

March 2, 2006

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  
OCTOBER 6, 2005

Attached is the Office of the Inspector General's analysis and status of recommendation 7 from the audit of NRC's FY 2004 Financial Statements. Based on the audit of NRC's FY 2005 Financial Statements, recommendation 7 is now closed. Recommendation 5 was previously closed.

The Office of the Inspector General's status of the resolved recommendations is also attached. Based on discussion between representatives from OIG and OCFO, resolved recommendations 1, 2, 3, 4, and 6 are being closed for administrative purposes only. These five recommendations continue to be tracked as resolved recommendations 1, 2, 4, and 11 in the FY 2005 Financial Statement Audit. Accordingly, OIG and R. Navarro & Associates, Inc. will continue to evaluate corrective actions taken to implement these recommendations during the course of the FY 2006 Financial Statement Audit.

Should we be able to close any recommendations during the course of the FY 2006 Financial Statement Audit, we will provide written notification accordingly. Otherwise, a determination of the status of the resolved recommendations will be made at the conclusion of the FY 2006 Financial Statement Audit.

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

Attachment: 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 7:

The CFO should develop a process to ensure that new initiatives are effectively monitored to make certain that the agency's financial management guidelines are followed at the start of an initiative. Additionally, the CFO should reiterate to program offices the importance of complying with agency policy to prevent delays in the billing process and to prevent recovering costs from an improper licensee community.

Response dated  
October 6, 2005:

The OCFO has a process in place to ensure that appropriate management and staff are aware of fee-related guidelines and policies.

- An April 1, 2005, memorandum to Office Directors and Regional Administrators reiterated the importance of maintaining compliance with agency fee policy.
- The OCFO developed a communication plan for the FY 2005 proposed and final fee rules, which was broadly distributed throughout the agency. We will continue to use a communication plan each year for future fee rules.
- The License Fee Team participated in the annual training for T&L coordinators, sponsored by the Division of Financial Services. Handouts included the April 1, 2005, memorandum, final fee rule and its associated communication plan, and slides on license fees billing information. The License Fee Team will participate in this training annually.
- The OCFO presents information on the fee rule and new fee policy semiannually at the Financial Managers Conference.

## **Audit Report**

### **Audit of the Nuclear Regulatory Commission's FY 2004 Financial Statements (OIG-05-A-02)**

#### **Status of Recommendations**

- Additionally, all major offices are given an opportunity to review or concur on the proposed and final fee rule while it is in draft.

**OIG Analysis:**

During the audit of the FY 2005 Financial Statements, R. Navarro & Associates, Inc. (OIG's contractor) evaluated the effectiveness of the process put in place by the agency to ensure that appropriate management and staff are aware of fee-related guidelines and policies. Based on the evaluation of the new process, R. Navarro & Associates, Inc. concluded that the design and operation of the new process satisfy the recommendation. This recommendation is therefore closed.

**Status:**

Closed.

## **Audit Report**

### **Audit of the Nuclear Regulatory Commission's FY 2004 Financial Statements (OIG-05-A-02)**

#### **Status of Recommendations**

Recommendation 1: The CFO should ensure that the functionality of interfaces is rigorously tested before placing any software changes into production. Acceptance testing scripts should be designed more broadly to ensure greater scrutiny of the change being implemented. Independent validations of software changes and the related acceptance testing should be performed or reviewed and approved by persons other than those requesting the software modifications.

**Status:** Administratively closed. This recommendation continues to be tracked as resolved recommendation 2 in the FY 2005 Financial Statement Audit.

## **Audit Report**

### **Audit of the Nuclear Regulatory Commission's FY 2004 Financial Statements (OIG-05-A-02)**

#### **Status of Recommendations**

Recommendation 2: The CFO should develop and implement a remediation plan to enhance the reliability of the current billing system. Additionally, as the CFO considers the system redesign they should identify steps to address systemic issues with the current fee billing system.

**Status:** Administratively closed. This recommendation continues to be tracked as resolved recommendation 1 in the FY 2005 Financial Statement Audit.

## **Audit Report**

### **Audit of the Nuclear Regulatory Commission's FY 2004 Financial Statements (OIG-05-A-02)**

#### **Status of Recommendations**

Recommendation 3: The CFO should ensure that documented, complete and reliable quality assurance procedures be prepared for the billing process. At a minimum those procedures should provide for a documented global reconciliation, at each billing cycle, of hours and fees reflected in FEES to the invoices generated by the PC based fee billing systems.

**Status:** Administratively closed. This recommendation continues to be tracked as resolved recommendations 1 and 2 in the FY 2005 Financial Statement Audit.

## **Audit Report**

### **Audit of the Nuclear Regulatory Commission's FY 2004 Financial Statements (OIG-05-A-02)**

#### **Status of Recommendations**

- Recommendation 4: The OCFO should continue to reassess the internal use software procedures and related accounting activities being undertaken by agency personnel to ensure their completeness and propriety. In addition to proactive monitoring, the CFO should design and provide training to project managers and their supervisors in order to provide awareness and instill discipline to project managers in their role of providing reliable information to the OCFO.
- Status:** Administratively closed. This recommendation continues to be tracked as resolved recommendation 4 in the FY 2005 Financial Statement Audit.

## **Audit Report**

### **Audit of the Nuclear Regulatory Commission's FY 2004 Financial Statements (OIG-05-A-02)**

#### **Status of Recommendations**

Recommendation 6: The CFO should continue to pursue the assessment strategy that is underway and ensure that a communication process is developed to assist OCFO management and to inform the Office of Inspector General of the progress and actions planned to resolve this condition.

**Status:** Administratively closed. This recommendation continues to be tracked as resolved recommendation 11 in the FY 2005 Financial Statement Audit.