

AUDIT REPORT

Audit of NRC's Budget Execution Process

OIG-13-A-18 May 7, 2013



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OFFICE OF THE
INSPECTOR GENERAL

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

May 7, 2013

MEMORANDUM TO: J.E. Dyer
Chief Financial Officer

R. William Borchardt
Executive Director for Operations

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

SUBJECT: AUDIT OF NRC'S BUDGET EXECUTION PROCESS
(OIG-13-A-18)

Attached is the Office of the Inspector General's (OIG) audit report titled *Audit of NRC's Budget Execution Process*. The report presents the results of the subject audit. Agency comments provided at the April 4, 2013, exit conference and subsequent discussions have been incorporated, as appropriate, into this report.

Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to OIG follow up as stated in Management Directive 6.1.

We appreciate the cooperation extended to us by members of your staff during the audit. If you have any questions or comments about our report, please contact me at 415-5915 or Eric Rivera, Team Leader, Financial and Administrative Audits Team, at 415-7032.

Attachment: As stated

EXECUTIVE SUMMARY

BACKGROUND

The U.S. Government requires Federal agencies to establish an effective funds control process to ensure funds are used only for the purpose set forth by Congress and that expenditures do not exceed amounts authorized. The Nuclear Regulatory Commission's (NRC) budget process consists of strategic planning; budget formulation; submission of the agency's budget to the Office of Management and Budget and Congress; approval of the budget by Congress; budget execution; and the reporting of budget and performance results. The budget execution phase refers generally to the time period during which the budget authority made through an appropriation remains available for obligation by NRC. NRC's task during the budget execution process is to spend appropriated funds to carry out its mission in accordance with fiscal statutes. Between fiscal years (FY) 2008 and 2012, NRC's budget appropriation ranged from \$926.1 million to \$1,066.9 million.

OBJECTIVES

The audit objectives were to determine whether (1) NRC maintains proper financial control over appropriated and apportioned funds to ensure compliance with applicable Federal laws, policies, and regulations and (2) opportunities exist to improve the budget execution process.

RESULTS IN BRIEF

Overall, the agency maintains proper financial control over appropriated and apportioned funds to ensure compliance with applicable Federal laws, policies, and regulations. However, the Office of the Inspector General (OIG) identified opportunities for improvement in the following areas:

- A. Incomplete implementation of Planning, Budgeting, and Performance Management process.

- B. Insufficient understanding of Financial Accounting and Integrated Management Information System reporting capabilities.
- C. Incomplete delegation and budget execution training records.

Addressing these concerns will strengthen NRC's budget execution process.

RECOMMENDATIONS

This report makes recommendations to improve the internal controls over the management of budget execution. A list of these recommendations appears on page 20 of this report.

AGENCY COMMENTS

OIG met with NRC management officials and staff at an April 4, 2013, exit conference, at which time the agency provided informal comments to the draft report. The informal comments were incorporated into the draft report as appropriate. NRC management and staff reviewed the revised draft report and agreed with the findings and recommendations. The agency opted not to provide formal comments for inclusion in this final report.

ABBREVIATIONS AND ACRONYMS

FAIMIS	Financial Accounting and Integrated Management Information System
FY	fiscal year
GAO	Government Accountability Office
MD	Management Directive
NRC	Nuclear Regulatory Commission
OCFO	Office of the Chief Financial Officer
OIG	Office of the Inspector General

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I. BACKGROUND

The U.S. Government requires Federal agencies to establish an effective funds control process to ensure funds are used only for the purpose set forth by Congress and that expenditures do not exceed amounts authorized. There are laws and regulations that guide the implementation of Federal fiscal policy. These laws and regulations play an integral role in the budget process and establish the rules and restrictions governing Federal obligations and spending.¹ Agencies maintain policy directives for the effective management of funds to implement the requirements set forth in those Federal laws and regulations.

The complete budget execution cycle includes eight steps (see Figure 1):

Step 1: Congress must pass an **appropriations** act for the fiscal year (FY)² before any funds become available.³ An appropriation is a form of budget authority which is an act of Congress that provides legal authority for agencies to incur obligations and to make payments.

Step 2: The Office of Management and Budget provides **apportionments** of funds, usually on a quarterly basis, to Federal agencies to make money available for use for specified time periods, programs, activities, projects, objects, or any combination of these.

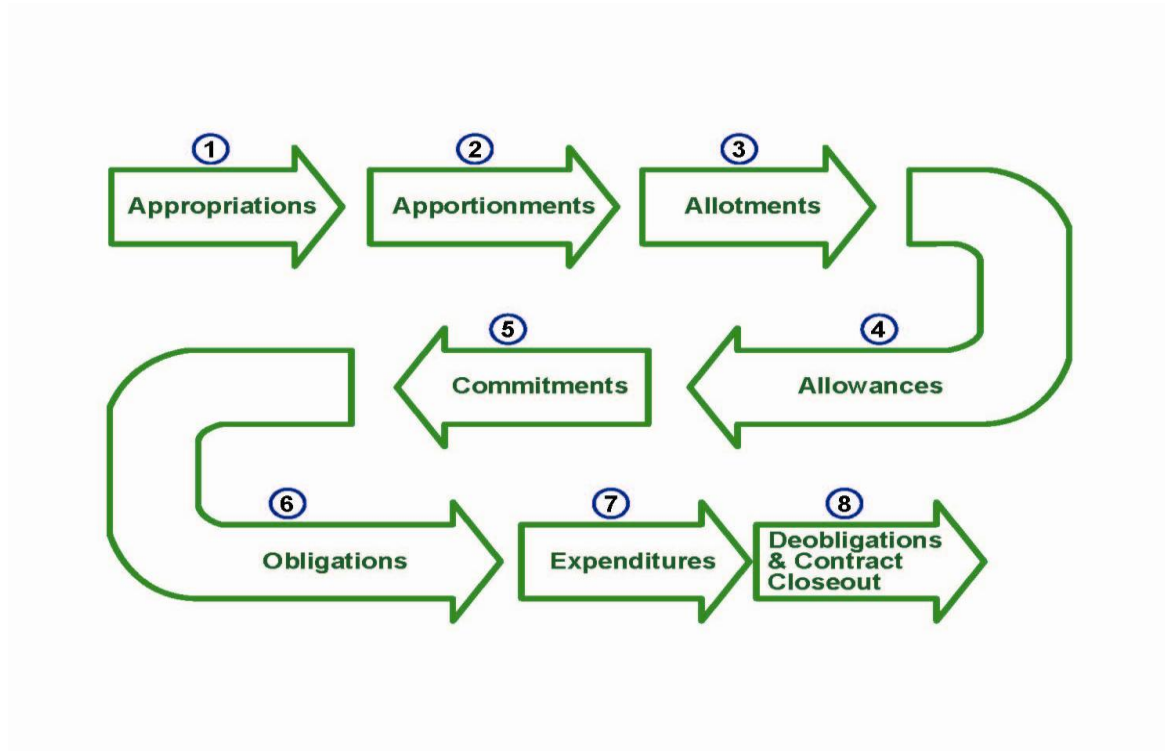
Step 3: An apportionment may be further subdivided by an agency into **allotments**. At the Nuclear Regulatory Commission (NRC), the Director of the Division of Planning and Budget within the Office of the Chief Financial Officer (OCFO) receives allotments.

¹ The administrative control of funds at Federal agencies must satisfy the requirements set forth in Office of Management and Budget Circular A-11, *Preparation, Submission, and Execution of the Budget*.

² The Federal fiscal year begins on October 1st of the calendar year.

³ Agencies can also operate under a continuing resolution, which is legislation in the form of a joint resolution enacted by Congress, when the fiscal year is about to begin or has begun, to provide budget authority for Federal agencies and programs to continue in operation until the regular appropriations acts are enacted.

Figure 1: Budget Execution Process



Source: OCFO

Step 4: The Director of the Division of Planning and Budget issues **allowances** to officials who assume supervisory authority and fiduciary responsibilities for financial plans and allowances issued to them.

Step 5: **Commitments** represent a reservation of funds for a possible future liability.

Step 6: **Obligations** represent an actual liability for goods and services.⁴

⁴ Federal law requires agencies to obligate money in accordance with its lawful purpose, time, and amount limits in the appropriation. The purpose of the obligation must be authorized, occur within applicable time limits, and be within congressionally established funding limits.

Step 7: Expenditures are the issuance of checks, the disbursement of cash, or the making of an electronic funds transfer to liquidate (pay) obligations.

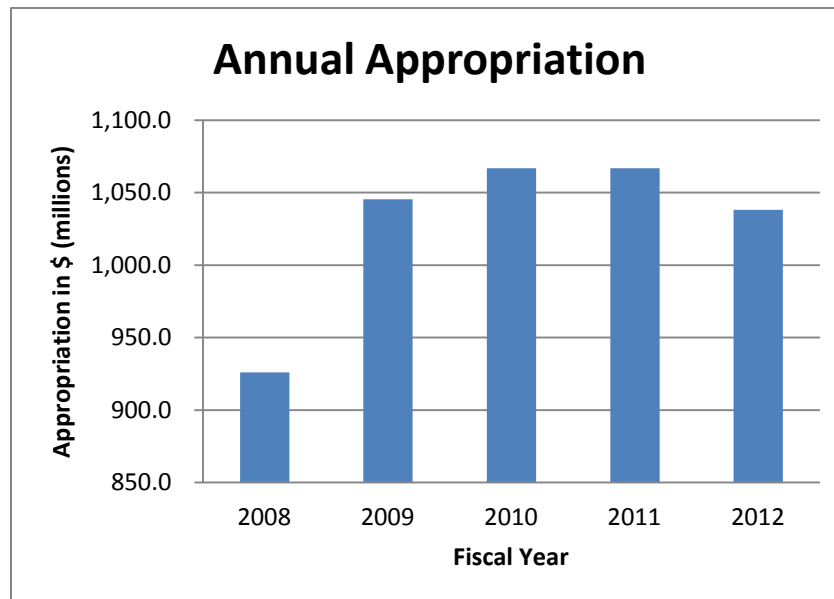
Step 8: Deobligations and contract closeout represent the cancellation or downward adjustment of a previously recorded obligation.

NRC's Budget Process

NRC's budget process consists of strategic planning; budget formulation, submission of the agency's budget to the Office of Management and Budget and Congress; approval of the budget by Congress; budget execution; and the reporting of budget and performance results. The budget execution phase refers generally to the time period during which the budget authority made through an appropriation remains available for obligation by NRC. NRC's task during the budget execution process is to spend appropriated funds to carry out its mission in accordance with fiscal statutes. NRC must also ensure that funds are managed in the most efficient and effective manner and business line⁵ results are communicated to agency management and Congress.

Between FYs 2008 and 2012, NRC's budget appropriation ranged from \$926.1 million to \$1,066.9 million (see Figure 2). In FY 2011, NRC's time-keeping system recorded approximately 50 full-time equivalents in support of budget execution activities.

⁵ A business line is a component part of the agency under the direction of a "responsible lead office" (e.g., Office of New Reactors). Examples of a business line include High Level Waste, New Reactors, and Financial Management. Business lines often include supporting offices (e.g., Office of Nuclear Regulatory Research does not lead a business line, but has a supporting role for several business lines). See Appendix B for a full list of NRC business lines.

Figure 2: NRC's Appropriations from FYs 2008 Through 2012

Source: OIG analysis of NRC information

Budget Execution Roles and Responsibilities

Office of the Chief Financial Officer

The Chief Financial Officers Act of 1990 (Public Law 101-576) requires each agency's Chief Financial Officer to monitor the financial execution of the agency's budget, and prepare and submit to the head of the agency timely performance reports. NRC's OCFO responsibilities include:

- Monitoring the actual expenditures in relation to NRC's budget.
- Controlling the use of agency funds to ensure that they are expended in accordance with applicable laws and standards.

- Developing and maintaining an integrated agency accounting and financial management system. On October 1, 2010, NRC implemented the Financial Accounting and Integrated Management Information System (FAIMIS) as the official system of record for agency financial operations.

The Division of Planning and Budget manages NRC's budgeting functions, including developing and executing NRC's annual budget. This division also develops financial reports to support agency strategic planning, and program evaluation. The Division of Planning and Budget Director delegates to agency officials, usually office directors (designated as allowance holders), authority to receive allowances.

NRC Budget Execution Delegation Responsibilities

Figure 3 shows the hierarchy of NRC's budget execution delegations:

Figure 3: Delegation Hierarchy

Director of Division of Planning and Budget: • Issue allowances to agency allowance holders
Allowance Holder: • Commit and obligate funds in accordance with purpose, time, and amount restrictions⁶ • Maintain financial records for their allowance • Reconcile office records to NRC financial system • <u>Delegate</u> authority to either an allowance financial manager or funds certifying official
Allowance Financial Manager: • Management of allowance on a day-to-day basis • <u>Delegate</u> authority to funds certifying official
Funds Certifying Official: • Verifies availability of funds prior to entering an obligation in the NRC financial system

Source: OIG analysis of OCFO information

⁶ The purpose of the obligation or expenditure must be authorized, the obligation must occur within the time limits applicable to the appropriation, and the obligation and expenditure must be within the amount Congress has established.

II. OBJECTIVES

The audit objectives were to determine whether (1) NRC maintains proper financial control over appropriated and apportioned funds to ensure compliance with applicable Federal laws, policies, and regulations and (2) opportunities exist to improve the budget execution process. See Appendix A for information on the audit scope and methodology.

III. FINDINGS

Overall, the agency maintains proper financial control over appropriated and apportioned funds to ensure compliance with applicable Federal laws, policies, and regulations. However, the Office of the Inspector General (OIG) identified opportunities for improvement in the following areas:

- A. Incomplete implementation of Planning, Budgeting, and Performance Management process.
- B. Insufficient understanding of FAIMIS reporting capabilities.
- C. Incomplete delegation and budget execution training records.

Addressing these concerns will strengthen NRC's budget execution process.

A. Incomplete Implementation of Planning, Budgeting, and Performance Management Process

NRC developed the Planning, Budgeting, and Performance Management process to integrate NRC's (1) strategic planning, (2) budget formulation (resource determination process), (3) budget execution (or monitoring performance process), and (4) performance assessment activities. However, NRC's budget formulation and execution processes are not aligned. Although the agency recognizes this problem, management has not yet implemented all the elements in the Planning, Budgeting, and Performance Management process, and has not enforced the use of certain financial management system codes. As a result, NRC's current budget process inhibits the agency's ability to determine agency business line costs.

The Planning, Budgeting, and Performance Management Process

NRC's Planning, Budgeting, and Performance Management process represents the agency's planned integrated approach to budgeting with the overall goal of linking budgeting to outcomes. The Government Performance and Results Act of 1993, required Federal agencies to establish a strategic planning and performance measurement process. In 1999, the agency introduced the Planning, Budgeting, and Performance Management process (see Figure 4) to implement the Government Performance and Results Act requirements. This process includes the following steps: (1) strategic planning, (2) determining resource needs and budget formulation, (3) monitoring performance and budget execution, and (4) program assessment. The intent of the Planning, Budgeting, and Performance Management process is to implement a disciplined, integrated process where achieving desired results drives the work to be accomplished and the resources necessary to complete that work.

Figure 4: NRC's Planning, Budgeting, and Performance Management Process



Source: OCFO

Budget Formulation and Execution Are Not Aligned

NRC's budget formulation and execution processes are not aligned. In practice, NRC's budget formulation is based on business lines but executed at the allowance holder level. Moreover, inconsistent use of financial management system codes further inhibits budget implementation.

Business Line-Based Formulation/Allowance Holder-Based Execution

NRC established a budget formulation process where staff develop the budget by projecting the costs of business lines. The budget formulation process is led by agency offices responsible for approximately 17 business lines (see Appendix B for the FY 2011 Program Budget Lead Office Responsibilities). Some agency offices may not have the lead on a particular business line but may still expend money associated with the same business line. All agency offices involved with the same business line are expected to work collaboratively to formulate the budget.

Although the budget is formulated along business lines, NRC executes the budget by tracking funds at the allowance holder level (see Appendix C for the FY 2011 Budget Execution Structure). For example, an NRC office may have the lead on two business lines that cross multiple offices. During budget execution, that same office controls expenditures only within its office.

However, in recent years OCFO has made numerous efforts to provide allowance holders and business line leaders more detailed budget information. While the agency has already made the change to business line approach in the budget formulation process, the funds control process still reflects the allowance holder structure. OCFO believes that the current structure provides for better internal controls.

Financial Management System Coding

Currently, there are few controls over financial management system codes. All financial transactions in FAIMIS require coding to identify fiscal year, funding source, and other pertinent information. In addition, FAIMIS transactions require job codes⁷ and budget object codes.⁸ OIG obtained a list of job codes and noted that some job codes can cover a broad range

⁷ A job code is a budgeting code that defines a specific NRC project. All NRC commitment and obligation transactions require the designation of a job code. Job codes refer to the activity performed, for example, reactor inspection, and secretarial support.

⁸ The budget object classification code classifies budget activity by type of cost (e.g., supplies, equipment, or personnel).

of agency activities. Conversely, some codes are so specific that they refer only to a portion of an activity. There were more than 2,800 job codes specific to FY 2011. Managers stated there is a lot of flexibility in creating and applying job codes, which makes it difficult to track business line costs.

In addition, budget object code use is inconsistently enforced and understood. Budget object codes indicate type of item acquired, such as training and telephone services. Each fiscal year, OCFO issues a list of budget object codes; however, according to agency managers the use of budget object codes is inconsistently enforced.

Planning, Budgeting, and Performance Management Process Not Fully Implemented

Although the agency has taken some steps to implement the Planning, Budgeting, and Performance Management process, implementation is incomplete. OCFO recognizes this and has taken the following steps to facilitate improvements:

1. An internal study by OCFO to analyze the current budget process illustrated the need to fully implement Planning, Budgeting, and Performance Management. Specifically, this study highlighted the lack of integration between budget formulation and execution.
2. OCFO has drafted a management directive to establish a performance-based process of strategic planning, budgeting, and program management.
3. During FY 2010, the agency initiated the Transforming Assets into Business Solutions task force, reflecting the agency's ongoing effort to streamline the budget process.

Further, there is no standard agency guidance for using job codes. During the course of this audit, OCFO initiated a working group to standardize, optimize, and simplify job code usage. OCFO plans to release standard job code guidance after the efforts of this working group are completed.

Although OCFO issues a list of budget object codes each fiscal year, use of these codes is not enforced during budget execution. Two agency managers stated that not all managers use correct budget object codes.

OCFO officials acknowledged that the enforcement of the consistent use of budget object codes needs to be improved.

Business Line Costs Are Unclear

The current budget structure inhibits the agency's ability to determine accurate business line costs. Improved capabilities to determine business line costs would allow the agency to make more effective cost management decisions. Some OCFO senior officials acknowledged that the current structure does not allow the agency to fully determine what offices are spending. By fully implementing the agency's Planning, Budgeting, and Performance Management process and enhancing financial management system coding, NRC will have more reliable budget execution information.

Recommendations

OIG recommends that the Chief Financial Officer:

1. Complete implementation of NRC's Planning, Budgeting, and Performance Management process.
2. Issue standardized agency guidance for using job codes.
3. Enforce the use of correct budget object codes.

B. Insufficient Understanding of FAIMIS Reporting Capabilities

NRC staff do not fully understand how to obtain budget information from FAIMIS that would be useful for decisionmaking. According to the Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government*,⁹ program managers need both operational and financial data to determine whether they are meeting agency goals. However, the agency has not provided sufficient training on FAIMIS reporting functionalities and report availability. Without a full understanding of system capabilities to access budget information, staff may not have the data needed to make informed business decisions.

Access to Budget Data

GAO standards for internal control require that program managers have access to both operational and financial data to effectively manage resources. This information is necessary both for long-term strategic planning purposes and day-to-day management.

Insufficient Understanding of How To Obtain FAIMIS Data

Agency staff have difficulty obtaining and understanding FAIMIS reports. In October 2010, NRC began using FAIMIS as the agency's core financial system and the official system of record for budget transactions. OIG conducted multiple interviews with staff throughout the agency who work on budget execution and learned that staff have difficulty obtaining and understanding budget execution reports. Those interviews revealed common concerns regarding FAIMIS reporting capabilities. These concerns include:

- Standard budget reports are difficult to understand. This has led some offices to rely on supplementary reports developed by OCFO staff and ad hoc systems. For example, staff surveyed by OIG rely on a manually prepared agencywide report run daily by an OCFO staffer rather than developing a report specific to their budget using FAIMIS.

⁹ GAO/AIMD-00-21.3.1, *Standards for Internal Control in the Federal Government*, issued November 1999.

- The tool to develop custom reports in FAIMIS, Business Analytics, is difficult to use, which discourages staff from using it.
- FAIMIS reports do not provide all the information that managers require in one report. Staff have to review budget totals from two or more FAIMIS reports to obtain a complete picture of their office's budget.

Additional FAIMIS Training Needed

Although the agency has offered training on FAIMIS, additional training is needed on the system's report functionalities and features. The agency offered significant training opportunities before FAIMIS was implemented on October 1, 2010. Since then, there has been limited training provided to agency staff on FAIMIS reporting capabilities.

Further, OCFO has not developed a process to ensure FAIMIS report training meets user needs.

OCFO management acknowledge that FAIMIS reports have been a challenge for program staff to obtain and understand. Several OCFO managers agreed more training should be provided. OCFO staff plans to work with agency staff to identify the right training needs and then add training courses based on staff feedback.

In addition, to address immediate staff concerns, OCFO created a FAIMIS Reports Working Group to prioritize and develop requested custom reports. OCFO management also plans to address staff concerns by automating the daily report prepared manually by the OCFO staff member.

Potential for Less than Optimal Business Decisions

Without a full understanding of system functionalities to access budget information, staff may make less than optimal business decisions. OCFO staff stated that some agency staff involved with budget execution do not have a full understanding of FAIMIS reporting features. As a result, at times, staff find it hard to retrieve financial information necessary to

effectively and efficiently administer their business lines. Enhancing NRC staff knowledge of FAIMIS reporting functionalities would improve the agency's ability to execute the budget to meet strategic goals and objectives.

Recommendations

OIG recommends that the Chief Financial Officer:

4. Develop a process to define training needs and measure the effectiveness of agency training provided on FAIMIS reporting functions, features, and capabilities.
5. Provide training to agency staff on FAIMIS reporting functions, features, and capabilities.

C. Incomplete Delegation and Budget Execution Training Records

According to Federal and agency guidance, NRC must maintain appropriate records and make such documentation available. However, supporting documents regarding financial management delegations and budget execution training are incomplete. This has occurred because management does not have written recordkeeping procedures for maintaining these documents. In addition, agency guidance does not specify whether allowance holder delegations should be to the position or specific individual. Without appropriate documentation, individuals may be executing transactions outside their authority.

Delegation and Training Documentation Requirements

The Chief Financial Officers Act of 1990 contains requirements regarding agency delegation responsibilities. Specifically, the Chief Financial Officers Act of 1990 authorized NRC's Chief Financial Officer to direct and manage the selection and training of personnel to carry out agency financial management functions.

GAO's standards for internal control contain guidance on agency delegations. Specifically, access to resources and records should be limited to authorized individuals and supporting documentation should be readily available for review. This control ensures that transactions and other significant events are authorized and executed only by persons acting within the scope of their authority. GAO's guidance requires that delegations for key areas of authority be clearly communicated to managers and employees.

NRC Guidance

NRC Management Directive (MD) 4.2, *Administrative Control of Funds*, contains guidance on delegations. Regarding allowance holders, MD 4.2 provides that the budget director has the responsibility to delegate and rescind authority from agency allowance holders. This directive provides explicit guidance for delegating authority (1) from allowance holders to allowance financial managers and (2) redelegating authority to funds

certifying officials. In both cases, these delegations of authority must be in writing and specific to an individual.

MD 4.2 also contains requirements for the recordkeeping of delegation supporting documents. Specifically, OCFO is responsible for maintaining records for both allowance financial managers and funds certifying officials. Offices are required to maintain delegation documentation for their funds certifying officials.

MD 4.2 further identifies training requirements for allowance financial managers and funds certifying officials.¹⁰ Specifically, allowance financial managers and funds certifying officials must complete two NRC courses¹¹ related to budget execution. The courses are to be completed before individuals are assigned as an allowance financial manager or a funds certifying official, or as soon as these courses become available.

OCFO staff stated that their internal Web site contains the official list of delegations to allowance holders, allowance financial managers, and funds certifying officials. Further, OCFO maintains the source documentation to support this list.

Incomplete Documentation

NRC does not maintain complete supporting documentation regarding financial management delegations for allowance financial managers and funds certifying officials listed on OCFO's Web site. In addition, OIG was not provided with documentation regarding completion of mandatory training for allowance financial managers and funds certifying officials during fieldwork. OCFO staff stated they use Office of the Chief Human Capital Officer records from the agency's official training system to verify course completion.

Finally, the agency is not consistent as to whether delegations for allowance holders apply to the position or individual.

¹⁰ There are no training requirements for allowance holders.

¹¹ These two mandatory courses are *Financial Management Seminar* and *Administrative Control of Funds*.

Allowance Financial Manager Delegation Documentation

OCFO documentation regarding allowance financial manager delegations is incomplete. OIG obtained a list of allowance financial managers from OCFO's internal Web site¹² (the official list) and compared it to the supporting documentation on file in OCFO. While the official list included 15 allowance financial managers, there was documentation in OCFO for only 10 allowance financial managers.

Funds Certifying Official Delegation Documentation

OCFO and program office supporting documentation regarding funds certifying official delegations are incomplete. OIG obtained the official list of 74 funds certifying officials from the Web site and compared this list to delegations on file in OCFO and program offices. OCFO and office files did not include all funds certifying officials on the official list, and included 13 additional individuals. Figure 5 shows the results of OIG's analysis. A "Yes" indicates OIG found the name on the internal Web site or supporting documentation in either OCFO or program office files. A "No" indicates the name was not on the internal Web site list, or supporting documentation was unavailable.

FIGURE 5: OIG Analysis of Funds Certifying Official Delegation Documentation¹³

Internal Web site	OCFO	Program Office	Total	Percent
Yes	Yes	Yes	68	78%
Yes	Yes	No	0	0%
Yes	No	Yes	5	6%
Yes	No	No	1	1%
No	Yes	Yes	7	8%
No	No	Yes	6	7%
No	Yes	No	0	0%
Total			87	100%

Source: OIG analysis of NRC information.

¹² OIG obtained this list as of April 27, 2012, for analysis.

¹³ The supporting documentation was compared to internal Web site information as of April 27, 2012, and supporting documentation was acquired in June 2012 with adjustments made to account for known timing differences.

Training Documentation for Funds Certifying Officials and Allowance Financial Managers

For allowance financial managers, OCFO provided a list showing 9 of 15 had taken both mandatory courses. For funds certifying officials, OCFO provided a list showing 55 of 74 had taken the mandatory courses. On May 1, 2012, OCFO sent notification to allowance financial managers identifying allowance financial managers and funds certifying officials who were not fully trained and requested individuals not in compliance take the necessary courses in the near future. Also, as of the end of fieldwork for this audit, OCFO sent allowance financial managers and funds certifying officials a memorandum reminding them of the training requirement.

Allowance Holder Delegation

NRC is not consistent as to whether delegations for allowance holders apply to the position or individual. For example, several staff stated that these delegations apply to the position, not to the individual. However, agency staff could not provide any evidence to support this statement. In addition, OIG could not find any agency document that clarified this issue.

Unclear Recordkeeping Requirements

NRC does not have written recordkeeping procedures for maintaining delegation and training documents for funds certifying officials and allowance financial managers. While MD 4.2 requires that delegations be documented and training be completed by funds certifying officials and allowance financial managers, it does not provide guidance on retaining written delegations and training records. OCFO confirmed that there are no office procedures for maintaining written delegations and training information.

Additionally, agency guidance is unclear as to whether delegations for allowance holders apply to the position or to the individual. OCFO agreed with OIG that allowance holder delegations should be addressed and subsequently issued clarifying guidance that allowance holder delegations are to the position.

Potential Exists for Unauthorized Budget Transactions

The lack of adequately documented delegations and training information increases the potential for staff to review and control budget data outside their authority, thereby potentially leading to fraud, waste, and misuse. The delegation process is a fundamental internal control for ensuring that only authorized individuals are executing NRC's budget. By enhancing NRC's delegation process and enforcing training requirements, NRC will have more effective internal controls over the budget execution process.

Recommendations

OIG recommends that the Chief Financial Officer:

6. Develop recordkeeping procedures to track delegations.
7. Develop recordkeeping procedures to track training documentation for allowance financial managers and funds certifying officials.
8. Incorporate clarified guidance on position delegations for allowance holders in MD 4.2, which is currently under revision.

IV. CONSOLIDATED LIST OF RECOMMENDATIONS

OIG recommends that the Chief Financial Officer:

1. Complete implementation of NRC's Planning, Budgeting, and Performance Management process.
2. Issue standardized agency guidance for using job codes.
3. Enforce the use of correct budget object codes.
4. Develop a process to define training needs and measure the effectiveness of agency training provided on FAIMIS reporting functions, features, and capabilities.
5. Provide training to agency staff on FAIMIS reporting functions, features, and capabilities.
6. Develop recordkeeping procedures to track delegations.
7. Develop recordkeeping procedures to track training documentation for allowance financial managers and funds certifying officials.
8. Incorporate clarified guidance on position delegations for allowance holders in MD 4.2, which is currently under revision.

V. AGENCY COMMENTS

OIG met with NRC management officials and staff at an April 4, 2013, exit conference, at which time the agency provided informal comments to the draft report. The informal comments were incorporated into the draft report as appropriate. NRC management and staff reviewed the revised draft report and agreed with the findings and recommendations. The agency opted not to provide formal comments for inclusion in this final report.

APPENDIX A

OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The audit objectives were to determine whether (1) NRC maintains proper financial control over appropriated and apportioned funds to ensure compliance with applicable Federal laws, policies, and regulations and (2) opportunities exist to improve the budget execution process.

SCOPE

This audit focused on reviewing management and financial controls over the agency's budget execution process for FY 2011. We conducted this performance audit at NRC headquarters in Rockville, Maryland, from January 2012 through October 2012. Internal controls related to the audit objectives were reviewed and analyzed. Throughout the audit, auditors were aware of the possibility or existence of fraud, waste, or misuse in the program.

METHODOLOGY

To accomplish the audit objectives, OIG reviewed relevant laws, regulations, and guidance, including the Antideficiency Act of 1982; the Chief Financial Officers Act of 1990; Office of Management and Budget Circulars A-11, *Preparation, Submission, and Execution of the Budget*, and A-127, *Financial Management Systems*; and GAO's *Standards for Internal Control in the Federal Government*. OIG also reviewed agency guidance and documents, including MD 4.2, *Administrative Control of Funds*; monthly Budget Execution Reports; office internal budget procedures; and multiple reports generated from FAIMIS. Additionally, OIG reviewed reports related to the agency's Transforming Assets into Business Solutions Task Force.

OIG interviewed NRC staff at headquarters and the regions to obtain insights on the agency's budget execution process. Furthermore, OIG interviewed budget staff from several Federal agencies to discuss their budget execution practices.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The work was conducted by Eric Rivera, Team Leader; Kathleen Stetson, Team Leader; Mary Meier, Audit Manager; and Michael Steinberg, Senior Auditor.

APPENDIX B

**FY 2011 Program Budget Lead Office Responsibilities
(Program Budget Formulation)**

BUDGET FORMULATION		
MAJOR PROGRAM	BUSINESS LINE	RESPONSIBLE LEAD OFFICE
Nuclear Reactor Safety	New Reactors	Office of New Reactors
	Operating Reactors	Office of Nuclear Reactor Regulation
Nuclear Materials and Waste Safety	New Fuel Facilities	Office of Nuclear Material Safety and Safeguards
	Operating Fuel Facilities	Office of Nuclear Material Safety and Safeguards
	Spent Fuel Storage and Transportation	Office of Nuclear Material Safety and Safeguards
	High Level Waste	Office of Nuclear Material Safety and Safeguards
	Nuclear Materials Users	Office of Federal and State Materials and Environmental Management Programs
	Decommissioning and Low Level Waste	Office of Federal and State Materials and Environmental Management Programs
Corporate Support	Agency-wide Infrastructure Product Lines	
	Human Resources Management; Training and Development Outreach	Office of the Chief Human Capital Officer
	Administrative Services	Office of Administration
	Rent and Facilities Management	Office of Administration
	Information Management	Office of Information Services
	Information Technology	Office of Information Services
	Disaster Recovery	Office of Information Services
	Financial Management	Office of the Chief Financial Officer
	Performance Management	Office of the Chief Financial Officer
	Policy Support	Office of the Chief Financial Officer

Source: OIG analysis of OCFO data in FY 2011 Budget Execution Guide

APPENDIX C

FY 2011 Budget Execution Structure

BUDGET EXECUTION	
Allowance Holder	Office
Administration	Administration
Central/OCFO	Office of the Advisory Committee on Reactor Safeguards Atomic Safety and Licensing Board Panel Computer Security Office Office of International Programs Office of Congressional Affairs Office of Commission Appellate Adjudication Office of the Chief Financial Officer The Commission Office of Enforcement Office of the Executive Director for Operations Office of the General Counsel Office of Investigations Office of Public Affairs Office of Small Business and Civil Rights Office of the Secretary
Office of Federal and State Materials and Environmental Management Programs	Office of Federal and State Materials and Environmental Management Programs
Office of the Chief Human Capital Officer	Office of the Chief Human Capital Officer
Office of Nuclear Material Safety and Safeguards	Office of Nuclear Material Safety and Safeguards
Office of New Reactors	Office of New Reactors
Office of Nuclear Reactor Regulation	Office of Nuclear Reactor Regulation
Office of Nuclear Security and Incident Response	Office of Nuclear Security and Incident Response
Office of the Inspector General	Office of the Inspector General
Office of Information Services	Office of Information Services
Office of Nuclear Regulatory Research	Office of Nuclear Regulatory Research
Region I	Region I
Region II	Region II
Region III	Region III
Region IV	Region IV
Salaries and Benefits/OCFO	All Offices

Source: OIG analysis of OCFO data