

July 11, 2005

MEMORANDUM TO: Jesse L. Funches
Chief Financial Officer

FROM: Stephen D. Dingbaum/RA/
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE
NUCLEAR REGULATORY COMMISSION'S FY 2004
FINANCIAL STATEMENTS (OIG-05-A-02)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDUM DATED
JUNE 7, 2005

Attached is the Office of the Inspector General's analysis and status of recommendation 5 as discussed in the agency's response dated June 7, 2005. Based on this response, recommendation 5 is closed. Recommendations 1, 2, 3, 4, 6, and 7 are resolved. Please provide an updated status of the resolved recommendations by September 30, 2005.

If you have any questions or concerns, please call me on 415-5915.

Attachments: As stated

cc: William Dean, OEDO
Melinda Malloy, OEDO
Patty Tressler, OEDO

Audit Report
Audit of the Nuclear Regulatory Commission's
FY 2004 Financial Statements
(OIG-05-A-02)
Status of Recommendations

Recommendation 5: The CFO should develop compensating controls to assist in validating information provided by NBC. At a minimum, the agency should develop an expectation model based on analytical procedures designed to detect misstatements in the biweekly payroll amounts reported by NBC. The CFO should also ensure that the agency is compliant with the list of compensating controls included in the FPPS' service auditors' report.

Response dated
June 7, 2005:

We have reviewed the list of compensating controls in the 2004 SAS-70 report, "Third-Party Report on Controls Placed in Operation and Test of Operation Effectiveness for the Period October 1, 2003 - September 30, 2004". Based on this review, we determined that the agency is in compliance with these controls and our responsibilities as a user organization. The Office of Human Resources (HR) is responsible for eight of the eleven controls, and they have confirmed that the agency is in compliance with these controls. All of the agency's Security Points of Contact (SPOC) for the Federal Personnel and Payroll System (FPPS) are HR employees. The OCFO, Division of Financial Services, Time, Labor, and Payroll Services Team (TLPST) has "view only" access to FPPS, and if there are problems with the system, they are referred to one of the SPOCs. Attachment 1 provides our detailed responses for each of these controls and designates the responsible office.

Procedures have been modified to verify hours paid each pay period. A report, "HRMS/DOI Hours Differences," has been developed that shows differences in hours from Human Resources Management System (HRMS), Time and Labor, submitted to the DOI/NBC compared with the hours that are received in the Labor Cost File from DOI/NBC in FPPS. The report takes a further step by showing variances in hours by individual employee. Beginning with pay period 04/2005, the TLPST began reviewing the report, making any necessary corrections, and documenting the review (Attachment 2).

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An expectation model has been developed to help detect any misstatements in biweekly payroll amounts. This model predicts what payroll should be each pay period, within a certain variance, accounting for any changes/additions to payroll (awards, SES bonuses, pay raises, etc.). The model has been implemented and validation and reconciliation procedures have been documented (Attachment 3).

OIG Analysis:

R. Navarro & Associates, OIG's contractor, evaluated the expectation model developed by the agency to detect any misstatements in the biweekly payroll. Based on the evaluation of the model, R. Navarro & Associates concluded that it is adequate for testing the reasonableness of the agency's payroll cost per pay period. However, there are some inefficiencies built into the model that could lead to misinterpretations of the data. R. Navarro plans to meet with OCFO officials to discuss recommended modifications to the model and payroll expectation procedures. This recommendation is therefore closed.

Status:

Closed.