



OFFICE OF THE  
INSPECTOR GENERAL

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

March 16, 2017

MEMORANDUM TO: Victor M. McCree  
Executive Director for Operations

Maureen E. Wylie  
Chief Financial Officer

FROM: Dr. Brett M. Baker */RA/*  
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  
MARCH 3, 2017

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations 1 and 3 as discussed in the agency's response dated March 3, 2017. Based on this response, recommendation 1 remains resolved and recommendation 3 is now closed. Recommendation 2 was previously closed. Please provide an updated status of the resolved recommendation by April 2, 2018.

If you have questions or concerns, please call me at (301) 415-5915 or Paul Rades, Team Leader, at (301) 415-6228.

Attachment: As stated

cc: R. Lewis, OEDO  
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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 March 3, 2017:

Agree. Staff has updated the template for the business line Internal Control Plans to better align with the current NRC Management Directive (MD) and Handbook 4.4. The Office of Management and Budget (OMB) issued the revised Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, in mid-July and the staff is working on updating the MD 4.4 and Handbook. In the meantime, staff has issued the *Interim Guidance for Programmatic Internal Control*. The Interim Guidance supersedes MD 4.4 Handbook, Section III, *Assessment of Internal Control over Program Operations (Non-Financial)* and Section V, *Assurance Certifications, Chairman's Statement, and Internal Requirements*. The revision to MD 4.4 will address the updates to A-123.

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#### Milestones:

- Issue *Interim Guidance for Programmatic Internal Control* – Completed (Agencywide Document Access and Management System (ADAMS))
- Update the Business Line Internal Control Plans – Completed
- OMB to issue the revised Circular A-123–Completed (Issued July 15, 2016 OMB A-123)
- Update MD 4.4 and Handbook – March 2018

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

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#### Status of Recommendations

Recommendation 1 (cont.):

OIG Analysis:

The actions described above meet the intent of this recommendation. OIG will close this recommendation upon reviewing the updated versions of MD 4.4 and Handbook and verifying that these documents incorporate appropriate guidance for non-financial internal control.

**Status:**

Resolved.

## Audit Report

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

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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 March 3, 2017:

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 in helping the agency accomplish its mission. The video is currently available on the NRC internal Web site. Regarding the mandatory standalone training course on internal control, it was made available in iLearn on October 20, 2016, and a Yellow Announcement was issued the same day. In addition, speakers from OMB and the Government Accountability Office (GAO) presented at the NRC to the executive leadership on October 27, 2016, on the topics of internal control, enterprise risk management, and GAO's Standards for Internal Control in the Federal Government (Green Book). The Office of the Chief Financial Officer (OCFO) Internal Control and Planning Team produced a video of the OMB and GAO presentations and provided it to the Office of the Chief Human Capital Officer (OCHCO) for inclusion in the NRC leadership programs and iLearn on December 20, 2016.

#### 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 entitled "Internal Control: A Path Forward to Accountability" as a one-time mandatory training for all staff, managers, and contractors – Completed August 2, 2016.

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

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#### Status of Recommendations

##### Recommendation 3 (cont.)

- “Internal Control: A Path Forward to Accountability” mandatory training completion total of 94.42% - as of January 4, 2017.
- Update and launch the course in iLearn with Yellow Announcement announcing its availability along with a video message from the CFO – Completed October 20, 2016.
- Work with Office of the Executive Director for Operations and the OCHCO to bring speakers from the GAO and OMB to discuss internal control, enterprise risk management, and GAO’s Green Book – Completed October 27, 2016.
- OMB to issue the revised Circular A-123 – (Issued July 15, 2016 OMB A-123).
- 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 – Completed December 20, 2016.
- The video was provided to OCHCO for inclusion in the NRC leadership programs listed above. OCHCO placed the video on all appropriate NRC Leadership SharePoint sites for viewing by their members and into ILearn to track viewership.

OIG Analysis: The actions described above meet the intent of this recommendation, and OIG has verified their completion. This recommendation is now closed.

Status: Closed.