



OFFICE OF THE
INSPECTOR GENERAL

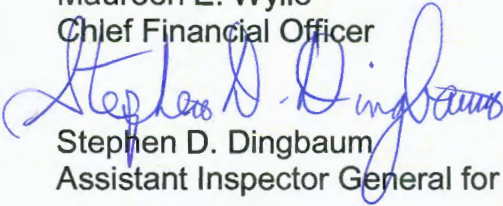
UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

July 13, 2016

MEMORANDUM TO: Victor M. McCree
Executive Director for Operations

Maureen E. Wylie
Chief Financial Officer

FROM:


Stephen D. Dingbaum
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S
REACTOR BUSINESS LINES' COMPLIANCE WITH
AGENCY NON-FINANCIAL INTERNAL CONTROL
GUIDANCE (OIG-15-A-16)

REFERENCE: CHIEF FINANCIAL OFFICER AND EXECUTIVE
DIRECTOR FOR OPERATIONS MEMORANDUM DATED
JUNE 22, 2016

Attached is the Office of the Inspector General's analysis and status of recommendations 1, 2, and 3 as discussed in the agency's response dated June 22, 2016. Based on this response, recommendations 1 and 3 remain resolved, and recommendation 2 is closed. Please provide an updated status of the resolved recommendations by December 30, 2016.

If you have questions or concerns, please call me at 415-5915 or Paul Rades, Team Leader, at 415-6228.

Attachment: As stated

cc: R. Lewis, OEDO
H. Rasouli, OEDO
J. Jolicoeur, OEDO
J. Bowen, OEDO
S. Hudson, OCFO
EDO_ACS Distribution Resource
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Audit Report

AUDIT OF NRC'S REACTOR BUSINESS LINES' COMPLIANCE WITH AGENCY NON-FINANCIAL INTERNAL CONTROL GUIDANCE

OIG-15-A-16

Status of Recommendations

Recommendation 1: Implement NRC Management Directive and Handbook 4.4, *Internal Control*, non-financial internal control requirements.

Agency Response
Dated June 22, 2016:

Agree. Staff has updated the template for 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. OMB has postponed issuing the revised A-123 and has issued several interim drafts for Federal agency comments. Staff expects OMB to issue the revised A-123 by the end of Fiscal Year (FY) 2016. In the meantime, staff has proceeded to issue the *Interim Guidance for Programmatic Internal Control*. The Interim Guidance will be limited to superseding MD 4.4 Handbook, Section III, *Assessment of Internal Control over Program Operations (Non-Financial)*. The revision to MD 4.4 will address the updates to A-123.

Milestones:

- Issue *Interim Guidance for Programmatic Internal Control* – Completed
- Update the Business Line Internal Control Plans – Completed (New Template)
- OMB to issue the revised Circular A-123 – Expected in FY 2016 Q4 instead of Q2
- Update MD 4.4 and Handbook – March 2018

OIG Analysis:

NRC's interim guidance on programmatic internal control and updated business line Internal Control Plans facilitate agency compliance with the non-financial internal control requirements identified in this audit report. Together, these

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Status of Recommendations

Recommendation 1 (cont.):

documents provide compensatory internal control guidance until OMB issues the revised Circular A-123 in Q4, FY 2016 and NRC updates MD 4.4 and Handbook in March 2018. OIG will close this recommendation upon verification that the reactor safety business lines have fully complied with the non-financial internal control process requirements identified in the audit report.

Status: Resolved.

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Status of Recommendations

Recommendation 2: Implement steps that hold program managers and staff accountable for meeting their responsibility for adhering to internal controls.

Agency Response
Dated June 22, 2016:

Agree. On March 31, 2016, the agency established a Senior Management Council called the Programmatic Senior Assessment Team (PSAT), as identified in MD 4.4 for oversight of internal control over program operations.

Milestones:

- Establish a Senior Management Council – Completed (Memo and Charter)

OIG Analysis:

OIG reviewed the documentation for establishing oversight of internal control over program operations that is jointly managed by the Office of the Executive Director for Operations and the Office of the Chief Financial Officer. This action addresses the intent of the recommendation. This recommendation is therefore closed.

Status: Closed.

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Status of Recommendations

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.

Agency Response
Dated June 22, 2016:

Agree. On March 30, 2016, the Chief Financial Officer (CFO) issued a Yellow Announcement on the importance of internal control and enterprise risk management. The CFO also recorded a video message to the agency on March 25, 2016, regarding the importance of internal control and the agency's compliance with the Federal internal control requirements. The video is currently available on the Internal Control and Planning Branch (ICPB) SharePoint site. Regarding the standalone training course on internal control, staff have developed a draft version and are working to launch it in iLearn in September. Once complete, staff will issue a Yellow Announcement regarding the course availability that will also include the CFO video message discussed above. In addition, staff has scheduled speakers from OMB and the Government Accountability Office (GAO) to present at the NRC Executive Leadership Seminar series on September 19, 2016, on the topics of internal control, enterprise risk management, and GAO's Standards for Internal Control in the Federal Government (Green Book).

Milestones:

- Issue a Yellow Announcement on the importance of internal control and risk management – Completed
- 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 – July 2016
- Update and launch the course in iLearn with Yellow Announcement announcing its availability along with a video message from the CFO – September 2016

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Status of Recommendations

Recommendation 3 (cont.):

- Work with OEDO and the Office of the Chief Human Capital Officer to bring speakers from the GAO and OMB to discuss internal control, enterprise risk management, and GAO's Green Book – September 2016
- OMB to issue the revised Circular A-123 – Expected in FY 2016 Q4 instead of Q2
- Incorporate a video of the GAO and OMB speakers into the NRC Supervisor Development Program, Nuclear Safety Professional Development Program, Leadership Potential Program, and Senior Executive Service Candidate Development Program – November 2016

OIG Analysis:

The proposed actions continue to meet the intent of the recommendation. This recommendation will be closed upon OIG verification that internal control training and guidance includes mandatory standalone courses for managers and staff, and that internal control responsibilities are incorporated in NRC's formal developmental programs.

Status:

Resolved.