



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

September 4, 2018

The Honorable Hubert T. Bell
Inspector General
Nuclear Regulatory Commission
11555 Rockville Pike
Mail Stop O-5E13
Rockville Pike, MD 201852

Subject: External Peer Review Report on Nuclear Regulatory Commission Office of Inspector General
Audit Organization

Dear Mr. Bell:

We have completed our external peer review of the Nuclear Regulatory Commission Office of Inspector General audit organization conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. We are providing you with the final system report, which includes your response to the draft report.

We appreciate the cooperation and courtesies extended to our staff during the review.

Sincerely,

A handwritten signature in blue ink that reads "Mark Bialek". The signature is written in a cursive style with a large initial 'M' and 'B'.

Mark Bialek
Inspector General

Attachments



Office of Inspector General

Board of Governors of the Federal Reserve System
Bureau of Consumer Financial Protection

September 4, 2018

The Honorable Hubert T. Bell
Inspector General
Nuclear Regulatory Commission
11555 Rockville Pike
Mail Stop O-5E13
Rockville Pike, MD 20852

Dear Mr. Bell:

We have reviewed the system of quality control for the audit organization of the Nuclear Regulatory Commission (NRC) Office of Inspector General (OIG) in effect for the year ending March 31, 2018. The system of quality control encompasses the NRC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. The NRC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide the NRC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and the NRC OIG's compliance with that system based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency's *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*. During our review, we interviewed NRC OIG personnel and obtained an understanding of the nature of the NRC OIG audit organization and the design of the NRC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and attestation engagements, collectively referred to as *audits*, and administrative files to test for conformity with professional standards and compliance with the NRC OIG's system of quality control. The audits selected represented a reasonable cross-section of the NRC OIG's audit organization, with an emphasis on higher-risk audits. Prior to concluding the peer review, we reassessed the adequacy of the scope of the peer review procedures and met with NRC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the NRC OIG audit organization. In addition, we tested compliance with the NRC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NRC OIG's policies and procedures on selected audits. Our review was based on selected tests; therefore, it

would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance.

There are inherent limitations in the effectiveness of any system of quality control and, therefore, noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions or because of deterioration in the degree of compliance with the policies or procedures.

The attachments to this report identify the NRC OIG office that we visited and the audits that we reviewed (attachment 1) as well as the NRC OIG's response to this report (attachment 2).

In our opinion, the system of quality control for the NRC OIG's audit organization in effect for the year ending March 31, 2018, has been suitably designed and complied with to provide the NRC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. The NRC OIG has received an external peer review rating of *pass*.

As is customary, we have issued a letter dated September 4, 2018, that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing the NRC OIG's audit organization system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency related to the NRC OIG's monitoring of audits performed by independent public accountants (IPAs) under contract where the IPA served as the auditor. It should be noted that the monitoring of audits performed by IPAs is not an audit and, therefore, is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether the NRC OIG had controls to ensure that IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and, accordingly, we do not express an opinion on the NRC OIG's monitoring of work performed by IPAs.

Sincerely,


Mark Bialek
Inspector General

Attachments

Attachment 1**Scope and Methodology**

We tested the NRC OIG audit organization's compliance with its system of quality control to the extent we considered appropriate. These tests included a review of 3 of 18 audit reports issued during the period from April 1, 2017, through March 31, 2018. We also reviewed the internal quality control reviews performed by the NRC OIG.

In addition, we reviewed the NRC OIG's monitoring of audits performed by IPAs where the IPA served as the auditor during the period from April 1, 2017, through March 31, 2018. During the period, the NRC OIG contracted for the audit of the Defense Nuclear Facilities Safety Board's fiscal years 2017 and 2016 financial statements and the NRC's fiscal year 2017 financial statements.

We visited the NRC OIG office, located in Rockville, Maryland.

NRC OIG Performance Audits Reviewed

| Report number | Report date | Report title |
|---------------|-----------------|--|
| OIG-17-A-14 | May 30, 2017 | <i>Audit of NRC's Purchase Card Program</i> |
| OIG-17-A-16 | June 20, 2017 | <i>Audit of NRC's Adoption of Cloud Computing</i> |
| OIG-17-A-21 | August 16, 2017 | <i>Audit of NRC's Oversight for Issuing Certificates of Compliance for Radioactive Material Packages</i> |

NRC OIG Contracted Audits Reviewed

| Report number | Report date | Report title |
|---------------|-------------------|---|
| OIG-18-A-04 | November 7, 2017 | <i>Audit of the Nuclear Regulatory Commission's Annual Financial Statements</i> |
| DNFSB-18-A-04 | November 15, 2017 | <i>Audit of the Defense Nuclear Facilities Safety Board's Financial Statements for Fiscal Years 2017 and 2016</i> |

Attachment 2



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

August 14, 2018

OFFICE OF THE
INSPECTOR GENERAL

Dear Mr. Bialek:

Thank you for the opportunity to comment on the draft System Review Report of the U.S. Nuclear Regulatory Commission's Office of the Inspector General Office of Audit. We acknowledge your conclusion that our office received a rating of pass, and have no comments on the report.

We appreciate the professionalism and efforts of your staff during this peer review. If you have any questions regarding this letter, please contact Dr. Brett Baker, Assistant Inspector General for Audit, at (301) 415-5915, or via e-mail at Brett.Baker@nrc.gov.

Best regards,

A handwritten signature in cursive script, appearing to read "Hubert T. Bell".

Hubert T. Bell
Inspector General