May 23, 2018

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
                   MAY 1, 2018


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 May 1, 2018.  Based on this response, recommendations 1 and 4 remain resolved. Recommendations 2 and 3 were previously closed.  Please provide an updated status of the resolved recommendations by September 30, 2018.

Action to close these audit recommendations has not been taken in a timely manner. As of May 2018, these audit recommendations will have been in resolved status for more than 3 years.  Office of Management and Budget Circular No. A-123 (M-16-17), Section C, dated July 15, 2016, states that "Management has a responsibility to complete action, in a timely manner, on audit recommendations on which agreement with the OIG has been reached."

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
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**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 technical assignment control (TAC) setup.

Agency Response Dated
May 1, 2018:

         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, and Yellow Announcement, 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 – Complete (Integrated Training Documents for CAC System and Human Resources Management System (HRMS), and Yellow Announcement, 08/16/2017).

**Audit Report**

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

**OIG-15-A-12**

**Status of Recommendations**

<u>Recommendation 1 (cont.)</u>:

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 to 9/30/2018.

4. Update Management Directive 10.43, Time and Labor Reporting – Extend to 09/30/2018.

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 May 1, 2018, memorandum adequately centralize TAC set-up. Note: The agency changed the terminology TAC to "Cost Activity Code" (CAC) after OIG issued its report in March 2015.

**Status:**             Resolved.

**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
May 1, 2018:

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:

- Design a plan to standardize and improve the staff hours validation process – Complete (10/16/2017).
- Design and complete a more effective quarterly validation report – Extend to 12/23/2018.
- Provide guidance and training for the standard validation process – Extend to 12/23/2018.
- Implement the improved CAC validation process – Extend to 12/23/2018.

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

**OIG-15-A-12**

**Status of Recommendations**

Recommendation 4 (cont.):

OIG Analysis:             The actions proposed by the agency meet the intent of the recommendation.  This recommendation will be closed when OIG reviews the final plan for the new TAC validation process and determines it has been appropriately implemented.

**Status:**                Resolved.