



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

**OFFICE OF THE  
INSPECTOR GENERAL**

November 30, 2017

**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  
NOVEMBER 2, 2017

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 November 2, 2017. Based on this response, recommendations 2 and 3 are closed, and recommendations 1 and 4 remain resolved. Please provide an updated status of the resolved recommendations by April 30, 2018.

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  
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## 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  
November 2, 2017:

Agree. The Office of the Chief Financial Officer (OCFO) implemented the Cost Activity Code (CAC) system as the central authoritative source for creating and managing CAC codes, effective October 1, 2017. To support the transition, OCFO updated the interim CAC guidance. The agency policy and procedures in Management Directive 10.43, Time and Labor Reporting, will be updated in Fiscal Year (FY) 2018 after the implementation of the new CAC system and new CAC policies and procedures.

#### Milestones:

1. Centralize in the OCFO the control of setup for CACs that are non-billable, non-docket – Completed (Interim CAC Guidance, and Yellow Announcement dated 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 – Completed (Integrated Training Documents for CAC System and Human Resources Management System (HRMS), and Yellow Announcement dated 08/16/2017).

## Audit Report

### AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE

OIG-15-A-12

#### Status of Recommendations

Recommendation 1 (cont.):

3. Establish policies and procedures to centralize the control of CAC setup for billable, docket-related, and/or project-related CACs – Draft Update to Interim CAC Guidance, 08/30/2017, Extend final to 01/31/2018.
4. Update Management Directive 10.43, "Time and Labor Reporting," Extend to 03/31/2018.

OIG Analysis:

The actions proposed by the agency meet the intent of the recommendation. This recommendation will be closed after OIG reviews and verifies that the new policies and procedures and revised Management Directive referenced in the agency's November 2, 2017, memorandum adequately centralize the TAC set-up.

**Status:**

Resolved.

## Audit Report

### AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE

#### OIG-15-A-12

#### 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  
November 2, 2017:

Agree. The OCFO implemented internal controls that allow user access in HRMS to CACs related only to their job functions and only as assigned by a supervisor in the CAC system.

Milestones:

1. Analyze alternative system capabilities for CAC system – Completed 07/25/2016.
2. Conduct outreach to support a control conscious environment regarding CAC usage – Completed (Communication Plan, 05/19/2017).
3. Design and complete automated internal controls – Completed (Alignment on controls, 02/16/2017 and 04/12/2017; Network Announcement, 09/25/2017; CACS-HRMS User Preferences Overall Approach, 10/17/2017).
4. Implement the use of automated internal controls – Completed (Yellow Announcements dated 08/04/2017 and 09/28/2017).
5. Provide training for HRMS users and approving officials – Completed (Integrated Training Documents for CAC System and HRMS, and Yellow Announcement dated 08/16/2017).

## Audit Report

### AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE

OIG-15-A-12

#### Status of Recommendations

Recommendation 2 (cont.):

OIG Analysis:

OIG reviewed various documentation provided by the agency with its November 2, 2017, memorandum including (1) the design and implementation of updated internal controls that allow user access in HRMS to CACs related only to their job functions, (2) CAC/HRMS user preferences overall approach, and (3) design and complete automated internal controls. The actions completed by the agency meet the intent of the recommendation. Therefore, this recommendation is closed.

**Status:**

Closed.

## Audit Report

### AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE

OIG-15-A-12

#### Status of Recommendations

Recommendation 3: Standardize and link TACs to specific tasks.

Agency Response Dated  
November 2, 2017:

Agree. During FY 2013 to FY 2015, Phase 1 of CAMP standardized the non-billable, non-docket CACs at the budget product level.

During FY 2016, Phase 2 collaborated with related data initiatives of the Master Data Management Program and Replacement Reactor Program System to resolve open data assumptions and gain alignment on the data structure for the billable CAC and the Enterprise Project Identifier (EPID), a new data element. Offices prepared for the change by reviewing billable CACs to determine what could be closed and what required conversion to the new data structure.

During FY 2017, staff developed the standard set of billable and docket-related CACs and linked them to specific tasks/activities in the regulatory process. All billable CACs required a Docket and EPID as part of the labor cost data string. OCFO collaborated with offices to align on the types of EPIDs to support program management and external reporting. This action included implementing a recommendation from the License Fee Billing Business Process Improvement, March 2014, to convert inspection hours to a CAC basis. Through standardization, the agency uses one project-activity data structure to track both licensing and inspection hours.

The OCFO implemented the standard CAC-Docket-EPID coding structure, effective October 1, 2017.

## **Audit Report**

### **AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE**

#### **OIG-15-A-12**

#### **Status of Recommendations**

##### Recommendation 3 (cont.):

###### Milestones:

1. Standardize the non-billable, non-docket CACs – Completed (FY 2016 CAC Inventory, 10/06/2015).
2. Align on the data structure and business rules for the billable CAC and EPID – Completed 11/15/2016, and 02/17/2017).
3. Define the standard set of billable CACs and link to specific tasks/activities in the regulatory process – Completed (FY 2018 CAC Inventory, FY 2018 EPID Inventory, Billable CAC Crosswalk from CAC to CAC-Docket-EPID, inventories as of 10/25/2017).
4. Standardize the non-billable, docket-related CACs – Completed (See inventory above).
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 billable CACs – Completed 06/28/2017.
6. Provide training for HRMS users and approving officials – Completed (Training Document Library and Yellow Announcement dated 08/16/2017).
7. Implement the timecard use of billable CACs that are standardized and linked to specific tasks – Completed (Yellow Announcement dated 08/04/2017).

## Audit Report

### AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE

OIG-15-A-12

#### Status of Recommendations

Recommendation 3 (cont.):

OIG Analysis:                   OIG reviewed various documentation provided by the agency with its November 2, 2017, memorandum including (1) a new standardized CAC list that links to specific tasks, (2) an FY 2018 CAC Inventory, and (3) a billable CAC crosswalk. The actions completed by the agency meet the intent of the recommendation. Therefore, this recommendation is closed.

**Status:**                        Closed.



## Audit Report

### AUDIT OF NRC'S INTERNAL CONTROLS OVER FEE REVENUE

OIG-15-A-12

#### Status of Recommendations

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

Agency Response Dated  
November 2, 2017:

Agree. OCFO staff will work with an intra-agency workgroup to implement a standardized fee billing validation process. The action was extended to FY 2018 for completion after the implementation of the CAC coding structure changes and the CAC system implementation.

Milestones:

1. Design a plan to standardize and improve the staff hours validation process – Completed 10/16/2017.
2. Design and complete a more effective quarterly validation report – Extend to 10/01/2018.
3. Provide guidance and training for the standard validation process – Extend to 10/01/2018.
4. Implement the improved CAC validation process – Extend to 10/01/2018.

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 CAC validation process.

**Status:** Resolved.