



CHIEF FINANCIAL
OFFICER

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

May 1, 2018

MEMORANDUM TO: Brett M. Baker
Assistant Inspector General for Audits
Office of the Inspector General

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

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

Please see below a status update pertaining to the subject audit report of March 19, 2015, and the Office of the Inspector General (OIG) correspondence of December 7, 2016.

Recommendation 1

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

Status

Agree. The Office of the Chief Financial Officer (OCFO) implemented the Cost Activity Code System (CACS) 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 OCFO worked with offices to develop draft CAC guidance; however, further revisions are being made to incorporate additional business process and system changes associated with creating and managing CAC codes. Additionally, agency policy for creating and managing Enterprise Project IDs (EPIDs) will be incorporated into the CAC guidance to create a single policy and guidance document for creating and managing labor reporting codes. OCFO is working with the Office of Administration on updating the agency policy and procedures in Management Directive (MD) 10.43, Time and Labor Reporting so that a final draft can be sent to offices for their comments.

Milestones:

1. Centralize in the OCFO the control of setup for CACs that are non-billable, non-docket – Complete (Interim CAC Guidance, [ML15328A273](#), and Yellow Announcement, [YA-16-0016](#), 02/19/2016).

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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 – Complete (Integrated Training Documents for CAC System and Human Resources Management System (HRMS), [ML17299A170](#), and Yellow Announcement, [YA-17-0074](#), 08/16/2017).
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, [ML17215A939](#)) – Extend to 9/30/2018.
4. Update Management Directive 10.43, Time and Labor Reporting – Extend to 09/30/2018.

Recommendation 2

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

Status

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 – Complete ([ML16302A108](#), 07/25/2016).
2. Conduct outreach to support a control conscious environment regarding CAC usage – Complete (Communication Plan, [ML17138A243](#), 05/19/2017).
3. Design and complete automated internal controls – Complete (Alignment on controls, [ML17299A788](#), 02/16/2017 and 04/12/2017; [Network Announcement](#), 09/25/2017; CACS-HRMS User Preferences Overall Approach, [ML17293A040](#), 10/17/2017).
4. Implement the use of automated internal controls – Complete (Yellow Announcements [YA-17-0070](#), 08/04/2017, and [YA-17-0088](#), 09/28/2017).
5. Provide training for HRMS users and approving officials – Complete (Integrated Training Documents for CAC System and HRMS, [ML17299A170](#), and Yellow Announcement, [YA-17-0074](#), 08/16/2017).

Recommendation 3

Standardize and link TACs to specific tasks.

Status

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 ([ML14128A019](#)), 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.

Milestones:

1. Standardize the non-billable, non-docket CACs – Complete (FY 2016 CAC Inventory, [ML16019A150](#), 10/06/2015).
2. Align on the data structure and business rules for the billable CAC and EPID – Complete ([ML17299A826](#), 11/15/2016, and [ML17300A049](#), 02/17/2017).
3. Define the standard set of billable CACs and link to specific tasks/activities in the regulatory process – Complete (FY 2018 CAC Inventory, [ML17299A416](#); FY 2018 EPID Inventory, [ML17299A445](#); Billable CAC Crosswalk from CAC to CAC-Docket-EPID, [ML17299A529](#), inventories as of 10/25/2017).
4. Standardize the non-billable, docket-related CACs – Complete (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 – Complete ([ML17292B061](#), 06/28/2017).
6. Provide training for HRMS users and approving officials – Complete ([Training Document Library](#) and Yellow Announcement, [YA-17-074](#), 08/16/2017).
7. Implement the timecard use of billable CACs that are standardized and linked to specific tasks – Complete (Yellow Announcement, [YA-17-0070](#), 08/04/2017).

Recommendation 4

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

Status

Agree. The actions to complete the new standard validation process began during FY 2018 after the implementation of the CAC coding structure changes and the CACS system implementation. OCFO formed an intra-agency workgroup to implement a standardized fee billing validation process. The intra-agency workgroup developed a draft validation report for use in a pilot of the new validation process. This report will be updated, if necessary, and finalized after the results of the pilot are assessed. The intra-agency workgroup also developed draft guidance for use in the pilot of the new validation process. This guidance will also be

updated, if necessary, and finalized after the results of the pilot are assessed. The workgroup project lead is in the process of developing training for use in the pilot, which will be leveraged for use in training all stakeholders prior to implementation of the new validation process.

Milestones:

1. Design a plan to standardize and improve the staff hours validation process – Complete ([ML17290A261](#), 10/16/2017).
2. Design and complete a more effective quarterly validation report – Extend to 12/23/2018.
3. Provide guidance and training for the standard validation process – Extend to 12/23/2018.
4. Implement the improved CAC validation process – Extend to 12/23/2018.

Recommendation 5

Develop and implement a project manager and resident inspector overhead allocation methodology that will produce accurate, timely, and reliable overhead cost data for invoicing.

Status

Closed ([ML16048A015](#), 02/17/2016).

Recommendation 6

Design and implement procedures and processes that provide sufficient contractor information on the validation reports for NRC project managers and resident inspectors to identify and validate the specific tasks performed and related reimbursable contractor costs.

Status

Closed ([ML15153A399](#), 06/02/2015).

Recommendation 7

Design and implement procedures and processes that provide sufficient contractor information on invoices for licensees and applicants to identify the specific tasks performed and related reimbursable contractor costs.

Status

Closed ([ML16048A015](#), 02/17/2016).

cc: S. Zane, OIG
E. Rivera, OIG
J. Jolicoeur, OEDO

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