DEDOs) respond to final OIG audit reports containing recommendations for their respective areas of responsibility, with a copy to the Chairman and each Commissioner. If the audit encompasses areas of responsibility of more than one DEDO, or offices that report directly to the EDO, the EDO will typically respond to the report. Sample responses to OIG reports are included in Exhibit 1 of this handbook. (c)

Resolution of Audit Recommendations (D) (continued)

OIG Internal Audit Recommendations (1) (continued)

The Chairman, as head of the agency, has the final agency management authority for audit recommendation resolution, except for matters relating to policy formulation, certain types of rulemaking, orders, adjudications as defined in the Reorganization Plan No. 1 of 1980, or any other matter within the authority of the Commission. The Chairman will refer matters in these latter areas for Commission consideration and will subsequently communicate the decision to OIG. (d)

Disagreements on responses to audit recommendations from the CFO, directors of offices reporting to the Commission, panels, and committees may be submitted by the IG or the director directly to the Chairman or the Commission, as appropriate, for resolution. Disagreements on responses to audit recommendations from the DEDOs may be submitted by the IG or the DEDOs to the AFO for resolution. Those disagreements on reports signed by the EDO will be referred to the Chairman for resolution. If the AFO and the IG cannot reach an agreement on the disputed issue, either party may submit the matter to the Chairman or the Commission, as appropriate, for resolution. (e)

If the IG disagrees with NRC management's position on an audit recommendation in a final audit report, it will be considered unresolved until it is resolved by the IG and agency management or a higher authority level. The IG and the AFO will work together to accomplish resolution within 6 months of the final report date. (f)

Resolution of Audit Recommendations (D) (continued)

OIG Internal Audit Recommendations (1) (continued)

Those audited organizations that report to the EDO will advise OIG, in writing, with a copy to the AFO, when corrective action on audit recommendations is completed and will provide a description of the actions taken to implement each recommendation. Those organizations reporting to the Chairman will similarly advise the OIG directly, in writing, with a copy to the AFO. When the end product of an action is a document, a copy of the document, or the appropriate ADAMS Accession Number, closing out the recommendation will be provided. (g)

Financial Audit Recommendations (2)

Audits of agency financial statements required by the Chief Financial Officers Act of 1990 may be performed by the NRC OIG, GAO, or an independent external auditor as determined by the IG. Reports are issued to the Chairman not later than November 15 following the fiscal year for which a financial statement is submitted. These reports are processed in accordance with the procedures for resolution of OIG internal audit and GAO audit recommendations, as appropriate. (a)

With regard to an audit finding that the NRC financial management systems do not substantially comply with the requirements of the Federal Financial Management Improvement Act of 1996, a remediation plan for bringing noncompliant systems into compliance will be established in consultation with the Director of the Office of Management and Budget (OMB). (b)

GAO also may review any audit of a financial statement conducted by the NRC IG or an external auditor. GAO reports its audit findings and recommendations to Congress, the Director of OMB, and the Chairman. These reports are processed under the procedures for resolution of GAO audit recommendations. (c)

Resolution of Audit Recommendations (D) (continued)

GAO Audit Recommendations (3)

GAO usually provides draft reports to NRC for review and comment so that final reports may incorporate agency views. Under 31 U.S.C. 718(b)(1), NRC must provide comments on draft GAO reports within 30 days of issuance. However, GAO may provide less time because of the demands of its sponsors. An extension of the comment period may be requested if it is not possible to respond within the time allotted. Typically, comments on GAO draft reports address the accuracy of facts and conclusions and the appropriateness of any recommendations. (a)

The Commission, the CFO, directors of offices reporting to the Commission, panels, and boards respond to draft GAO audit reports involving their offices, with a copy to the AFO. The EDO responds to draft GAO audit reports concerning agency programs and operations within the EDO's area of responsibility. However, the Commission may identify certain EDO-level GAO reports requiring their review. In all cases, a copy of the response shall be provided to the Chairman and each Commissioner. The IG responds to draft GAO audit reports involving OIG. (b)

GAO issues final reports to Congress or to the Chairman. If the report is issued to Congress, a copy is provided to the Chairman after it is released by the Audit Sponsor. Additional copies are provided to the AFO and to the Director of OMB. (c)

- GAO final reports require, by statute (31 U.S.C. 720), a response to Congress within 60 days on the recommendations presented by GAO. The response will discuss the agency's views on the recommendations and the action taken, or to be taken, by the agency. Where appropriate, dates for achieving actions shall be provided when the Commission reviews and approves the NRC response, which is signed out by the Chairman. Commission review and approval typically requires 14 days. Commission approval constitutes a management decision and resolution of the GAO recommendations. (i)

Resolution of Audit Recommendations (D) (continued)

GAO Audit Recommendations (3) (continued)

- If NRC staff disagrees with a recommendation contained in a final audit report, the response will state the reason for the disagreement, as well as any alternative action the staff believes necessary. Where disagreement is based on interpretation of law, regulation, or the authority of officials to take or not take action, the response will be coordinated with OGC and will state the legal basis for the disagreement. (ii)

Statements to OMB are processed as follows— (d)

- The Chairman must submit a statement to the Director of OMB within 60 calendar days after formal transmittal of a GAO report to NRC when at least one of the following applies— (i)
 - The report contains a specific recommendation for the Chairman. (a)
 - The report contains financial statements accompanied by either a qualified audit opinion or a disclaimer of opinion. (b)
 - The report indicates a violation of the Antideficiency Act that has not been reported to the appropriate authorities. (c)
 - The report indicates a violation of other laws. (d)
 - OMB requests NRC to comment. (e)

Resolution of Audit Recommendations (D) (continued)

GAO Audit Recommendations (3) (continued)

- The statement will identify the GAO report by number and date and will be submitted in duplicate. The statement will inform OMB of NRC's views on GAO's findings and recommendations and identify any action taken, or planned, in response to each significant finding or recommendation. A copy of the agency's response to the final GAO report will satisfy this requirement, provided the response accurately and adequately reflects NRC's current views. When corrective action is incomplete, still under study, or planned, a statement will be included as to when NRC expects action to be completed. The corrective action will be reported to OMB after it is completed. (ii)
- Copies of statements required by Section 236 of the Legislative Reorganization Act of 1970 will be submitted along with the statement to OMB. These statements may be used to satisfy the initial OMB reporting requirements. The statements should be accompanied by any additional information not provided to Congress but otherwise required by OMB. (iii)

Statements to congressional committees are processed as follows— (e)

- Under Section 236 of the Legislative Reorganization Act of 1970, when a GAO report contains recommendations to the Commission, NRC shall— (i)
 - Submit a written statement to the Senate Committee on Governmental Affairs and the House Committee on Homeland Security and Government Reform no later than 60 days from the date of receipt of the report. This statement will report the action taken or to be taken by NRC with respect to the GAO's recommendations. (a)

Resolution of Audit Recommendations (D) (continued)

GAO Audit Recommendations (3) (continued)

- Submit a written statement to the Committees on Appropriations of the Senate and the House of Representatives in connection with the first request for appropriations submitted to Congress more than 60 days after the date of the GAO report. This statement will report the action taken or to be taken by the agency with respect to the recommendations to the Commission. (b)
- A copy of the above statements will be submitted on the same date to OMB and GAO. (ii)

Samples of these statements are included in Exhibits 2, 3, and 4 of this handbook. Copies of the required statements are to be provided to the AFO. (f)

Executive Branch Agency Audits (4)

If programmatic audit reports that relate to NRC activities are received by NRC from executive branch agencies, the receiving office (e.g., OIG, EDO, Commission) forwards them to the appropriate office for resolution, with a copy to OIG, the AFO, the Chairman, and each Commissioner. The responsible office will prepare a response to the originating organization at the appropriate signatory level, with a copy to OIG, the AFO, the Chairman, and each Commissioner. (a)

If the report concerns matters that involve policy formulation, certain types of rulemaking, orders, adjudications as defined in the Reorganization Plan No. 1 of 1980, or any other matter within the authority of the Commission, the response will be forwarded to the Commission for approval. (b)

Resolution of Audit Recommendations (D) (continued)

Executive Branch Agency Audits (4) (continued)

Examples of programmatic audits, though not inclusive, could involve areas of overlapping responsibilities (such as with the Department of Energy (DOE), the Environmental Protection Agency (EPA), the Agency for International Development, and the Department of State). (c)

Contract Audit Recommendations (5)

Audits of NRC contracts and grants can be performed by OIG or executive branch agencies, such as the Defense Contract Audit Agency and the Department of Education. Audit reports from other agencies are sent directly to the IG, who reviews the reports, notes agreement or disagreement, and issues the reports and comments to DC, ADM, for resolution. In instances in which the 6-month time limit for resolution of audit recommendations applies, the 6-month period will begin on the date the IG issues the contract audit report to DC.

Preaward Contract Audits (a)

Preaward contract audits, that is, audits involving recommendations on contractor estimates of future costs, are considered resolved at the point at which agreement is reached, a contract price is negotiated, or a proposed award is cancelled, whichever occurs first. They are not subject to the 6-month time limits for resolution of audit recommendations and the reporting requirement for audit recommendations that remain unresolved for more than 6 months. (i)

The contract files will contain adequate records of the status of audit reports or recommendations. (ii)

Resolution of Audit Recommendations (D) (continued)

Contract Audit Recommendations (5) (continued)

Postaward Contract Audits (b)

Postaward audits are resolved when the audit organization and contracting officials agree on the action to be taken on reported findings and recommendations and the dollar savings. In the event of disagreement, resolution occurs at the point at which the Director of DC determines the matter to be resolved. (i)

The contracting officer (CO) will attempt to resolve audit recommendations that result from postaward audits of NRC contracts. The CO will prepare a written determination of the disposition of all questioned costs within 6 months of receipt of an audit report. (ii)

The CO will maintain sufficient records to show how questioned costs on NRC contracts are resolved. Within 3 months of receipt of the audit report, the CO will refer any action that is contrary to that recommended by the IG to the Director of DC. The Director of DC will resolve the recommendations within the time frames delineated in the Memorandum of Understanding (MOU) between OIG and ADM. This MOU delineates the working relationship between DC and OIG relative to oversight and execution of the Defense Contract Audit Agency's audit of NRC contracts. (iii)

- **Note:** The CO's resolution of postaward audit recommendations may result in actions adverse to the contractor and could give rise to a contract dispute. The Contract Disputes Act of 1978 establishes the authority of the CO to resolve disputes under a Government contract. The contractor can, however, appeal the CO's decision on the dispute to an agency Board of Contract Appeals or to the U.S. Claims Court. (a)

Resolution of Audit Recommendations (D) (continued)

Contract Audit Recommendations (5) (continued)

- The potential exists, therefore, that resolution of postaward audit recommendations will lead to a dispute under a Government contract. Given the regulatory and judicial framework in which decisions on postaward contract audit recommendations are made, only contracting officials selected under the principles stated in the Federal Acquisition Regulation (FAR 1.603-2) will have the authority to overturn or rule on disagreements between COs and auditors. Consequently, disagreements between OIG and NRC COs are referred to the Director of DC for resolution. (b)

OIG will notify the cognizant audit agency of the final action taken by NRC in response to audit recommendations. (iv)

Resolution of audit recommendations as a result of postaward audit reports must be consistent with laws and regulations governing NRC operations. When deemed necessary by the cognizant CO, the advice of the NRC's OGC will be sought. Any decisions by DC not to recover questioned costs must be made in writing. (v)

When it is determined that certain claimed contract costs are unallowable, immediate action must be taken to recover any funds that were improperly paid, or to offset them against undisbursed funds. The CO will provide the Division of Financial Management (DFM), OCFO, with a copy of the written determination establishing a contractor's indebtedness to NRC so that DFM can establish an accounts receivable for the debt within 30 days of the date of the written determination. The CO also will provide OIG with a copy of the written determination establishing a contractor's indebtedness to NRC. DFM will provide OIG with a statement that the appropriate account receivable has been established and advise the cognizant CO when a contractor has discharged his indebtedness or collection action has been terminated. (vi)

Review of Implementation of Corrective Action (E)

NRC Management Followup Reviews (1)

This review will ensure that the corrective action agreed to as a result of audit recommendations has been implemented and the desired effect is being achieved. (a)

The AFO will periodically, but at least triennially, select a sample of completed audits in a variety of programs for followup review. Where applicable, integrating this audit followup with Program Assessment Rating Tool (PART) reviews or program evaluations should be considered. The AFO will inform office directors of the audit followup review and provide the name of the person who will conduct the review. Office directors will be asked to provide the AFO with the name of an office contact who will assist the reviewer. (b)

The reviewer will prepare a brief report to the AFO that includes the following information— (c)

- The audit reviewed (i)
- Description of how the review was conducted (ii)
- Recommendations reviewed (iii)
- Effectiveness of agency corrective action (iv)
- Findings and any recommended corrective actions (v)

Review of Implementation of
Corrective Action (E) (continued)

NRC Management Followup Reviews (1) (continued)

The reviewer's report will be submitted to the AFO within 30 days after the audit followup review is completed. Any recommendations resulting from these reviews will be discussed with the appropriate DEDO and office director or regional administrator and included in the agency's system for tracking corrective actions. (d)

The initiation of reviews will be coordinated with OIG to avoid duplication of effort. (e)

In addition to the above, the AFO will conduct a triennial analysis of audit recommendations, resolutions, and corrective actions to look for trends and systemwide problems, and to recommend solutions. The reviewer will prepare a brief report to the AFO that provides this information. (f)

OIG Followup Reviews (2)

OIG will perform reviews of the agency's followup system to determine whether management is carrying out this responsibility in a satisfactory manner. In addition, OIG will generally perform followup reviews of prior audit recommendations whenever another audit is scheduled in the audit area. This action will serve as a partial basis for OIG's evaluation of the adequacy of the agency's audit followup system. Any recommendations resulting from OIG's reviews of the agency's followup system will be included in the agency's system for tracking corrective actions. (a)

Review of Implementation of Corrective Action (E) (continued)

OIG Followup Reviews (2) (continued)

The scope of followup reviews is an examination of management's performance in implementing the response concurred in during the management decision process. Followup reports state the results of this examination. Where progress in implementing corrective action is found to be unsatisfactory, the reports identify, to the extent possible, the cause of the unsatisfactory progress. (b)

Tracking Corrective Actions (F)

Official Agency System (1)

The AFO will maintain the official agency system to track resolution of audit recommendations and the actions NRC management has agreed to take in response to audit reports. The Director of DC, ADM, will maintain a separate system to track contract audits. Other tracking systems may be established with the approval of the AFO.

Unresolved Recommendations (2)

The AFO or an appropriate manager will include all unresolved recommendations in the appropriate tracking system and will monitor the status of these recommendations until a final management decision is made and the recommendation resolved.

Implementation of Corrective Actions (3)

The AFO will track recommendations until the action agreed to by management is implemented and, if an OIG recommendation, closed by the OIG.

Tracking Corrective Actions (F) (continued)

Recovery of Funds (4)

The AFO will track audit recommendations that involve the recovery of funds until the issues have been settled and the related funds have been recovered or the debt is otherwise resolved.

Part II

Accounting and Collection Controls

The Office of the Chief Financial Officer (OCFO) will ensure effective recovery action for amounts determined to be owed the Government resulting from resolved audit findings and recommendations. Unless otherwise required by statute, collection action must be pursued on all claims arising from audit disallowances in accordance with the Federal Claims Collection Standards, "Debt Collection Procedures," the "Salary Offset Procedures for Collecting Debts Owed by Federal Employees to the Federal Government," and Management Directive 4.1, "Accounting Policy and Practices."

Recording Receivables (A)

Amounts due the Government must be recorded promptly as accounts receivable in the Division of Financial Management (DFM), OCFO, upon completion of the actions that entitle NRC to pursue collection of the amounts. Amounts determined to be owed as a result of the audit recommendations will be recorded as accounts receivable within 30 days of being resolved. These accounts receivable are to be recorded even though the indebtedness is subject to administrative appeal or litigation by persons outside the agency.

Interest Charges (B)

Interest on audit-related debts begins to accrue on the date that the auditee is notified of the debt; however, interest will be waived on the debt or any portion of the debt that is paid in full within 30 days after the date the auditee is notified of the debt. To discourage unwarranted appeals, interest will continue to accrue while an appeal is in progress. Unless otherwise required by statute or regulation, the interest applied will be that prescribed by the Treasury Financial Manual (I TFM 8025.20).

Allowance for Uncollectible Amounts (C)

NRC management should consider the potential for not being able to collect audit-related debts. An allowance account will be established in DFM to reflect the amount of accounts receivable estimated to be uncollectible.

Payment of Debts (D)

Procedures will be established in DFM to ensure that the payment of audit-related debts does not result in charges to other Federal programs or in a reduced level of program activity.

Exceptions (E)

There may be instances in which a portion of the funds owed by NRC on a grant, a contract, or other agreement are held back— (1)

- As a safeguard against overpayment. (a)
- Pending completion, final inspection, or approval of work. (b)
- Under other provisions of a grant or contract. (c)

In these instances, it is not necessary to record a receivable because disallowed costs may reduce the amount payable from undisbursed funds in the grant or the contract audited. (2)

Part III

Reporting Requirements

The Chairman's Report to Congress on Management Decisions and Final Action on OIG Recommendations (A)

With input from the offices and regions, as applicable, the Audit Followup Official (AFO) will prepare, for the Chairman's approval and submission to Congress as part of the annual Performance and Accountability Report, a summary of management decisions and final actions with regard to recommendations from the Office of the Inspector General (OIG) that are more than 1 year old. The Commission should be provided a copy of the Chairman's comments on any portion of the report that involves matters within the authority of the Commission before submission to Congress. (1)

The Chairman's report will contain any comments the Chairman believes appropriate and will include the following— (2)

- Statistical tables showing the total number of audit reports and the dollar value of disallowed costs for audit reports— (a)
 - For which final action had not been taken by the commencement of the reporting period (i)
 - On which management decisions were made during the reporting period (ii)
 - For which final action was taken during the reporting period, including— (iii)

The Chairman's Report to
Congress on Management
Decisions and Final Action on OIG
Recommendations (A) (continued)

- The dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise (a)
- The dollar value of disallowed costs that were written off by management (b)
 - For which no final action has been taken by the end of the reporting period (iv)
- Statistical tables showing the total number of audit reports and the dollar value of recommendations that funds be put to better use by management agreed to in a management decision for audit reports— (b)
 - For which final action had not been taken by the commencement of the reporting period (i)
 - On which management decisions were made during the reporting period (ii)
 - For which final action was taken during the reporting period, including the dollar value of recommendations that— (iii)
 - Were actually completed (a)
 - Management has subsequently concluded should not or could not be implemented or completed (b)

The Chairman's Report to
Congress on Management
Decisions and Final Action on OIG
Recommendations (A) (continued)

- A statement with regard to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year, containing—(c)
 - A list of such audit reports and the date each such report was issued (i)
 - The dollar value of disallowed costs for each report (ii)
 - The dollar value of recommendations that funds be put to better use agreed to by management for each report (iii)
 - An explanation of the reason final action has not been taken with regard to each such audit report. (Such statement may exclude audit reports that are under formal administrative or judicial appeal or upon which management of an establishment has agreed to pursue a legislative solution, but shall identify the number of reports in each category so excluded.) (iv)
- The report will be annotated to identify the number of audit reports issued by the Defense Contract Audit Agency and the related dollars that are included in the statistics reported by the agency. (d)

OIG Semiannual Report to the Chairman (B)

In accordance with requirements of the Inspector General Act of 1978, as amended, the semiannual report is a document prepared by the IG that summarizes OIG's activities during the 6-month periods ending March 31 and September 30. It is submitted to the Chairman by the end of the subsequent month. The report describes (1) any significant problems, abuses, or deficiencies related to the administration of NRC's programs and operations, (2) audit recommendations, (3) significant unresolved audit recommendations from prior reports, and (4) statistical tables showing the monetary impact of OIG's audits during the reporting period. The agency may comment on the report but cannot change it. The Chairman will submit the report, along with any agency comments, to Congress within 30 days of receipt.

The Chairman's Written Statement of the Actions Taken on Government Accountability Office (GAO) Recommendations (C)

By statute (31 U.S.C. 720), the head of a Federal agency is required to submit a written statement of the actions taken on recommendations in GAO final reports to the Senate Committee on Homeland Security and Governmental Affairs and the House Committee on Government Reform. NRC statements are in the form of a letter signed by the Chairman and are to be transmitted not later than 60 calendar days after the day the report is released. Details on the information to be provided in the statement are provided in Section I(D)(3) of this handbook and a sample is included in Exhibit 2. Commission approval of the statement constitutes a management decision and resolution of the GAO recommendations.

The Chairman's Summary of
Actions Taken in Response to
Recommendations Contained in
Various GAO Reports (D)

Section 236 of Public Law 91-510, the Legislative Reorganization Act of 1970, requires the agency head to submit a summary of progress made in addressing recommendations contained in GAO reports. These reports are transmitted to Congress, GAO, and the Office of Management and Budget during the second quarter of the fiscal year for agency activity during the prior calendar year. A sample of this report is included in Exhibit 3. Following the initial agency response to a final GAO report, these reports provide status updates on open recommendations and may be used to document the completion of NRC's actions in response to GAO report recommendations.

Glossary

Audit. A planned and documented activity performed by an organization using accepted auditing practices to determine by investigation, examination, or evaluation the adequacy of programs and activities, including their effectiveness, economic use of resources, and compliance with established procedures, laws, and regulations. Reports that may be generated as a result of an audit include the following.

Draft Audit Report. A report issued at the conclusion of audit activities that is provided to NRC for review and comment. The auditing organization may modify the draft report based on its assessment of the comments.

Interim Audit Report. A report that is issued during the course of an audit whenever the auditors discover information that is, in the auditor's opinion, significant enough to bring to the attention of NRC management before the completion of the audit.

Final Audit Report. A report of record of the audit. Reports may include audits performed by internal or external auditors and may contain monetary and nonmonetary recommendations.

Financial Audit Report. A report (final) of audit of agency financial statements as required by the Chief Financial Officers Act of 1990. Reports issued by the Inspector General (IG) include audits of financial statements performed by OIG or an independent external auditor as determined by the IG. GAO may also audit agency financial statements and issue financial audit reports.

Glossary (continued)

Contract Audit Report. Reports of audit of NRC contractors or grantees issued by OIG or Federal executive agencies such as the Defense Contract Audit Agency, the Department of Health and Human Services, and the Department of Education, and non-Federal organizations such as accounting firms that conduct State and university audits under the single audit concept. These reports include—

Preaward Contract Audit Report. Report of advisory audit conducted on pending awards where funds have not yet been obligated or awarded. Recommendations pertain to contractor estimates of future costs.

Postaward Contract Audit Report. Report of audit of contract that has been awarded and under which funds have been expended. These audits are conducted to evaluate the level of contract compliance and may result in monetary recoveries.

Corrective Action. Measures taken to implement resolved audit recommendations.

Disallowed Costs. A questioned cost that management, in a management decision, has sustained or agreed should not be charged to the Government.

Final Action. The completion of all actions necessary with respect to the findings and associated recommendations in a final audit report. For OIG reports, OIG must agree that the final action adequately addresses the recommendation before it is closed.

Glossary (continued)

Management Decision. Management's evaluation of audit findings and recommendations, and the issuance of a decision concerning its response to these findings and recommendations, including any actions deemed necessary. Management decisions will be documented in a formal response to the auditing organization.

OIG Disposition Terminology. The characterization OIG provides regarding the audited organization's management decisions relative to audit recommendations. (1) Resolved: Proposed corrective actions are responsive, but not yet complete. (2) Unresolved: Proposed corrective actions are inadequate or nonresponsive. (3) Closed: Corrective actions are responsive and considered by OIG to be complete or staff rationale for taking no corrective action is considered to be acceptable.

Questioned Cost. A cost questioned as a result of an alleged violation of law, regulation, contract, grant, cooperative agreement, or other agreement governing the expenditure of funds; a finding that, at the time of the audit, the cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

Recommendation That Funds Be Put To Better Use. Funds identified in audit recommendations as funds that could be used more efficiently if NRC management took action to implement and complete the recommendation, including reductions in outlays; deobligation of funds from programs or operations; costs not incurred by implementing recommended improvements related to the operations of NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings that are specifically identified.

Glossary (continued)

Resolution. For most audits, the point at which the audit organization and agency management or contracting officials agree on the action to be taken on reported findings and recommendations and the dollar savings resulting from the management decision in terms of disallowed costs and funds to be put to better use. The Chairman has final audit recommendation resolution authority for internal audits.

An audit report may be considered resolved despite the right of persons outside the agency to negotiate, appeal, or litigate. Resolution of a report with respect to parties outside the Government does not preclude further consideration of issues in the report by agency management.


For preaward contract audits, the point at which agreement is reached, a contract price is negotiated, or a proposed award is cancelled, whichever occurs first.

For GAO reports, the point at which NRC responds to Congress, as required by the Legislative Reorganization Act of 1970.

Unsupported Cost. A cost questioned by an audit organization because the cost was not supported by adequate documentation at the time of the audit.

Exhibit 1

Sample Response to OIG Audit Report

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

MEMORANDUM TO: [Name]
Assistant Inspector General for Audits

FROM: [Name]
Title of appropriate Deputy Executive Director for Operations

SUBJECT: MANAGEMENT CONTROLS OVER NRC PROPERTY AT DOE
LABORATORIES SHOULD BE STRENGTHENED (OIG-05-A-XX)

This memorandum responds to the January 31, 2005, memorandum transmitting the subject audit report. I am pleased to note your conclusion that agency project managers have made important progress in administering and controlling projects placed with the Department of Energy (DOE) laboratories. I agree that the management of agency-funded property implementing a streamlined process to aggregately track and oversee NRC-funded property at DOE laboratories should be strengthened.

We have reviewed your specific recommendations and provide the following responses:

Recommendation 1

Take steps to encourage DOE to provide the annual listing of NRC-titled software as required by Management Directive (MD) 11.7.

Response

Agree. We are sending a letter to DOE to remind them of the MD 11.7 requirement to provide information on NRC-titled software in their annual property reports. We will also direct DOE to send this information to the Office of Administration (ADM) instead of the Office of Information Services (OIS), as currently required. This course of action will provide a central focus for review and reconciliation of all NRC-funded property at DOE labs (see response to Recommendation 3). We will amend MD 11.7 to reflect this change.
Completion: May 30, 2005.

Recommendation 2

Reassess the procedures identified in the currently proposed revisions to MD 11.7 and other agency documents to more clearly define the expectations and internal processes for tracking and overseeing NRC-funded property maintained at DOE laboratories.

Response

Agree. We plan to revise MD 11.7 to clearly state the process, controls, and office responsibilities necessary to ensure effective management and tracking of property acquired under DOE agreements.
Completion: May 30, 2005.

Exhibit 1 (continued)

- 2 -

Recommendation 3

Develop and maintain a centralized inventory for tracking and overseeing NRC-funded property maintained at DOE laboratories.

Response

Agree. ADM will be responsible for developing and maintaining a centralized database of NRC-funded, DOE-held property, including NRC-titled software, acquired under DOE agreements. We will compare this information against the information provided by DOE in its annual report and will resolve any discrepancies. ADM will also coordinate data regarding NRC-titled software with OCIO to ensure that accurate and complete inventory information is provided to the Office of the Chief Financial Officer (OCFO) for capitalization purposes as required for agency financial statements.
Completion: July 31, 2005.

Please contact the Director, Division of Contracts, [Name], at 415-XXXX, should you have any questions regarding our response.

cc: Chairman Diaz
Commissioner Merrifield
Commissioner Jaczko
Commissioner Lyons
SECY

Exhibit 2

Sample Response to Draft GAO Report


	UNITED STATES NUCLEAR REGULATORY COMMISSION WASHINGTON, D.C. 20555-0001 [Date]
 Mr. [Name] Comptroller General Natural Resources and Environmental U.S. Governmental Accountability Office Washington, DC 20548	
Dear Mr. [Name]:	
<p>We appreciate the opportunity to comment on the draft U.S. Government Accountability Office (GAO) report "Emergency Preparedness Around Nuclear Facilities Need Improvement" (GAO-05-XXX). The report makes several points that are useful to the U.S. Nuclear Regulatory Commission (NRC) and to other Federal agencies involved in this area, and it highlights several areas in which we agree that further work by NRC may be desirable.</p>	
<p>The general tone of the report suggests that emergency preparedness by State and local governments around NRC licensed facilities is in disarray. Although we agree that improvements can certainly be made in this area, we believe that the impression left by the report on the capabilities and preparedness of State and local officials may be doing them a disservice. Although short of the results we ultimately desire, we believe the level of planning and preparedness is definitely improving due in large part to the support and voluntary cooperation of the State and local personnel.</p>	
<p>Specific comments on the recommendations in the report are enclosed. If you have any questions, please contact [Name] of my staff at 301-415-XXXX.</p>	
Sincerely,	
 [Name] Executive Director for Operations	
Enclosure: Comments on Draft GAO Report (GAO-05-XXX)	

Exhibit 2 (continued)

Comments on GAO Recommendations (Draft GAO-05-XXX)

1. Recommendation 1

GAO should distinguish its own conclusions from those of the Reactor Safety Study (WASH-1400) in the following statement: "The study concluded that nuclear accidents may happen and would present a potential adverse health consequence that provides a sobering contrast to the estimated risk." The words "in our opinion" should be inserted after the words "health consequences that, in our opinion, provides" because the "sobering contrast" statement is the GAO conclusion and is not found in WASH-1400.

2. Recommendation 2

The statement "that there will be evacuation of an area 25 miles downwind from the accident site" is misleading since the study assumed that 30 percent of the population remained in place.

3. Recommendation 3

The report creates an impression that the offsite supportive services from State and local agencies are taken for granted. The NRC, however, does not take these services for granted. Specific requirements are set forth in Appendix E to 10 CFR Part 50. As an example, licensees' emergency plans are required to provide "agreements reached with local, State, and Federal officials and agencies for the early warning of the public and for public evacuation or other protective measures should such warning, evacuation, or other protection measures become necessary or desirable."

Exhibit 3

Sample Response to Final GAO Report


 <p>CHAIRMAN</p>	<p>UNITED STATES NUCLEAR REGULATORY COMMISSION WASHINGTON, D.C. 20555-0001</p> <p>[Date]</p>
<p>The Honorable [Name], Chairman Committee on Governmental Affairs United States Senate Washington, DC 20510</p>	
<p>Dear Mr. Chairman:</p>	
<p>Pursuant to 31 U.S.C. 720, I am pleased to provide, on behalf of the U.S. Nuclear Regulatory Commission (NRC), our statement of the actions taken and plans in response to the recommendations made by the U.S. Government Accountability Office (GAO) in its report entitled "The Problem of Disposing of Nuclear Low-Level Waste, Where Do We Go From Here?" (GAO-05-XXX).</p>	
<p>In its responses to several GAO recommendations (Item Nos. 3, 4, and 7 of the enclosure), the Commission believes that the protection of the public health and safety could be enhanced through legislation that would establish minimum technical and procedural standards for the development and operation of low-level waste disposal sites. This legislation should assure that uniform minimum national standards are followed in these areas for both Agreement and non-Agreement States. Over the past year, the Commission has testified before several congressional committees in favor of such legislation.</p>	
<p>If you have any questions or comments on our written statement, please contact me.</p>	
<p>Sincerely,</p>	
<p>[Chairman's Name]</p>	
<p>Enclosure: Responses to GAO Recommendations</p>	
<p>cc: Senator [Name]</p>	
<p>[Identical Letters Sent to Those on Attached List]</p>	

Exhibit 3 (continued)

The Honorable [Name], Chairman
Committee on Government Reform
United States House of Representatives
Washington, DC 20515

cc: Representative [Name]*
[Name of Responsible GAO Director]

The Honorable [Name], Chairman
Committee on Governmental Affairs
United States Senate
Washington, DC 20510

cc: Senator [Name]*
[Name of Responsible GAO Director]

The Honorable [Name]
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

cc: [Name of Responsible GAO Director]

The Honorable [Name], Director
Office of Management and Budget
Washington, DC 20503

cc: [Name of Responsible GAO Director]

*The cc is the ranking minority individual on the committee.

Exhibit 3 (continued)

Response to GAO Recommendations

Chapter 2

The U.S. Government Accountability Office (GAO) in its report "LOW-LEVEL WASTE: The Problem of Disposing of Nuclear Low-Level Waste, Where Do We Go From Here?" (GAO-05-XXX) made two recommendations with respect to alleviating the current disposal problem. The recommendations and the U.S. Nuclear Regulatory Commission's (NRC's) responses are provided below.

Recommendation 1

Give top priority to defining low-level waste by establishing categories based upon requirements for safe disposal.

NRC Response

NRC has been aware of this need and will utilize a waste classification methodology in the development of its planned rulemaking (10 CFR Part 61) on licensing and regulation of the disposal of low-level radioactive waste (LLW). The NRC earlier commissioned a study to characterize and classify waste streams from a variety of sources and incorporate this work into the draft environmental impact statement (EIS) being prepared to accompany the proposed LLW regulation. This step will allow different types of wastes to be examined against different types of disposal techniques and permit interested members of the public to evaluate and recommend alternatives. The Commission anticipates that the proposed LLW regulation (10 CFR Part 61) and its accompanying draft EIS will be published for public comment early in 2005 with publication of the final rule approximately 12 months later.

Recommendation 2

Determine who the generators of LLW are in both the Agreement and non-Agreement States and how much waste each licensee is generating.

NRC Response

The Commission does not believe that the benefit resulting from a license-by-license determination of waste generation by thousands of licensees would offset the cost to the Commission and to the licensees to accumulate this information. This GAO recommendation will not result in meaningful additional data on LLW volumes and characteristics. As part of the staff's ongoing efforts to prepare an EIS for the LLW disposal regulation (10 CFR Part 61), the staff is analyzing the volumes and characteristics of different waste streams from different types of licensees. There are approximately 8,000 NRC licensees and 12,000 Agreement State licensees, ranging from individual physicians to fuel plants and reactors. However, preliminary data indicate that the majority of the radioactivity (in excess of 90 percent) contained in LLW is generated by a relatively small number of NRC and Agreement State licensees (approximately 100 licensees).

We consider this recommendation to be closed.

Enclosure

Exhibit 4

Sample Annual Statement to Congress on GAO Recommendations



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

[Date]

The Honorable [Name], Chairman
Subcommittee on Clean Air, Climate Change,
and Nuclear Safety
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the U.S. Nuclear Regulatory Commission (NRC), I am pleased to provide a summary of actions taken by the NRC in response to recommendations contained in various United States Government Accountability Office (GAO) reports that address NRC activities. The enclosed summary, which is required by Section 236 of Public Law 91-510, the "Legislative Reorganization Act of 1970," describes the progress made in addressing recommendations remaining open as of, or not included in, our last summary report of April 6, 2004.

Sincerely,

[Chairman's Name]

Enclosure:
Summary of NRC Actions

cc: Senator [Minority Name]

[Identical Letters Sent to Those on Attached List]

Exhibit 4 (continued)

Identical letter sent to:

The Honorable [Name], 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 [Name*]

The Honorable [Name], Chairman
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510
cc: Senator [Name*]

The Honorable [Name], Chairman
Subcommittee on Energy and Air Quality
Committee on Energy and Commerce
United States House of Representatives
Washington, D.C. 20515
cc: Representative [Name*]

The Honorable [Name], Chairman
Committee on Energy and Commerce
United States House of Representatives
Washington, D.C. 20515
cc: Representative [Name*]

The Honorable [Name], Chairman
Subcommittee on Energy and Water Development
Committee on Appropriations
United States House of Representatives
Washington, D.C. 20515
cc: Representative [Name*]

The Honorable [Name], Chairman
Subcommittee on Energy and Water Development
Committee on Appropriations
United States Senate
Washington, D.C. 20510
cc: Senator [Name*]

The Honorable [Name], Chair
Subcommittee on Energy
Committee on Science
United States House of Representatives
Washington, D.C. 20515
cc: Representative [Name*]

Exhibit 4 (continued)

- 2 -

The Honorable [Name], Chairman
Committee on International Relations
United States House of Representatives
Washington, D.C. 20515
cc: Representative [Name*]

The Honorable [Name], Chairman
Committee on Foreign Relations
United States Senate
Washington, D.C. 20510
cc: Senator [Name*]

The Honorable [Name], Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, D.C. 20510
cc: Senator [Name*]

The Honorable [Name], Chairman
Committee on Government Reform
United States House of Representatives
Washington, D.C. 20515
cc: Representative [Name*]

The Honorable [Name]
Comptroller General of the United States
U.S. Government Accountability Office
441 G Street, NW
Washington, D.C. 20548

The Honorable [Name]
Director, Office of Management and Budget
725 17th Street, NW
Washington, D.C. 20503

*The cc is the ranking minority individual on the committee.