



**UNITED STATES**  
**NUCLEAR REGULATORY COMMISSION**  
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE  
INSPECTOR GENERAL**

December 2, 2010

MEMORANDUM TO: J.E. Dyer  
Chief Financial Officer

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

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE  
BUDGET FORMULATION PROCESS (OIG-05-A-09)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDUM DATED  
OCTOBER 21, 2010

Attached is the Office of the Inspector General's analysis and status of recommendations as discussed in the agency's response dated October 21, 2010. Based on this response, recommendations 1-3 remain resolved. Recommendation 4 was previously closed. Please provide an updated status of the resolved recommendations by May 31, 2011.

If you have any questions or concerns, please contact me at 415-5915 or Kathleen Stetson, Team Leader, at 415-8175.

Attachments: As stated

cc: M. Muessle, OEDO  
J. Andersen, OEDO  
J. Arildsen, OEDO  
C. Jaegers, OEDO

## Audit Report

### AUDIT OF THE BUDGET FORMULATION PROCESS

OIG-05-A-09

#### Status of Recommendations

Recommendation 1: Clarify, in coordination with the Executive Director for Operations, the roles and responsibilities of the Chief Financial Officer and Executive Director for Operations in the budget formulation process.

Agency Response Dated  
October 21, 2010:

As indicated previously, the recommendations are being addressed as part of the revision to Management Directive (MD) and Handbook 4.7, *"NRC Long Range Planning, Programming and Budget Formulation."* We have decided to modify our approach to the replacement of the MD and Handbook in order to improve policy communication, organization and achieve agency consensus on the policies covered. We will replace it with three separate MDs: *"Strategic Planning Process"* (new); *"Budget Formulation"* (MD 4.7); and, *"Performance Management"* (new). Additionally, the Chairman has provided new direction to the staff for the FY 2012 budget development process which is nearing completion. The three recommendations will be addressed in the revised MD 4.7, *"Budget Formulation."* Currently, the revision to MD 4.7 is on hold due to consultation with the Chairman.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final MD 4.7, "Budget Formulation," and determines that it clarifies the roles and responsibilities of the Chief Financial Officer and Executive Director for Operations in the budget formulation process.

**Status:** Resolved.

## Audit Report

### AUDIT OF THE BUDGET FORMULATION PROCESS

OIG-05-A-09

#### Status of Recommendations

Recommendation 2: Document the decision-making process and roles and responsibilities of the Program Review Committee.

Agency Response Dated  
October 21, 2010:

As indicated previously, the recommendations are being addressed as part of the revision to Management Directive (MD) and Handbook 4.7, *"NRC Long Range Planning, Programming and Budget Formulation."* We have decided to modify our approach to the replacement of the MD and Handbook in order to improve policy communication, organization and achieve agency consensus on the policies covered. We will replace it with three separate MDs: *"Strategic Planning Process"* (new); *"Budget Formulation"* (MD 4.7); and, *"Performance Management"* (new). Additionally, the Chairman has provided new direction to the staff for the FY 2012 budget development process which is nearing completion. The three recommendations will be addressed in the revised MD 4.7, *"Budget Formulation."* Currently, the revision to MD 4.7 is on hold due to consultation with the Chairman.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final MD 4.7, "Budget Formulation," and determines that it documents the decision-making process and roles and responsibilities of the Program Review Committee.

**Status:** Resolved.

## Audit Report

### AUDIT OF THE BUDGET FORMULATION PROCESS

OIG-05-A-09

#### Status of Recommendations

Recommendation 3: Document the budget formulation process to ensure a logical, comprehensive sequencing of events that provides for obtaining early Commission direction and approval.

Agency Response Dated  
October 21, 2010:

As indicated previously, the recommendations are being addressed as part of the revision to Management Directive (MD) and Handbook 4.7, *"NRC Long Range Planning, Programming and Budget Formulation."* We have decided to modify our approach to the replacement of the MD and Handbook in order to improve policy communication, organization and achieve agency consensus on the policies covered. We will replace it with three separate MDs: *"Strategic Planning Process"* (new); *"Budget Formulation"* (MD 4.7); and, *"Performance Management"* (new). Additionally, the Chairman has provided new direction to the staff for the FY 2012 budget development process which is nearing completion. The three recommendations will be addressed in the revised MD 4.7, *"Budget Formulation."* Currently, the revision to MD 4.7 is on hold due to consultation with the Chairman.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the final MD 4.7, "Budget Formulation," and determines that it documents the budget formulation process to ensure a logical, comprehensive sequencing of events that provides for obtaining early Commission direction and approval.

**Status:** Resolved.