

October 18, 2005

MEMORANDUM TO: Jesse L. Funches
Chief Financial Officer

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

SUBJECT: STATUS OF RECOMMENDATIONS: REVIEW OF NRC'S
LICENSE FEE DEVELOPMENT PROCESS NEEDS
IMPROVEMENT (OIG-99-A-01)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDUM DATED
SEPTEMBER 14, 2005

Attached is the Office of the Inspector General's analysis and status of recommendations 2a and 2c as discussed in the agency's response dated September 14, 2005. Based on this response, recommendations 2a and 2c are resolved. Recommendations 1, 2b, 3a, 3b, 3c, and 3d were previously closed. We will make a determination on the status of all resolved recommendations during the audit of NRC's FY 2005 financial statements.

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
NRC's License Fee Development Process Needs Improvement
(OIG-99-A-01)
Status of Recommendations

Recommendation 2a: Reevaluating the hourly rate calculation methodology so that the rates the NRC develops include the full cost concept as embodied in OMB Circular A-25, User Charges, and SFFAS No.4, Managerial Cost Accounting Standards. The reassessment should define and identify generic costs and explain how to treat such costs.

Recommendation 2c: Use actual billing data to develop and refine future rate calculations.

Response dated:
September 14, 2005

The staff has developed the attached procedures to calculate 10 CFR Part 170 hourly rates using actual cost from the Cost Accounting System. These procedures were piloted using fiscal year (FY) 2004 cost data to develop FY 2005 hourly rates. The results of the pilot are attached. As we discussed on June 20, 2005, we are prepared to use these procedures to calculate hourly rates each year, and to use these rates to recover the costs of activities under 10 CFR Part 170 beginning with the FY 2006 fee rule, provided this approach will close the above recommendations.

OIG Analysis:

R. Navarro & Associates (RNA), OIG's contractor, reviewed the approach described in the CFO's response. Based on the analysis, RNA concluded that the planned procedures underpinning the strategy presented would move the agency toward compliance with the guidelines of OMB Circular A-25, *User Charges*. However, until such time as the CFO provides documentation of the comprehensive procedures, calculations, extraction methodologies, source cost reports, and related data files used, it would be premature to provide direct assurance that this strategy will close the prior year resolved finding. Once the documentation listed can be audited, we will provide conclusions to CFO on the results of our work and address the closure of this condition, as necessary.

Status: Resolved.