

February 6, 2003

The Honorable Ted Stevens, Chairman  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

On behalf of the Nuclear Regulatory Commission (NRC) I am enclosing a summary of actions taken by the NRC in response to recommendations contained in various General Accounting Office reports that address NRC activities. This summary, which is required by Section 236 of Public Law 91-510, the "Legislative Reorganization Act of 1970," describes the progress made in addressing the recommendations since our last summary report of February 1, 2002.

Sincerely,

*/RA/*

Richard A. Meserve

Enclosure:  
Summary of NRC Actions

cc: Senator Robert C. Byrd

Identical letter to be sent to:

The Honorable Ted Stevens, Chairman  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510  
cc: Senator Robert C. Byrd

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

The Honorable C.W. Bill Young, Chairman  
Committee on Appropriations  
United States House of Representatives  
Washington, D.C. 20515  
cc: Representative David Obey

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

The Honorable Joe Barton, 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 W.J. "Billy" Tauzin, 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 Pete V. Domenici, Chairman  
Committee on Energy and Natural Resources  
United States Senate  
Washington, D.C. 20510  
cc: Senator Jeff Bingaman

The Honorable David M. Walker  
Comptroller General of the United States  
General Accounting Office  
Washington, D.C. 20548

The Honorable Mitchell E. Daniels, Jr.  
Director, Office of Management and Budget  
Washington, D.C. 20503

SUMMARY OF NRC ACTIONS  
RESPONSE TO GAO REPORTS

- |    |  |      |
|----|--|------|
| 1. | Nuclear Regulation - Action Needed to Control Radioactive Contamination at Sewage Treatment Plants                 | A-2  |
| 2. | Nuclear Regulation - Strategy Needed to Regulate Safety Using Information on Risk                                  | A-4  |
| 3. | Nuclear Waste: Agreement Among Agencies Responsible for the West Valley Site is Critically Needed                  | A-6  |
| 4. | Nuclear Regulation - Progress Made in Emergency Preparedness at Indian Point 2, but Additional Improvements Needed | A-8  |
| 5. | Nuclear Regulation - NRC's Assurance of Decommissioning Funding During Utility Restructuring Could Be Improved     | A-10 |
| 6. | Financial Management: Coordinated Approach Needed To Address the Government's Improper Payments Problems           | A-14 |

GAO Report - Nuclear Regulation  
Action Needed to Control Radioactive Contamination  
at Sewage Treatment Plants  
May 1994  
(GAO/RCED-94-133)

The General Accounting Office (GAO), in its report "Nuclear Regulation - Actions Needed to Control Radioactive Contamination at Sewage Treatment Plants," made specific recommendations for responding to contamination of sewage sludge by discharges from NRC and Agreement State licensees. The recommendations and the NRC's responses are provided below.

Recommendation 1

Determine the extent to which radioactive contamination of sewage sludge, ash, and related byproducts is occurring.

NRC Response

The NRC is continuing to evaluate the extent to which radioactive contamination of sewage sludge, ash, and related byproducts is occurring. Initial results of NRC inspections and research analysis conducted in the mid-to-late-1980s indicated that any problem arising from NRC-licensed materials was limited to a few treatment plants that served licensees engaged in certain well-defined activities. As a result, NRC regulations (10 CFR Part 20) were revised in 1991 to prohibit the discharge of liquids containing radioactive waste materials that tended to settle out of sewage water.

In addition to the changes to our regulations, in 1993 NRC initiated additional studies to understand the complexities of radioactive material reconcentration, such as the possible effects of implementation of state-of-the-art sewage treatment technologies on materials that, under traditional treatment methods, did not reconcentrate. In a letter dated October 11, 1994, NRC and the Environmental Protection Agency (EPA) notified officials of all States responsible for regulating water quality and radiological health and safety of the potential for reconcentration of radioisotopes in sanitary sewer systems.

Through the Sewage Sludge Subcommittee of the Interagency Steering Committee on Radiation Standards (ISCORS), NRC and EPA conducted a national survey of sewage treatment plants to assess the extent of radioactive contamination in sludge and ash. A pilot survey for nine facilities was completed and the results were published in May 1999 and are available at <http://www.iscors.org/pilot-combined2.pdf>. For the full survey, questionnaires were sent to 631 facilities in June 1999; 420 facilities completed and returned the questionnaires. Of these, 316 were selected for the sampling phase of the survey. Sampling was conducted in 1999 and 2000. Final laboratory results were received in October 2000, and an analysis of the data was completed in July 2002. The final survey report will be issued in 2003. Preliminary results show that calculated radiation doses from radioactive materials in sewage sludge do not constitute a widespread public health threat in the U.S. However, there is a potential for undesirably high radiation doses resulting from radon, a naturally occurring radionuclide, in certain limited scenarios. Measures for addressing evaluated radon levels will be in the final guidance report issued by ISCORS.

This GAO recommendation remains open.

### Recommendation 3

Establish acceptable limits for radioactivity in sludge, ash, and related by-products to ensure the health and safety of treatment workers and the public.

#### NRC Response

NRC agrees that it is important to have acceptable limits for radioactive materials in sludge, ash, and related by-products. We will continue to work with EPA and with the operators of publicly owned treatment works (POTWs) through the Sewage Sludge Subcommittee to develop a national approach to this issue and ensure adequate protection of the public health and safety. The current EPA standards for sewage sludge (40 CFR 503) do not include radionuclides.

The NRC received a number of comments in response to an Advance Notice of Proposed Rulemaking (59 FR 9146; February 25, 1994), soliciting information and suggestions in the area of sewer disposal of radioactive materials. As the NRC staff proceeds, it also intends to address the possible uses of the slightly contaminated sludge and ash in commercial products such as fertilizers and the dose effects of these uses.

The staff, in conjunction with the EPA, through the Sewage Sludge Subcommittee, is developing a more realistic model to evaluate the sewage sludge exposure pathway. The draft dose assessment document, issued in November 2001, is available at <http://www.iscors.org/sewage.htm>. Completion of the dose modeling is anticipated to occur in 2003.

In any rulemaking activities associated with release of radioactive materials to sewers, the NRC will consider the various pathways whereby the public could receive a radiation dose, including doses due to exposure to radioactivity in sludge and ash. The NRC will consider rulemaking for the disposal of radioactive material by licensees into the sewer system after completion of the modeling work and the analysis of the results of the NRC/EPA sewage survey. See response to recommendation 1 for information on the survey.

In addition, NRC and EPA are developing guidance on radioactive material in sewage sludge and ash. The current draft guidance document was issued in June 2000 and is available at <http://www.iscors.org/sewageguidance06-2000.pdf>. A revision to the guidance is planned for 2003.

This GAO recommendation remains open.

GAO Report - Nuclear Regulation  
Strategy Needed to Regulate  
Safety Using Information on Risk  
March 1999  
(GAO/RCED-99-95)

The General Accounting Office (GAO), in its report "Nuclear Regulation - Strategy Needed to Regulate Safety Using Information on Risk," made specific recommendations to help ensure the safe operation of plants and the continued protection of public health and safety in a competitive environment. The recommendations and NRC's response are provided below.

GAO Recommendation

To help ensure the safe operation of plants and the continued protection of public health and safety in a competitive environment, we recommend that the Commissioners of NRC direct the staff to develop a comprehensive strategy that includes but is not limited to objectives, goals, activities, and time frames for the transition to risk-informed regulation; specifies how the Commission expects to define the scope and implementation of risk-informed regulation; and identifies the manner in which it expects to continue the free exchange of operational information necessary to improve the quality and reliability of risk assessments.

NRC Response

NRC agrees that there is a need for a comprehensive strategy. Considerable progress has been made towards risk-informing the agency's regulatory activities but more work remains to be done. This has been recognized in the NRC's Strategic Plan, which has made the Risk-Informed Regulation Implementation Plan (RIRIP) a cornerstone strategy in achieving the agency's mission.

The NRC developed a strategy and a plan (Risk-Informed Regulation Implementation Plan, SECY-00-0213, October 26, 2000). The purpose of the RIRIP is to integrate the Commission's risk-informing activities by identifying requirements and practices that need to be risk-informed and the data, methods, guidance, and training needed to meet these goals. This plan also explains the agency's risk-informed regulation policy to the public and the nuclear industry. The Commission was briefed on the plan in November 2000 and, as a result, the staff was tasked to revise the plan in a variety of areas. On December 5, 2001, an Update of the Risk-Informed Regulation Implementation Plan (SECY-01-0218) was issued. The updated plan:

- identifies the priorities of the various implementation activities, the resources needed for the various activities, the tools that need to be developed, and the critical path activities and those that have cross-cutting dimensions;
- adds or deletes implementation activities to provide a better focus on those agency activities that are most directly tied to risk-informed regulation;
- describes activities that are planned or underway, their interrelationships and major milestones; and

- includes cost-benefit aspects in the set of considerations that will be used to evaluate whether to risk-inform particular nuclear materials and waste regulatory applications.

On July 12, 2002, an additional RIRIP Update was issued, which included two new activities in the reactor safety arena and six new activities in the materials safety and waste safety arenas. Moreover, the update included a plan for improving coherence among reactor arena risk-informed activities.

The Risk-Informed Regulation Implementation Plan will continue to evolve to reflect lessons learned from the application of risk-informed regulation and plans for additional implementation activities. The staff will continue, and where necessary initiate, activities to:

- articulate and propose clear and consistent statements of the vision for risk-informed regulation;
- develop and propose criteria for judging whether activities to risk-inform regulation are proceeding in a successful manner;
- discuss the programs that are intended for risk-informed regulation, and assess whether they are both necessary and sufficient to accomplish the stated goals;
- identify new programs and recommend changes to existing programs for applying risk information in the regulatory decision making process;
- develop arena-specific communication plans related to implementing risk-informed regulation to support the NRC's performance goal to increase public confidence; and
- facilitate the availability and understandability of risk assessment models and data to the interested public, as appropriate.

Over the past few years, the NRC has made significant progress toward risk-informing its regulatory activities. While the NRC has made considerable progress, work remains to be done on particular risk-informed initiatives and on broader efforts, such as improving coherence among reactor arena activities and developing a risk-informed framework for advanced reactors. The NRC will continue to increase the use of risk information in regulatory decisions. Using the Probabilistic Risk Assessment (PRA) Policy Statement and the NRC's Strategic Plan as a foundation, the RIRIP will be used as the tool to describe activities that are planned and underway and identify the interrelationships among the activities.

This GAO recommendation remains open.

GAO Report - Nuclear Waste  
Agreement Among Agencies Responsible  
for the West Valley Site is Critically Needed  
May 2001  
(GAO/RCED-01-314)

The General Accounting Office (GAO), in its report “Nuclear Waste: Agreement Among Agencies Responsible for the West Valley Site is Critically Needed (GAO-01-314)” made a specific recommendation to help address NRC’s and EPA’s regulatory responsibilities at NRC licensed sites, and specifically the West Valley site. The recommendation and NRC’s response are provided below.

GAO Recommendation

The Chairman, NRC, and the Administrator, EPA, in coordination with New York State, agree on how their different regulatory cleanup criteria should apply to the site.

NRC Response

Since the GAO Report was issued, there have been developments that address this GAO recommendation. In an August 10, 2001, letter to the Committee on Government Reform, NRC reported that NRC, EPA Region II, and the New York State Department of Health have met on matters related to the West Valley Demonstration Project (WVDP) site. This letter referred to a July 17, 2001, meeting in which these agencies discussed how the different agencies’ cleanup criteria should be applied at the WVDP site. Following these discussions, NRC staff received a letter from EPA’s Region II, dated July 23, 2001, which provided EPA’s opinion confirming the adequacy of the level of protectiveness afforded by NRC’s existing cleanup requirements and specifying its view of responsibilities for determining compliance with radiological standards as applied to the WVDP site.

On November 27, 2001, NRC, EPA Region II, New York State Department of Health, and New York State Department of Environmental Conservation (NYSDEC) met in the first of several meetings to discuss the applicable cleanup criteria for each agency at the WVDP site. These agencies agreed to work together in developing a matrix of remediation requirements that each agency believes to be applicable to the WVDP site. The first version of the matrix, also called the Regulators Communication Plan, was completed on March 27, 2002 and clarifies regulatory requirements applying to this site. The Regulators Communication Plan is considered a living document and will be revised as needed. The regulators involved believe each agency’s needs can be met by utilizing the tiered, dose-based approach in NRC’s 10 CFR Part 20, Subpart E, License Termination Rule. Additionally, the NRC, EPA, and NYSDEC have agreed to participate as cooperating agencies in the development of the decommissioning Environmental Impact Statement (EIS). Throughout the EIS development, NRC, EPA, and NYSDEC will work with the lead agencies, the Department of Energy and the New York State Energy Research and Development Authority to ensure the appropriate cleanup criteria are addressed.

More broadly, the NRC and EPA signed a Memorandum of Understanding (MOU) on October 9, 2002, regarding consultation and finality on decommissioning and decontamination of contaminated sites. The MOU provides a basic framework for defining the relationship of the

agencies in the radiological decommissioning and decontamination of NRC-licensed sites and addresses issues related to the EPA's involvement under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). NRC has agreed to consult with EPA on the appropriate approach for sites with groundwater contamination at the time of license termination in excess of the EPA's Maximum Contaminant Levels (MCLs), with soil concentrations exceeding the values listed in the MOU, or where NRC contemplates either restricted release or the use of alternate criteria for license termination. Both agencies are developing implementing guidance which will be completed within six months of the signing of the MOU.

We consider this GAO recommendation closed.

GAO Report - Nuclear Regulation  
Progress Made in Emergency Preparedness  
at Indian Point 2, but Additional  
Improvements Needed  
July 2001  
(GAO-01-605)

In its report entitled "Nuclear Regulation - Progress Made in Emergency Preparedness at Indian Point 2, but Additional Improvements Needed," the General Accounting Office (GAO), specifically recommended that the U. S. Nuclear Regulatory Commission (NRC) assess its communications during non-emergency situations. The following paragraphs present this recommendation and the NRC's response.

GAO Recommendation

Since the responsibility for responding to radiological emergencies at a large percentage of this Nation's nuclear power plants rests with an entity other than the State, we recommend that the Commissioners direct NRC staff to assess the agency's position of generally communicating with State officials during non-emergency situations.

NRC Response

The Commission agrees that it is appropriate for the NRC staff to continue assessing the agency's policies for non-emergency communication with State and local officials. The NRC does conduct meetings to communicate with State and local officials. For example, NRC meets formally at the State level to discuss emergency preparedness; local officials are not precluded from attending and participating in such meetings. Local government officials are also invited to attend annual public NRC meetings with utilities in which the results of the reactor oversight process are discussed for each plant. The staff has conducted separate public meetings with local government representatives immediately following the annual assessment meetings, during which the reactor oversight process itself is discussed. The NRC staff is continuing to review these and other forums to determine whether they are appropriate for, or whether they can be optimized to include, official government-to-government interactions concerning emergency preparedness. The staff will recommend changes in keeping with the agency's performance goal to increase the public's confidence in it as a regulator, but balanced with available resources and the need to maintain effectiveness in other performance areas.

The GAO's recommendation is similar in nature to one identified by the NRC's Office of the Inspector General (OIG) in a report titled "NRC's Response to the February 15, 2000, Steam Generator Tube Rupture at Indian Point Unit 2 Power Plant." That report also noted the concern expressed by local officials regarding a lack of routine communications with the NRC and its Resident Inspectors at Indian Point 2. The staff initiated actions in response to the OIG's report and considered the GAO recommendation as part of its assessment. As reported to Senator Lieberman in a letter dated March 25, 2002, NRC staff completed this assessment and concluded that NRC communications practices provide appropriate communication with State and local officials. To further enhance the availability of NRC staff to local officials and members of the general public, Inspection Manual Chapter 2515, "Light Water Reactor Inspection Program - Operations Phase" was revised to include guidance to regional

management to consider the site-specific needs for contact with members of the public and offsite officials.

We consider this GAO recommendation closed.

GAO Report - Nuclear Regulation  
NRC's Assurances of Decommissioning Funding  
During Utility Restructuring Could Be Improved  
March 1, 2002

The General Accounting Office (GAO), in its report, "Nuclear Regulation - NRC's Assurances of Decommissioning Funding During Utility Restructuring Could Be Improved," made specific recommendations with respect to financial assurance and other aspects of the NRC's power reactor decommissioning program. These recommendations, and the NRC's responses to them, are provided below.

Recommendation 1

To ensure that the decommissioning assurance methods and financial qualifications of all new nuclear plant owners are consistently verified, validated, and documented, we recommend that the Chairman, NRC, revise the Commission's standard review plan and related management controls for reviewing license transfers to include a checklist or step-by-step process for its staff, its management, and prospective owners to follow (page 34).

NRC Response

The NRC continues to disagree with GAO's recommendation that the NRC revise its standard review plan, NUREG-1577, Rev. 1, March 1999, "Standard Review Plan on Power Reactor Licensee Financial Qualifications and Decommissioning Funding Assurance," to include a checklist or step-by-step process for reviewing the decommissioning funding assurance aspects of license transfers. As the NRC pointed out to GAO in its comments on earlier drafts of the GAO report, the NRC believes that a checklist will not greatly enhance the effectiveness of license transfer reviews because many of the reviews that the NRC completed over the past few years have been very complex and, in many respects, unique. GAO disagrees with the NRC's comments and states that license transfer applicants "have consistently used the same few basic methods permitted by the NRC's regulations, such as prepayment and/or parent company guarantees, to provide NRC with assurance that decommissioning funding and financial qualifications are being met."

Although the GAO statement is true, it does not consider the unique evaluations that the NRC's financial analyst has to complete for even the same type of financial assurance method. For example, in the Exelon license transfer, which GAO cited in its report, Exelon chose the decommissioning funding assurance method of a non-bypassable wires charge to provide for uncollected funds. The NRC recognizes this method as a valid means of demonstrating financial assurance for decommissioning. However, the NRC financial analyst must evaluate the specific provisions of non-bypassable wires charges that vary from State to State, which is difficult to do by checklist.

GAO's assessment of the NRC license transfer review process appears to be based largely on the lack of adequate documentation supporting the decision-making logic provided in the standard review plan. Therefore, the NRC continues to believe that appropriate documentation of the logic supporting each license transfer review will help to further demonstrate the adequacy and effectiveness of each review. The NRC will strive to eliminate documentation deficiencies identified by GAO. As GAO acknowledges in its report (page 34), the NRC's

standard review plan “offers a sound basis for obtaining consistency.” The NRC believes that the best approach to address GAO’s expressed concerns with respect to license transfer reviews is to ensure that reviews are conducted and proper documentation is maintained according to the processes and considerations discussed in the standard review plan.

We consider this GAO recommendation closed.

## Recommendation 2

We recommend that the Chairman, NRC, in the Commission’s ongoing consideration of modifications to radiological criteria for terminating licenses and alternative decommissioning approaches, address:

- how the burial or entombment of low-level radioactive waste at nuclear plant sites, leading to a potentially large number of contaminated sites scattered around the country, affects the federal policy under the Low-Level Radioactive Waste Policy Act to manage radioactive waste on a regional basis; and
- concerns about whether these decommissioning approaches are technically compatible with provisions of the Low-Level Radioactive Waste Policy Act, the interstate compact agreements that implement the act, and NRC’s technical regulations on licensing disposal facilities for low-level radioactive waste (page 52).

## NRC Response

Current NRC requirements in 10 C.F.R. § 50.82 tend to favor the use of other decommissioning alternatives over entombment, although entombment is not specifically precluded by the requirements of 10 C.F.R. § 50.82.

Presently, no licensee is proposing to use entombment as a decommissioning option and, if such a request were made, it would need to be evaluated on a case-by-case-basis. Recent studies conducted for NRC by Pacific Northwest National Laboratory indicate that entombment can be a viable decommissioning alternative. Licensees have expressed interest in the potential use of entombment as a decommissioning option, and have presented their views at an NRC public workshop held in December 1999. The conclusions from that workshop are contained in SECY-00-0129 (June 12, 2000).

To further solicit a variety of stakeholder views, an Advance Notice of Proposed Rulemaking (ANPR) was published in the Federal Register (FR) for a 75-day comment period on October 16, 2001 (66 FR 52551). Questions raised in the ANPR included regulatory issues, technical feasibility issues, issues associated with greater-than-class-C (GTCC) waste, and State issues. The ANPR also specifically discussed how low-level waste disposal issues need to be considered in evaluating the three proposed entombment options and specifically requested public comment on issues related to the relationship of entombment to the LLRWPA, and low level waste compacts. The public comment period on the ANPR closed on December 31, 2001. Staff received comments from various utilities, States and the Environmental Protection Agency. Staff documented the analysis of the comments received from the ANPR in SECY-02-0191 (October 25, 2002).

Commenters generally agreed that NRC should more clearly define the performance criteria and technical capabilities of engineered barriers to support an entombed facility. Utilities and industry stated that they would like to have entombment available as a decommissioning option. However, no commenter unequivocally committed to using the entombment option in its decommissioning process if the NRC made it available. Two states, New York and Illinois, opposed any rulemaking that would specifically provide for entombment. Some licensees also stated a preference for NRC oversight of entombed facilities, with no State involvement or co-regulation. EPA expressed concern about the isolation of non-NRC-licensed contaminants and their potential impact on the environment, and recommended that entombment be considered an option of last resort.

NRC has determined that there is currently insufficient technical bases to support an entombment license rule at this time. The Electric Power Research Institute is considering a research initiative to develop a generic source term for an entombed facility. That effort is scheduled to be completed in 2005. NRC's Office of Nuclear Regulatory Research has also initiated a cooperative research effort with the National Institute of Standards and Technology to characterize concrete performance over an extended period of time. NRC has identified a number of areas, such as source term development, backfill and infill characterization, and flow and transport characterization of radionuclide dispersal into the environment, where additional research is needed to develop entombed facility performance criteria.

Once we have obtained the technical data required to support regulation of an entombed facility, NRC will resume rulemaking activities. At that time, we will be better able to assess how entombing reactor plant sites will affect the federal policy under the Low-Level Radioactive Waste Policy Act. In the meantime, we will continue to discuss the entombment option with our stakeholders.

This GAO recommendation remains open.

### Recommendation 3

To reduce the likelihood that site contamination will go undetected until late in the cleanup process, we recommend that the Chairman, NRC, require licensees to survey their plant sites for radiation immediately following the announcement of intentions to permanently cease operations, rather than allowing them to wait until 2 years before decommissioning is supposed to be complete.

### NRC Response

The NRC continues to have concerns with GAO's recommendation that an NRC licensee survey its site as soon as possible after announcement of its intention to cease operations permanently. Licensees have a reasonably good understanding of the contamination at their sites based on historical records, including records of past burials and of surveys conducted during the operational life.<sup>1</sup> Thus, a survey at the cessation of operations may serve little purpose. On the other hand, the staff believes that it is cost effective for the licensee to conduct a thorough final site survey near the end of the decommissioning process, after

---

<sup>1</sup> As required under 10 C.F.R. §§20.2103, 20.2108.

submission of a License Termination Plan (LTP), to confirm the site has been decommissioned and remediated in a fashion consistent with NRC's requirements in the License Termination Rule (LTR). To require a licensee to perform a thorough survey shortly after shutdown would not increase the public health and safety, but would place a substantial burden on licensees with no resultant benefit.

We consider this GAO recommendation closed.

GAO Report - Financial Management  
Coordinated Approach Needed To Address the Government's  
Improper Payments Problems  
August 2002  
(GAO-02-279)

The General Accounting Office (GAO), in its report "Financial Management: Coordinated Approach Needed To Address the Government's Improper Payments Problems," made recommendations for all Chief Financial Officer (CFO) Act agencies to assign responsibilities for taking actions to minimize improper payments. The recommendations and the NRC's responses are provided below.

Recommendation 1

The head of each CFO Act agency should assign responsibility to a senior official, such as the Chief Operating Officer (COO) or the CFO, for establishing policies and procedures for assessing agency and program risks of improper payments, taking actions to reduce those payments, and reporting the results of the actions to agency management for oversight and other actions as deemed appropriate. These responsibilities should include, but not be limited to

- developing detailed action plans to determine the nature and extent of possible improper payments for all agency programs and/or activities spending funds;
- identifying cost-effective control activities to address the identified risk areas;
- assigning responsibility for specific areas of improper payment-related activities to appropriate program or activity officials;
- establishing improper payment goals or targets and measuring performance against those goals to determine progress made and areas needing additional actions;
- developing procedures for working with OMB and the Congress to address barriers encountered that inhibit actions to reduce improper payments; and
- periodically reporting, through publicly available documents, to the agency head, OMB, and the Congress on the progress made in achieving improper payment reduction targets and future action plans for controlling improper payments.

NRC Response

The NRC is committed to good financial management. In support of the GAO's recommendation, the NRC's CFO is responsible for establishing policies and procedures to assess risks of improper payments, reduce such payments, and report the results.

The NRC does not engage in any of the loan, grant, or benefit programs that the GAO cited as a basis for many of the government's improper payments. We have a strong system of internal controls to prevent fraudulent payments. Our incidence of improper payments is minimal, non-material, and an area of low management control risk. For example, in FY 2002, the number of

improper payments was less than one-half percent of all payments made, or approximately \$135,000. All of the funds have been recovered. In addition, the most recent independent audit of the agency's financial statement did not disclose any material weaknesses or reportable conditions with the payment process.

We consider this GAO recommendation closed.