

STATEMENT FOR THE RECORD
BY THE
OFFICE OF THE INSPECTOR GENERAL
UNITED STATES NUCLEAR REGULATORY COMMISSION

TO THE
COMMITTEE ON THE BUDGET
UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING THE
UNITED STATES NUCLEAR REGULATORY COMMISSION'S
SPENDING PROGRAMS

SUBMITTED BY
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U.S. NUCLEAR REGULATORY COMMISSION
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TESTIMONY ON THE
U.S. NUCLEAR REGULATORY COMMISSION'S
SPENDING PROGRAMS

Introduction

I am pleased to have the opportunity to provide testimony with respect to fraud, waste, and abuse in the Nuclear Regulatory Commission's (NRC) spending programs. NRC is a fee-based regulatory agency and in fiscal year (FY) 2003 has a discretionary budget of approximately \$578 million, of which about \$331 million is for salaries and benefits (57%) and \$247 million is for contractor support and travel costs (43%). The agency, in FY 2003, is required to recover approximately 94% of its budget by collecting fees from agency licensees. NRC has no mandatory spending or entitlement programs.

As you know, the mission of the Office of the Inspector General (OIG) at the NRC is to assist the NRC by ensuring the integrity, efficiency and accountability in the agency's programs that regulate the civilian use of byproduct, source and special nuclear material in a manner that adequately protects public health and safety and the environment, while promoting the Nation's common defense and security. My office carries out this mission by independently and objectively conducting and supervising audits and investigations related to NRC's programs and operations; preventing and detecting, fraud, waste, and abuse; and promoting economy, efficiency, and effectiveness in NRC's program's and operations. The OIG also keeps the NRC Chairman and members of Congress fully and currently informed about problems, recommends corrective actions, and monitors NRC's progress in implementing those actions.

During the past year, my office reviewed agency programs and operations, conducted investigations and event inquiries, and reviewed legislative and regulatory proposals. In FY 2002, my office issued 17 audits of NRC's programs and operations and 17 contract audits. We completed 56 investigations that focused on violations of law or misconduct by NRC employees and contractors and 3 event inquiries into allegations of irregularities concerning staff actions cited as contributing to the occurrence of an event that could adversely affect public health and safety.

To perform these activities, OIG employs auditors, management analysts, criminal investigators, investigative analysts, legal counsel and support personnel. The OIG also uses private-sector contractors to audit NRC's financial statements and for other audit, investigative and information technology support services. OIG audits and investigations make internal control recommendations to improve the agency's programs and safeguard its assets.

Fraud, Waste, and Abuse in NRC's Programs

Because NRC's has neither mandatory nor entitlement spending programs, the agency's vulnerability to fraud, waste, and abuse is significantly less than agencies with those programs. Furthermore, the high percentage of salaries and benefits (57%) to the total budget reduces NRC's exposure in this area. As a result, the greatest opportunities for fraud, waste, and abuse may exist in the contracts area, where estimated costs are approximately \$150 million (25%) of the total agency budget. OIG has an active program to monitor contract expenditures and has identified internal control improvements needed to bolster the integrity of the agency's contracts program. For the year-ended September 30, 2002, OIG questioned \$404,321 in costs and

identified \$3.6 million in unsupported contractor costs. The agency is in the process of completing corrective actions to remedy these issues.

During FY 2002, OIG reviewed the NRC's purchase card program. OIG's review was based on both a statistical sample of transactions and a judgement sample of transactions that appeared suspicious. Although reviews in other agencies have reported significant abuse of purchase cards, our audit disclosed only one minor improper use of a purchase card. We also continually monitor employees' use of travel cards. While we have observed and reported abuses, these instances are neither systemic nor financially material.

As you know, the Office of Management and Budget requires federal agencies to report on improper payments in their Performance and Accountability Reports. The NRC reported in its FY 2002 report the following:

Payment data for the period October 2000 to September 2002 was collected and analyzed to determine the number and dollar value of improper payments compared to total payments made. The results showed that there were 100 improper payments out of 103,724 total payments, or 0.1 percent. The dollar value of improper payments was \$135,626 out of \$409,728,369 total dollars or 0.03 percent. This data supports the NRC's initial assessment that improper payments are an area of low management control risk. The agency will continue to monitor improper payments.

On November 25, 2002, the NRC Chairman advised Senator Joseph Lieberman that the approximately \$135,000 in improper payments had been recovered.

Summary

The NRC is a fee-based regulatory agency that does not participate in loan, grant or benefit programs, which the GAO has traditionally cited as the basis of many of the government's improper payments. Salaries and benefits alone for FY 2003 account for about 57% of the agency's budget.

OIG's makes recommendations to improve agency programs and safeguard its assets, and agency management has historically agreed to take corrective action on nearly all OIG recommendations. While there have been instances of irregularities in the areas we have reviewed, to date, no widespread instances of fraud, waste, or abuse in agency programs has been disclosed.

Thank you for providing the opportunity to report on issues related to NRC's spending programs.