

November 1, 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 2005  
FINANCIAL STATEMENTS (OIG-06-A-01)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDA DATED  
NOVEMBER 9, 2005, AND JANUARY 30, 2006

This memo provides written notification that based on the work performed by R. Navarro & Associates, Inc. during the audit of NRC's FY 2006 financial statements, recommendations 6, 7, 8 and 9 are closed. Recommendations 1 through 5 and 11 continue to be resolved and recommendation 10 was previously closed.

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

Attachment: As stated

cc: Michael Johnson, OEDO  
Melinda Malloy, OEDO  
Patty Tressler, OEDO

**Audit Report**  
**Audit of the Nuclear Regulatory Commission's**  
**FY 2005 Financial Statements**  
**(OIG-06-A-01)**  
**Status of Recommendations**

Recommendation 6: The CFO should establish procedures to monitor and participate in customer advisory work groups on information security issues with the service bureau. At a minimum, the CFO should devise a communication process to stay informed about information security testing and the related results.

Response dated  
January 19, 2006:

The CFO sent a letter to the Director of the DOI-NBC dated November 29, 2005, in response to the National Business Center FY 2005 Annual Assurance Statement on Management Controls dated October 5, 2005. This communication conveyed the need for regular updates on corrective actions taken by the NBC to resolve its information security issues. As a result, a meeting was held on January 10, 2006, between the CFO and NBC's Director to discuss the identified security vulnerabilities and the corrective actions being taken by the NBC. The NBC provided us a status of their corrective actions and agreed to provide periodic progress updates. The CFO provided NBC a proposed written agreement with us to formally document communication of security/operational issues.

Response dated  
November 9, 2005:

Agree. As a follow-up to his verbal communications with the service bureau, I will write to the Director and CFO of the Department of Interior National Business Center (DOI-NBC) to document concerns about the security of DOI-NBC's network and mainframe, and to establish an agreement to be informed timely of information security issues and documented completion of corrective actions. The letter will be sent by December 2005.

OIG Analysis:

Based on the work performed by R. Navarro & Associates, Inc. during the course of the FY 2006 financial statement audit, OCFO has implemented the corrective action described above. Therefore, this recommendation is closed.

**Status:**

Closed.

**Audit Report**  
**Audit of the Nuclear Regulatory Commission's**  
**FY 2005 Financial Statements**  
**(OIG-06-A-01)**  
**Status of Recommendations**

Recommendation 7: The CFO should direct an assessment of financial controls over disbursement activities. At a minimum, the assessment should provide for the development and implementation of second party reviews of the propriety and accuracy of edits to vendor tables.

Response dated  
January 30, 2006:

Procedures for monitoring revisions to the core accounting system's vendor table were implemented on December 15, 2005. These procedures include steps to ensure that all revisions to the vendor table are properly documented and that all changes are subject to a secondary review by a senior accountant. This completes action on the vendor table portion of this recommendation.

OIG Analysis:

Based on the work performed by R. Navarro & Associates, Inc. during the course of the FY 2006 financial statement audit, OCFO has implemented the corrective action described above. Therefore, this recommendation is closed.

**Status:**

Closed.

**Audit Report**  
**Audit of the Nuclear Regulatory Commission's**  
**FY 2005 Financial Statements**  
**(OIG-06-A-01)**  
**Status of Recommendations**

Recommendation 8: The CFO should periodically assess whether CCR data can be used to provide an electronic validation of EFT information against NRC's payment system prior to certifying the payment.

Response dated  
November 9, 2005:

Agree. The Central Contractor Registration (CCR) data will be made available in the NRC's core financial system by the end of February 2006, for validation of payments. OCFO will semiannually assess whether CCR data can be used to provide an electronic validation of EFT information for payments. We will perform the next assessment by March 30, 2006.

OIG Analysis:

Based on the work performed by R. Navarro & Associates, Inc. during the course of the FY 2006 financial statement audit, OCFO has implemented the corrective action described above. Therefore, this recommendation is closed.

**Status:**

Closed.

**Audit Report**  
**Audit of the Nuclear Regulatory Commission's**  
**FY 2005 Financial Statements**  
**(OIG-06-A-01)**  
**Status of Recommendations**

Recommendation 9: The CFO should establish a secondary review of high value payments. The secondary review should be performed by parties that are not involved directly in payment processing.

Response dated  
January 30, 2006:

We have reviewed our process for making payments and implemented new procedures to make sure that secondary reviews are performed on high value payments before they are released for payment. As payments are processed and entered into the accounting system, all payments of \$250,000 and above are placed on hold by the Federal Financial System until a second review is performed by the Team Chief. The Federal Financial System has built in controls to support secondary reviews of payments at or above the threshold established by OCFO. Once verification of all the financial information is made, the payment is then released for processing by the Payment Services Team Chief. This completes corrective action on this recommendation.

OIG Analysis:

Based on the work performed by R. Navarro & Associates, Inc. during the course of the FY 2006 financial statement audit, OCFO has fully implemented the corrective action described above. Therefore, this recommendation is closed.

**Status:**

Closed.