



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

**OFFICE OF THE  
INSPECTOR GENERAL**

August 13, 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:** STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S  
BUDGET EXECUTION PROCESS (OIG-13-A-18)

**REFERENCE:** CHIEF FINANCIAL OFFICER AND EXECUTIVE  
DIRECTOR for OPERATIONS MEMORANDUM DATED  
JUNE 20, 2013, AND CHIEF FINANCIAL OFFICER EMAIL  
DATED JULY 5, 2013

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations 1 through 8 as discussed in the agency's responses dated June 20, 2013, and July 5, 2013. Based on these responses, recommendations 1 through 8 are in resolved status. Please provide an updated status on the resolved recommendations by March 31, 2014.

If you have any questions or concerns, please call me at 415-5915 or Eric Rivera, Team Leader, at 415-7032.

Attachment: As stated

cc: R. Mitchell, OEDO  
K. Brock, OEDO  
J. Arildsen, OEDO  
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## Audit Report

### AUDIT OF NRC'S BUDGET EXECUTION PROCESS

OIG-13-A-18

#### Status of Recommendations

Recommendation 1: Complete implementation of NRC's Planning, Budgeting, and Performance Management process.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

The following ongoing efforts/actions comply with and support the recommendation to complete the PBPM process and provide for better integration of budget formulation and execution:

Strategic Plan (Setting the Strategic Direction)  
(David Holley):

- In accordance with the GPRA Modernization Act of 2010, and the Office of Management and Budget (OMB) Circular A-11 guidelines, the agency is currently updating its Strategic Plan. The agency adopted logic modeling as the basis for the development of the updated Strategic Plan. Logic Modeling is essentially a "success" tree: at the top of the tree is the agency's vision/mission statement; at the second level are the strategic goals; and the third level is the strategic objectives - all have been updated for the current version of the Strategic Plan.
- The Office of the Chief Financial Officer (OCFO) will lead the development of a Strategic Plan management directive upon submission of the fiscal year (FY) 2014 - 2018 Strategic Plan to OMB in December 2013, for clearance, and to Congress and the President in February 2014.

OCFO modified the advice of allowances and financial plan (AAFP) process to ensure that business/product line leads have access to partner allowance holders' AAFP's as a result of feedback from the programmatic internal control contractor.

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### **AUDIT OF NRC'S BUDGET EXECUTION PROCESS**

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#### **Status of Recommendations**

##### Recommendation 1 (cont.):

This information will be reiterated in the FY 2013 AAFP Full-Year Budget memorandum. (Patrice Williams-Johnson)

Determining Resources and Planned Activities:

- Beginning with the FY 2015 PBPM process, the NRC implemented Baseline Budgeting. (Russell Allwein)
- This entails a process by which a budget is prepared using execution data and anticipated changes.
- Instead of building a budget request from the ground up or by adjusting the most recently formulated budget request, the baseline budgeting process will use the latest execution data and adjust for programmatic and fact-of-life changes and projections for new or changing work.
- It is expected that using historical execution data to better inform formulation will reduce budget excess.
- The NRC new add/shed/defer process provides agency guidance on how to execute shifts in priorities during budget execution that differ from what was budgeted for that fiscal year. (Patrice Williams-Johnson)
- The add/shed/defer process is to be applied to those decisions made during the budget execution year; however, the results of add/shed/defer activities during the execution year should be monitored to provide input to future budget formulation cycles.

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#### Status of Recommendations

##### Recommendation 1 (cont.):

- Business line leads have authority to reject emergent work and decide on add/shed/deferral shifts after collaboration with partner offices.
- Business line leads make add/shed/deferral decisions within their business lines and provide concurrence on resource reallocation memoranda addressed to the Commission. This aspect will be reiterated on the FY 2013 AAFP Full-Year Budget memorandum.
- A new Management Directive (MD) and Handbook are being developed/issued to replace, in part, MD 4.7, "Policy and Practices Governing NRC Long-Range Planning, Budget Formulation, and Resource Management." The new directive and handbook reflect process changes in the formulation of the budget since the last update to MD 4.7. (Russell Allwein)

##### Determining Resources and Planned Activities, Assessing Performance, and Measuring and Monitoring Performance (Joel Mattingley):

- OCFO is in process of creating a spend plan system that will standardize execution year resource planning across the agency.
- OCFO has recently developed a salary and benefit system to assist offices in managing both current and future expenses related to personnel.
- OCFO provides budget execution data to business/product line leads and allowance holders on a regular basis which is consistent with the manner in which NRC formulates its budget, i.e., by business/product lines:
  - The Office of the Executive Director for Operations and OCFO hold Quarterly Performance Review (QPR)

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#### Status of Recommendations

Recommendation 1 (cont.):

briefings with the business line/product line leads to review program and financial performance against plans.

- The recently formed QPR briefings create an execution process similar to formulation. Business lines/product lines owners are provided information on how their business and product lines are performing during the QPR briefings.
- Financial execution data is also available on a daily basis through a financial dashboard on SharePoint.
- OCFO performs an annual financial analysis of budget to actual for the execution fiscal year that recently ended - which is then used to inform the subsequent formulation process. The end of year financial analysis provides budget execution data by business line/product line.
- Budget execution data is presented at the business/product line levels in Section III of the NRC Budget Execution Report.
- The Office of Federal and State Materials and Environmental Management Programs is piloting a more rigorous process to meeting with their partner offices on a regular basis during the execution year.
- OCFO will be briefing business/product line leads on business/product line reporting in the third quarter of FY 2013.
- CFO regularly discusses the agency's budget execution status during monthly EDO led management meetings. These monthly budget briefing slides are posted on the OCFO SharePoint Site.

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#### Status of Recommendations

Recommendation 1 (cont.):

Programmatic Internal Control (David Holley):

In FY 2013, the agency is updating its programmatic internal control and reasonable assurance processes to align with the agency's budget structure, performance reporting, and its FY 2014 – 2018 Strategic Plan. This entailed moving from individual office (27) reasonable assurance certifications to business line (9) reasonable assurance certifications. The rationale for the transition resulted from a benchmarking study the OCFO conducted in FY 2012 that highlighted the lines of business reasonable assurance process as a Federal best practice.

OCFO updated MD 4.4, Internal Control, which was published in October 2012.

Target Completion Date: 4<sup>th</sup> Quarter FY 2014

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when the agency completes implementation of NRC's Planning, Budgeting, and Performance Management process.

**Status:**

Resolved.

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#### Status of Recommendations

Recommendation 2: Issue standardized agency guidance for using job codes.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

OCFO established a job code standardization workgroup.

OCFO met with the offices and reached a preliminary agreement on standardizing job codes.

OCFO will be working with offices and business/product line leads to finalize the job code structure for implementation beginning on October 1, 2013.

Target Completion Date: 1<sup>st</sup> Quarter FY 2014

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives documentation showing standardized guidance on how to use job codes.

**Status:**

Resolved.

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### AUDIT OF NRC'S BUDGET EXECUTION PROCESS

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#### Status of Recommendations

Recommendation 3: Enforce the use of correct budget object codes.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

OCFO has partnered with the Office of Administration (ADM)/Division of Contracts and the Associate Directorate for Strategic Acquisition to provide the BOC [Budget Object Code] information. This information will be posted on the OCFO and ADM SharePoint Sites. The information will also be provided at the upcoming NRC Strategic Acquisition System (STAQS) training.

OCFO reviewed all the BOC codes used and produced a summary document with definitions, and also provided a list of the most commonly used codes to offices' Funds Certifying Officials (FCO) and Project Officer's/Contract Officer Representatives.

OCFO will maintain a comprehensive list annually of OMB Circular A-11 changes.

OCFO will work with the STAQS working group in exploring the option of setting up checkpoints in STAQS for BOC entries.

Target Completion Date: 4<sup>th</sup> Quarter FY 2014

OIG Analysis: The proposed corrective action partially addresses the intent of OIG's recommendation. This recommendation will be closed when OIG sees evidence of review of budget object codes for correct use.

**Status:** Resolved.

## Audit Report

### AUDIT OF NRC'S BUDGET EXECUTION PROCESS

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#### Status of Recommendations

Recommendation 4: Develop a process to define training needs and measure the effectiveness of agency training provided on FAIMIS [Financial Accounting Integrated Management Information System] reporting functions, features, and capabilities.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

The OCFO will develop a two-pronged approach to address this recommendation:

Provide Training and Communications based on Feedback solicited from office staff:

- OCFO plans to disseminate a Financial Systems Survey in early June 2013. This will be disseminated to all FAIMIS Users and will include questions relating to FAIMIS Reporting. The results of the Survey will be used to develop additional communications and training for offices as they relate to FAIMIS Reports (training, based on the Survey results will be offered through the end of calendar year 2013). An additional survey will be released in early 2014 to determine the effectiveness of the training and communications offered.
- Responsibility will be placed on office users to:
  - Respond to the Survey and identify their specific reporting concerns via the Survey.
  - Attend training and respond to OCFO communications provided regarding those concerns raised in the Survey.
- The OCFO will track user responses and attendance by user name because only specific issues are actionable and training is only useful to address issues of those who attend the sessions offered.

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#### Status of Recommendations

Recommendation 4 (cont.):

Identify the universe of financial data that OCFO's management requests from offices. Map the data identified to existing reporting solutions and communicate the mapping to offices.

- Based on direction provided by the CFO, the OCFO plans to initiate an effort where OCFO will dictate financial management reporting requirements for offices going forward. OCFO will provide offices the details of the reports and processes to be used by offices to meet financial management requests from OCFO.
- This approach is in contrast to the current approach where reports are developed to meet Office identified needs (in addition to those identified by the OCFO).

Target Completion Date: 1<sup>st</sup> Quarter FY 2015

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a summary of survey results related to FAIMIS reporting functions, features, and capabilities.

**Status:**

Resolved.

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#### Status of Recommendations

Recommendation 5: Provide training to agency staff on FAIMIS reporting functions, features, and capabilities.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

Two training courses have been developed and offered to office staff:

- Reporting Working Group (RWG) 101 Training – most recent courses were offered on December 4, 2012, January 8, 2013 and February 6, 2013. The next courses are offered in June 2013.
- RWG 200 Training – courses were offered on March 28, 2013 and April 24, 2013. The next courses are offered in June 2013.

Step level materials are available for all users on the FAIMIS SharePoint Site.

Target Completion Date: 4<sup>th</sup> Quarter FY 2014

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG sees evidence of courses offered and held related to FAIMIS reporting functions, features, and capabilities during fiscal years 2013 and 2014.

**Status:** Resolved.

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### AUDIT OF NRC'S BUDGET EXECUTION PROCESS

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#### Status of Recommendations

Recommendation 6: Develop recordkeeping procedures to track delegations.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

OCFO is currently developing recordkeeping procedures to track allowance financial manager (AFM) and FCO delegations.

A memorandum from the Budget Director was provided to offices in December 2012 for the purpose of:

- (1) Clarifying the requirement for documenting allowance holder (AH) and AFM delegations of authority associated with financial plan change requests;
- (2) Reminding AH offices of their responsibility to maintain current delegations of authority for AFMs and FCO, and
- (3) Reminding AFMs and FCOs of their responsibility to complete the required financial management training

Efforts and activities that will be included in the FY 2013 AAFP Full Year Funding memorandum to assist in implementing this recommendation include:

- Reminding offices of their responsibility to inform the OCFO of any new or modified delegations of authority for AFMs and FCOs.
- Informing offices that a new written delegation of authority is required whenever the designated employee no longer serves as the AFM. In addition, a new delegation memorandum is necessary when new FCOs are assigned.

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#### Status of Recommendations

Recommendation 6 (cont.):

- Notifying offices that FCOs must be listed on the new memoranda in addition to those newly delegated individuals.

OCFO notified offices regarding the latest process which requires emailing all new delegations of authority memoranda and/or notating the ADAMS ML accession number(s) to: "AAFPChangeRequest Resource@nrc.gov" to ensure that the most current contact lists for AFMs and FCOs are properly maintained on the OCFO SharePoint Site.

The information above will also be included within the revised MD 4.2, "Administrative Control of Funds," in the "Administrative Control of Funds" training sessions, and on the OCFO SharePoint Site.

Target Completion Date: 1<sup>st</sup> Quarter FY 2014

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews documentation of recordkeeping procedures to track delegations.

**Status:**

Resolved.

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### AUDIT OF NRC'S BUDGET EXECUTION PROCESS

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#### Status of Recommendations

Recommendation 7: Develop recordkeeping procedures to track training documentation for allowance financial managers and funds certifying officials.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

OCFO is currently developing recordkeeping procedures to track documentation of AFM and FCO required training.

In early May 2013, emails were sent to AFMs and FCOs informing them of employees who have not been completely trained and requesting that these employees sign up for one of the upcoming sessions.

Earlier this fiscal year, OCFO issued financial training requirement reminders to offices which indicated that:

- In accordance with Part IV of Handbook 4.2, "Administrative Control of Funds," AFMs and FCOs are required to complete the two financial management courses at the NRC Professional Development Center (PDC).
- These courses are offered several times throughout the fiscal year. Staff may sign up online with the PDC via iLEARN.
- Continued authority to certify funds availability depends on successful completion of these two courses as soon as they become available.

A memorandum from the Budget Director was provided to offices in December 2012 for the purpose of:

- (1) clarifying the requirement for documenting AH and AFM delegations of authority associated with financial plan change requests;

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#### Status of Recommendations

Recommendation 7 (cont.):

- (2) reiterating to AHs' offices their responsibility to maintain current delegations of authority for AFMs and FCOs; and
- (3) reminding AFMs and FCOs of their responsibility to complete the required financial management training.

The information above will be included in the FY 2013 AAFP Full-Year Funding memorandum, on the OCFO SharePoint Site, and in upcoming "Administrative Control of Funds" training sessions.

Target Completion Date: 4<sup>st</sup> Quarter FY 2013

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews documentation of recordkeeping procedures for allowance financial managers and funds certifying officials to track training documentation.

**Status:**

Resolved.

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### AUDIT OF NRC'S BUDGET EXECUTION PROCESS

#### OIG-13-A-18

#### Status of Recommendations

Recommendation 8: Incorporate clarified guidance on position delegations for allowance holders in MD 4.2, which is currently under revision.

Agency Responses  
Dated June 20, 2013,  
and July 5, 2013:

Agree.

The clarifying guidance indicating that the allowance holder delegation is to a personnel position and not to an individual employee has been included in the most recent draft of MD 4.2, and will be included in the final version.

The clarifying guidance will be included in the FY 2013 AAFP Full-Year Funding memorandum and on the OCFO SharePoint Site.

The "Administrative Control of Funds" training course was recently updated to include this guidance, as well.

Target Completion Date: 1<sup>st</sup> Quarter FY 2014

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives the revised final MD 4.2 showing the clarified guidance on allowance holder delegations.

**Status:** Resolved.