



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

January 15, 2016

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Maureen E. Wylie */RA/*
Chief Financial Officer

Victor M. McCree */RA/*
Executive Director for Operations

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE U.S.
NUCLEAR REGULATORY COMMISSION'S REACTOR
BUSINESS LINES' COMPLIANCE WITH AGENCY NON-
FINANCIAL INTERNAL CONTROL GUIDANCE
(OIG-15-A-16)

Please see below a status update pertaining to the subject audit report of June 24, 2015, and the Office of the Inspector General (OIG) correspondence of August 24, 2015.

Recommendation 1

Implement NRC Management Directive and Handbook 4.4, Internal Control, non-financial internal control requirements.

Status

Agree. Staff is updating the business line Internal Control Plans to better align with the current Nuclear Regulatory Commission (NRC) Management Directive (MD) and Handbook 4.4. After the Office of Management and Budget (OMB) issues the revised Circular A-123, *Management's Responsibility for Risk Management and Internal Control*, staff will update the MD and Handbook 4.4. To cover the time period between the revisions of A-123 and MD 4.4, staff is drafting Interim Guidance on Internal Control and Risk Management.

Milestones:

- OMB to issue the revised Circular A-123 – Expected in Fiscal Year (FY) 2016 Q2
- Issue Interim Guidance on Internal Control and Risk Management – March 2016
- Update the Business Line Internal Control Plans – March 2016
- Update MD 4.4 and Handbook – March 2018

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Recommendation 2

Implement steps that hold program managers and staff accountable for meeting their responsibility for adhering to internal controls.

Status

Agree. The agency will establish a Programmatic Senior Assessment Team (PSAT) for internal control over program operations. From the Draft Revision of A-123, November 10, 2015, the name of the PSAT may change to "Senior Management Council" in order to meet A-123. The Senior Assessment Team remains a requirement for financial reporting, which NRC has in place. Additionally, the Draft Revision of A-123 includes guidance about developing a risk profile and an Enterprise Risk Management maturity model approach. The staff anticipates that the revised A-123 requirements will meet the intent of the recommendation.

Milestones:

- Establish a Senior Management Council – March 2016
- Additional milestones to be determined pending the revised OMB Circular A-123 – Expected in FY 2016 Q2

Recommendation 3

Develop internal control training and guidance to include mandatory standalone courses for managers and staff, and incorporate internal control responsibilities in the NRC formal developmental programs.

Status

Agree. A Yellow Announcement was originally scheduled for December 31, 2015, to follow the issuance of A-123 in early FY 2016. The staff is awaiting the revised A-123 in order to ensure that NRC guidance aligns with the final version of OMB's guidance. The staff discussed this with Robert K. Wild, OIG Team Leader, on December 24, 2015, and formally requests an extension via this memo.

Milestones:

- OMB to issue the revised Circular A-123 – Expected in FY 2016 Q2
- Issue a Yellow Announcement on the importance of internal control and risk management – March 2016
- Obtain approval from the NRC Human Capital Council to designate a standalone course on internal control as one-time mandatory training for all staff, managers, and contractors – March 2016
- Update and launch the course in iLearn – September 2016
- Work with OIG and the Office of the Chief Human Capital Officer to bring a speaker from the Government Accountability Office (GAO) to discuss internal control, the GAO Green Book, and A-123 – September 2016

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- Incorporate a video of the GAO speaker into the NRC Supervisor Development Program, Nuclear Safety Professional Development Program, Leadership Potential Program, and Senior Executive Service Candidate Development Program – September 2016

cc: S. Zane, OIG
J. Gordon, OIG
R. K. Wild, OIG
A. Valentin, OEDO
J. Jolicoeur, OEDO

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