



OFFICE OF THE
INSPECTOR GENERAL

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

December 7, 2016

MEMORANDUM TO: Maureen E. Wylie
Chief Financial Officer

FROM: Dr. Brett M. Baker */RA/*
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE U.S.
NUCLEAR REGULATORY COMMISSION'S INTERNAL
CONTROLS OVER FEE REVENUE (OIG-15 A-12)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDUM DATED
OCTOBER 31, 2016

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations 1 through 4 as discussed in the agency's response dated October 31, 2016. Based on this response, recommendations 1, 2, 3, and 4 remain resolved. Recommendations 5, 6, and 7 were previously closed. Please provide an updated status of the resolved recommendations by October 20, 2017.

If you have questions or concerns, please call me at (301) 415-5915, or Eric Rivera, Team Leader, at (301) 415-7032.

Attachment: As stated

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

Audit Report

AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE

OIG-15-A-12

Status of Recommendations

Recommendation 1: Establish policies and procedures to centralize the control of TAC setup.

Agency Response Dated
October 31, 2016:

The staff agrees with the recommendation.

Staff is implementing the recommendation through the Cost Accountability and Management Project (CAMP) as restructured to address complexities inherent to the fee-billable, docket-related, and project-related Cost Activity Codes (CACs, formerly TACs) and related business processes. The CAMP is taking a comprehensive approach to improving controls throughout the CAC process of setup, usage, and validation.

In a related effort, the agency is removing non-mission functions from the replacement Reactor Program System (RPS). The TACS Legacy System Replacement (CAC system) will move the source of CACs from RPS to an Office of the Chief Financial Officer (OCFO) system. The OCFO Financial Systems Branch has been collaborating with the Office of Nuclear Reactor Regulation on this effort from FY 2013 to present and will complete development of the CAC system during FY 2017.

Milestones:

1. Centralize in the OCFO the control of setup for CACs that are non-fee-billable, non-docket – Complete (Interim CAC Guidance, ML15328A273, and Yellow Announcement, YA-16-0016, 02/19/2016)
2. Provide guidance and conduct CAC system user training about: the procedures for CAC setup, the data exchange in relation to the program office workload management systems, and the OCFO approval/governance role – 09/30/2017

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Status of Recommendations

Recommendation 1 (cont.):

- 3. Establish policies and procedures to centralize the control of CAC setup for fee-billable, docket-related, and/or project-related CACs – 09/30/2017
- 4. Update Management Directive 10.43, Time and Labor Reporting – 01/31/2018

Estimated Completion Date: January 2018

OIG Analysis:

The actions proposed by the agency meet the intent of the recommendation. This recommendation will be closed after OIG reviews the revised procedures, training strategy, new TAC structure and procedures, and updated directives that centralize the control of TAC setup.

Status:

Resolved.

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Status of Recommendations

Recommendation 2: Design and implement internal controls that would allow user access in HRMS to TACs related only to their job functions.

Agency Response Dated
October 31, 2016:

The staff agrees with the recommendation.

To support a control conscious environment regarding CAC usage, staff is working to optimize the automated controls in the Human Resources Management System (HRMS) and CAC system and business process controls related to the timecard. OCFO continues to work collaboratively with stakeholders to identify and design mutually acceptable methods of limiting user access in HRMS to CACs related only to their job functions. Staff has completed the analysis of alternatives and procurement action for contractor support for the CAC system. It will include the ability to assign a CAC to specific employees for purposes of defaulting the user timecard preferences in HRMS.

Additionally, staff is implementing compensating controls to mitigate the risks associated with incorrect timecard entries, including HRMS training with a focus on accuracy, increased accountability for the HRMS approving official role, and a more stringent CAC validation process. Training will be introduced as part of the HRMS upgrade in FY 2017 Q2.

Milestones:

1. Analyze alternative system capabilities for CAC system – Complete (ML16302A108, 07/25/2016)
2. Conduct outreach to support a control conscious environment regarding CAC usage – 03/31/2017
3. Design and complete automated internal controls – 06/30/2017
4. Implement the use of automated internal controls – 09/30/2017
5. Provide training for HRMS users and approving officials – 09/30/2017

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Status of Recommendations

Recommendation 2 (cont.): Estimated Completion Date: September 2017

OIG Analysis: The actions proposed by the agency meet the intent of the recommendation. This recommendation will be closed when OIG has reviewed the updated internal controls that allow user access in HRMS to TACs related only to their job functions.

Status: Resolved.

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Status of Recommendations

Recommendation 3: Standardize and link TACs to specific tasks.

Agency Response Dated
October 31, 2016:

The staff agrees with the recommendation.

During FY 2012 to FY 2015, Phase 1 of CAMP standardized the non-fee-billable, non-docket CACs at the budget product level. Staff developed a description for each CAC that included the tasks to which the CAC was linked.

During FY 2016, the CAMP Integrated Project Team was created, including technical staff from the program offices and regions with experience in fee-billable work activities. The CAMP project has collaborated with related data initiatives of the Master Data Management Program and Replacement RPS to gain alignment on the data structure and business rules for the fee-billable CAC and the Enterprise Project Identifier, a new data element.

During FY 2017, staff will develop the standard set of fee-billable and docket-related CACs and link them to specific tasks/activities in the regulatory process. The CAC system will automate the standard data structure from CAMP, effective at the start of FY 2018.

Milestones:

1. Standardize the non-fee-billable, non-docket CACs – Complete (FY 2016 CAC List, ML16019A150, 10/06/2015)
2. Align on the data structure and business rules for the fee-billable CAC and the Enterprise Project Identifier – 11/30/2016
3. Define the standard set of fee-billable CACs and link to specific tasks/activities in the regulatory process – 03/31/2017
4. Standardize the non-fee-billable, docket-related CACs – 03/31/2017

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Status of Recommendations

Recommendation 3 (cont.):

5. Develop a systems migration plan for moving CAC data from NRR RPS TACS to the OCFO CAC system, and for transitioning to the standard set of fee-billable CACs – 03/31/2017
6. Provide training for HRMS users and approving officials – 09/30/2017
7. Implement the timecard use of fee-billable CACs that are standardized and linked to specific tasks – 09/30/2017

Estimated Completion Date: September 2017

OIG Analysis:

The action proposed meets the intent of the recommendation. OIG will close this recommendation when the agency implements a new standardized TAC list that links to specific tasks.

Status:

Resolved.

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Status of Recommendations

Recommendation 4: Design and implement a plan to improve the TAC validation process.

Agency Response Dated
October 31, 2016:

The staff agrees with the recommendation.

Staff will develop a more stringent staff hours validation process by leveraging changes to the CAC data structure, improving controls throughout the process, designing a more user-friendly and effective quarterly validation report, increasing accountability in the certification process, and implementing a standard process.

Milestones:

1. Design a plan to standardize and improve the staff hours validation process – 03/31/2017
2. Design and complete a more effective quarterly validation report – 09/30/2017
3. Provide guidance and training for the standard validation process – 09/30/2017
4. Implement the improved CAC validation process – FY 2018

Estimated Completion Date: January 2018

OIG Analysis:

The actions proposed by the agency meet the intent of the recommendation. This recommendation will be closed when OIG reviews the completed independent TAC validation process.

Status:

Resolved.