



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

**OFFICE OF THE
INSPECTOR GENERAL**

June 5, 2018

MEMORANDUM TO: Maureen E. Wylie
Chief Financial Officer

Victor M. McCree
Executive Director for Operations

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

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S
PROCESS FOR CALCULATING LICENSE FEES
(OIG-13-A-02)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDUM DATED
MAY 16, 2018

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendation 1 as discussed in the agency's response dated May 16, 2018. Based on this response, recommendation 1 remains in resolved status. Recommendations 2, 3, and 4 were closed previously. Please provide an updated status on the resolved recommendation by November 30, 2018.

OIG issued this report on October 24, 2012, and NRC acknowledged agreement with OIG's recommendation in the agency memorandum dated November 19, 2012. 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." This audit recommendation has been in resolved status for more than 5 years.

If you have any 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 PROCESS FOR CALCULATING LICENSE FEES

OIG-13-A-02

Status of Recommendations

Recommendation 1: Prepare and document an annual fee rule validation (budget vs. cost analysis) and make adjustments as needed to the fee calculation process.

Agency Response
Dated May 16, 2018:

In previous updates, the OCFO provided updated schedules for the researching, creating new reports, performing an analysis, and documenting a process for an annual validation. In the January 3, 2018, memorandum, the OCFO explained that the staff had resumed the research necessary to revise the parameters for developing a report that would allow validation of the hourly rate on a budget vs. cost analysis. On January 17, 2018, the OIG requested that the staff provide an update on Recommendation 1 by May 18, 2018.

Since January 8, 2018, the staff has developed a report, "Budget to Cost Hourly Rate Variance Analysis," and supporting analysis that satisfied user acceptance testing. In that report, the OCFO analyzed the variance between the hourly rate for the fiscal year (FY) 2017 budget and cost. The staff's analysis showed a nominal difference between the hourly rate calculations based on the budget and costs. The variance was \$3.60 per hour or 1.43 percent. Based on the nominal difference, the OCFO does not plan to change the current hourly rate budget calculations.

The staff has also developed a draft update to the "Desktop Procedures Guide for the Fee Policy and Fee Calculations Analysis." The draft update adds a new section that provides instructions for completing this hourly rate variance report each year. It also provides guidance on information—enacted appropriation language, changes in sources of funding, among others—that should be considered as part of any hourly rate variance analysis. The staff plans to finalize the instructions for performing the validation of the hourly costs after the end of the 2018 FY and after completing the hourly rate variance analysis for FY 2018.

Audit Report

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Status of Recommendations

Recommendation 1 (cont.):

While some insights were gained by developing the report and the hourly rate variance analysis, the staff believes that there is little value to be gained from continuing to perform this analysis on an annual basis or other longer interval. Changes to the source of funding (fee-recoverable vs. excluded from the fee base), recent timing of final enacted appropriations which delay the final fee rule until the last half of the fiscal year, among other issues diminishes the value to be gained by performing this analysis on an annual basis in light of the effort necessary to produce reliable results and analysis.

OIG Analysis:

As stated in the audit report, "Because the hourly rate calculation is dependent upon budgeted amounts, and allocation to fee classes are estimated, NRC should ensure that this validation is prepared each year and that cost reports are available to complete the validation. Monitoring the actual costs vs. budgeted costs provides insight into the accuracy of the budget allocation process. If a significant variance was noted, NRC could then review the budget allocation process to identify any adjustments that could be made to their fee calculation process."

During a meeting held on May 23, 2018, between OIG and OCFO representatives, it was determined that after the 2018 validation report is prepared and completed, OIG will meet again with OCFO to discuss the feasibility and usefulness of this report. OIG will close this recommendation when the agency documents the fee rule validation and adjusts the fee calculation process as needed.

Status:

Resolved.