
OFFICE OF
THE INSPECTOR GENERAL

U.S. NUCLEAR
REGULATORY COMMISSION

CONTROLS OVER FUNDING FOR CISSCO
NEED IMPROVEMENT

OIG/98A-18 May 11, 1999

AUDIT REPORT



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REPORT SYNOPSIS

In 1994, the U.S. Nuclear Regulatory Commission's (NRC) Office of Information Resources Management, now the Office of the Chief Information Officer (OCIO), began work to integrate many of the agency's numerous computer systems efforts into one contract through a program it termed the Comprehensive Information Systems Support Consolidation (CISSCO) program. The CISSCO strategy required a single contractor, using a variety of subcontractors, to provide a wide range of services for the development, operation, maintenance, and support of applications software systems and for related operations support.

NRC contracted with the Federal Systems Integration and Management Center (FEDSIM) of the General Services Administration (GSA) to procure and manage the services required to implement the CISSCO program. GSA/FEDSIM contracted with Computer Sciences Corporation as the prime contractor for meeting the needs of the CISSCO program.

Senior agency officials considered the CISSCO strategy unique and critical to NRC's mission and, in a 1997 Office of the Inspector General report, we emphasized the need for close coordination and effective communication in developing CISSCO. In the agency's response to that report, the Deputy Executive Director for Management Services stated that the Executive Director for Operations, the Chief Information Officer, and the Chief Financial Officer would collectively ensure that their respective staffs were "working together to guarantee the effective and efficient design, implementation, and operation of all agency information resources management projects."

In June 1998, in recognition of CISSCO's size and importance to NRC's mission, we conducted a survey of the program. Subsequently, we initiated a review of the agency's controls over CISSCO funding activity. We found that coordination and communication between the Office of the Chief Financial Officer (OCFO) and OCIO were not sufficient to ensure that the accounting and funding requirements of the agency were met. This lack of coordination between OCFO and OCIO resulted in extensive efforts to produce acceptable financial records.

In addition, we reviewed OCIO's CISSCO TAC System (CTACS), its primary tracking system for CISSCO, and found that OCIO has not ensured that CTACS contains accurate data. We did find that processing of funding actions for CISSCO was generally timely given the nature of the CISSCO process.

As a result of our discussing these issues with OCFO and OCIO officials, the agency formed a charter team of senior managers whose responsibility was to address these concerns and to develop and implement revised CISSCO procedures. While we believe that this team has addressed our concerns regarding CISSCO funding issues, we are concerned that the initial inability of OCFO and OCIO to constructively work together on CISSCO funding shows that effective coordination and communication between these important offices was not working as well as the offices agreed it should. In our opinion, sufficient coordination and agreement between OCFO and OCIO in the development stages of CISSCO would have prevented these weaknesses, avoided the expenditure of resources to produce accurate financial records in retrospect, and precluded the need for the charter team.

This report makes two recommendations to address issues requiring the agency's attention. In addition, our recent audit report on the agency's financial statements for the year ended September 30, 1998, contains other recommendations for addressing funds control weaknesses associated with the CISSCO program. Those recommendations are also in line with issues identified in this report. We make one suggestion regarding the agency's actions to address those recommendations.

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INTRODUCTION

In June 1998, the Office of the Inspector General (OIG) initiated a survey of the Nuclear Regulatory Commission's (NRC) Comprehensive Information Systems Support Consolidation (CISSCO) program due to its size and importance to NRC's mission. Based on the results of that survey, and concerns expressed to OIG by agency staff, we initiated an audit of the agency's controls over resources applied to work under CISSCO.

However, during initial audit work, we identified weaknesses in CISSCO funding⁽¹⁾ procedures and refocused a portion of the audit program to review the adequacy of controls over the CISSCO funding process. This report presents the results of that part of our CISSCO review. We will later resume work on the original audit. Appendix I contains additional information about our objective, scope, and methodology. Refer to Appendix II, Glossary, for definitions of funding terms.

BACKGROUND

In 1994, the Office of the Chief Information Officer⁽²⁾ (OCIO) began work to integrate many of the agency's numerous computer systems efforts into one contract. OCIO chose to provide that support through a program it termed CISSCO. CISSCO would require a single contractor, using a variety of subcontractors, to provide a wide range of services for the development, operation, maintenance, and support of applications software systems and related operations support.

In July 1995, NRC entered into a Basic Agreement (BA)⁽³⁾ with the Federal Systems Integration and Management Center (FEDSIM) of the General Services Administration (GSA) to provide assistance in developing the CISSCO acquisition strategy. OCIO tasked GSA/FEDSIM to provide technical, management, and acquisition assistance including identifying system requirements and developing pre-solicitation acquisition support documents.

¹ For purposes of this report, the term "funding" will be used in a general sense to mean financial transactions including: commitments, obligations, expenditures, and deobligations.

² In October 1997, the Office of Information Resources Management was incorporated into OCIO. Both offices will be referred to as OCIO throughout this report.

³ For the purposes of the CISSCO contract, the term Basic Agreement is synonymous with Interagency Agreement.

In January 1996, OCIO made the decision to employ GSA/FEDSIM, rather than NRC's own procurement office, to provide dedicated Contract Office support for the CISSCO program through the use of its FEDSIM 9600 multiple award contract. In June 1996, NRC modified the BA to retain GSA/FEDSIM's services for a 5-year period. In August 1996, GSA/FEDSIM contracted with Computer Sciences Corporation (CSC) as the prime contractor for meeting the needs of NRC's CISSCO program. Therefore, there are two agreements connected to CISSCO work: (1) the BA with GSA/FEDSIM which included identifying and selecting CSC, and now includes the ongoing monitoring of CSC; and, (2) GSA/FEDSIM's contract with CSC to perform the information technology work required by NRC under CISSCO.

As opposed to other agency contracts, the scope of GSA/FEDSIM's agreement with CSC is broadly stated. Consequently, NRC is required to describe, for each task to be performed, specific details of technical requirements, funding information, specification of deliverables, and required time frames using Task Assignment Control (TAC) documents. Each task is assigned a TAC number to identify and track the work requests to completion. CISSCO program staff track work on TACs using the CISSCO TAC System (CTACS). This system contains data on a TAC level including: descriptive information; status; estimated start and end dates; cost estimates; CSC's ongoing estimate of actual costs; and, information about revisions and modifications. At the time of this review, CTACS reflected data on 264 TACs.

The agency's procedures for administrative control of CISSCO funds are generally the same as for other NRC contracts in that needed work is identified and defined and funds are committed. When NRC reaches agreement with the contractor on a more clearly defined scope (if needed) and on the cost of the goods or services, funds are obligated. As the goods and services are provided and paid for, the agency records payments as expenditures against the obligations. And, for contracts other than CISSCO, after all work is completed and NRC records the final expenditures, the agency deobligates the remaining funds making them available for other uses. However, the TAC model that NRC established for performing work under CISSCO did not fit exactly into the agency's existing funds control structure and, as a result, the Office of the Chief Financial Officer (OCFO) issued specific guidance for CISSCO in October 1997. That guidance did not contain procedures for deobligating funds from CISSCO work.

As with other agency contracts, NRC records CISSCO financial transactions in the Federal Financial System (FFS), the agency's core general ledger. Information in FFS is critical to preparing agency financial reports. Because the agreement with GSA/FEDSIM is broadly stated, TACs provide the detail and cost information

necessary for financial reporting.⁽⁴⁾ In this respect, CISSCO differs from other agency agreements. Procedural requirements for control of funds are generally detailed in NRC's Management Directives (MD).

RESULTS OF AUDIT

CISSCO's unique funding procedures underscored the need for strong management controls. However, our review of a number of important CISSCO funding controls indicates that while some work effectively, others are in need of improvement. In particular, we found that financial records for CISSCO were inadequate due to a lack of coordination between OCFO and OCIO. As a result, NRC has expended extensive resources in order to reconcile CISSCO's financial records. The design of the CISSCO program includes processing some funding actions through GSA/FEDSIM (billings for example), which lengthens the amount of time taken to perform those actions. Given GSA/FEDSIM's involvement in the process, we found that CISSCO funding actions are generally completed in a timely manner.

We provided OCIO officials with the results of our analysis of the timeliness of the funding process for their review. We are satisfied with OCIO's response that they will review our analysis and make improvements, where possible, in areas of the process under their control. However, we note that parts of the CISSCO funding process involve GSA/FEDSIM and fall outside of OCIO's control.

FINANCIAL RECORDS FOR CISSCO WERE INADEQUATE

Management Directive 4.2, *Administrative Control of Funds*, Part IV, states that OCFO is responsible for maintaining the NRC's accounting system and for the overall control of funds. In order to effectively carry out this responsibility, coordination with all offices is required. As part of our review of the controls over funding for CISSCO work, we examined the documents supporting CISSCO funding activities and the associated information recorded in NRC's FFS and OCIO's CTACS systems. We found that OCFO has been reconciling fiscal years (FY) 1996 and 1997 CISSCO financial records which did not adequately reflect the funds obligated and expended for CISSCO, due to incomplete and inaccurate data. We identified several areas of concern resulting from the lack of coordination and communication which are discussed below.

⁴ Based on an OIG legal opinion, only TACs, and not the BA, provide the level of specificity required to create and record a valid obligation.

Basic Agreement Amendments

NRC creates Basic Agreement Amendments (BAA) to adjust the ceiling of the BA with GSA/FEDSIM. Each BAA reflects additional funds obligated to the contract and added to the contract ceiling. We examined how NRC processed BAAs and found that the agency had been inappropriately modifying the BA ceiling by issuing BAAs before entering an obligation in NRC's financial records. Specifically, the agency prepared and signed BAAs after NRC recorded a commitment rather than after NRC recorded an obligation. This procedure resulted in NRC mistakenly reporting commitments to GSA/FEDSIM as obligations.

Management Directive 4.2 states that allowance holders⁽⁵⁾ are responsible for ensuring that obligation documents are forwarded promptly for recording in NRC's accounting system (normally within two work days after execution). However, except for the first CISSCO transactions, the OCIO allowance holder did not send, and OCFO did not ensure it received, proper obligating documents—the BAAs. As a result, OCFO recorded obligations based on other forms it received.

On several occasions during our review, we informed OCFO that OCIO continued to inappropriately modify the BA by issuing BAAs at the commitment stage. This practice created a discrepancy between the BA ceiling amount and the funds NRC actually obligated to the agreement in FFS.⁽⁶⁾ OCFO told us they believed OCIO had discontinued this practice upon implementation of OCFO's October 1997 CISSCO funding procedures memo. To determine the effect of this practice, we performed a reconciliation between the ceiling amount of the BA and the funds obligated in FFS as of BAA-214, dated January 8, 1999, and identified a \$2,190,117 discrepancy. While the risk appears to be low, this discrepancy could result in NRC not having valid obligations available to cover expenditures.

OCFO Reconciliation Effort

During our review of the accounting information in FFS for CISSCO, we found that OCFO determined that funding information provided by OCIO for CISSCO was

⁵ Allowance holders are those agency officials delegated authority by the Director, Division of Budget and Analysis, OCFO, to receive funds for use in implementing their program and administrative responsibilities.

⁶ This condition is also noted in OIG/98A-09, *Independent Auditors Report and Principal Statements for the Year Ended September 30, 1998*, dated March 1, 1999.

inadequate and sufficient supporting documentation was unavailable. This determination resulted in OCFO performing an extensive reconciliation of FY 1996 and FY 1997 obligations and expenditures.

In addition, OCIO did not request billing information from the contractor at the TAC level requested by OCFO in CISSCO's set-up phase. As a result, OCFO had to request a monthly TAC-level report from CSC at an additional cost of approximately \$15,000 per year.

Deobligation of CISSCO Funds

Management Directive 4.2, Part VII, states that allowance holder offices are responsible for initiating appropriate action to deobligate funds and NRC has established procedures for deobligating funds. In our opinion, NRC can and should deobligate unused funds from CISSCO upon completion of a TAC. However, we found that there was no agreement between OCFO and OCIO prior to CISSCO's implementation on a method to deobligate funds from CISSCO projects. We learned that discussions between OCFO and OCIO about the ability to deobligate funds from the CISSCO contract had been ongoing since early 1997. OCFO's position has been that the agency is bound by MD 4.2 to deobligate unused funds when a TAC is closed. However, OCIO stated that NRC should only deobligate CISSCO funds at the end of the potentially 5-year long CISSCO contract rather than at completion of work on individual TACs. In October 1997, OCFO issued procedures to address other CISSCO funding activities, but this guidance did not contain deobligation procedures due to the disagreement.

Because of the lack of agreement between OCFO and OCIO on the ability to deobligate, and the absence of deobligation procedures, program offices were unable to free funds for use on other projects. However, despite the fact that no procedures existed by which other program offices could initiate deobligations, OCFO did deobligate its own funds on a number of occasions. For example, OCFO deobligated \$430,397 of its own funds from CISSCO as part of its reconciliation of FY 1996 and FY 1997 CISSCO costs.

In November 1998, OCFO initiated an effort to properly deobligate all unused TAC balances and requested program offices to approve their respective proposed deobligations by December 4, 1998. As of February 22, 1999, only OCIO had not responded to this request.

OCFO officials told us that they attempted to avert potential funding problems by meeting with OCIO officials prior to, and after, the startup of CISSCO to share lessons learned from previous systems contracts, particularly with regards to obligations. According to OCFO, they discussed with OCIO the necessity of creating and determining what qualified as valid obligations, including supporting documents. OCFO said they also told OCIO that the CISSCO vendor would need to bill the contract by task or project in order to provide sufficient description for an obligation to occur. OCFO officials told us their expectation was that OCIO would adopt the suggestions provided regarding the funding needs for CISSCO and incorporate them in CISSCO's implementation.

In an April 1998 memorandum to OCIO, OCFO stated that they issued the October 1997 procedures for recording financial transactions by TAC because of concerns about when to record an obligation and when to deobligate funds associated with CISSCO work. Additionally, OCFO informed OCIO that they had initiated a reconciliation effort to ensure the validity of obligations for FY 1996 and FY 1997 funds. In their response, OCIO stated that they disagreed with OCFO's assessment that more detail was needed to justify obligations. OCIO emphasized their position that "this office and GSA...believe the level of detail and specificity is more than sufficient. We further believe it is not an OCFO decision in any case; but rather the decision of the authorizing official at the NRC (the CIO) and his GSA counterpart."

Obligation Information in CTACS

The CTACS system that CISSCO program staff use to track work under CISSCO contains several types of funding information, including the amount expended and the amount obligated. Expended and obligated amounts are also recorded in FFS. We established that expenditures data (which CSC enters into CTACS) is intended to be CSC's best estimate of current incurred costs and will not reflect amounts in FFS. While not in agreement with FFS, this CTACS information can be useful for managing project costs if users are aware of its composition.

We also found that the obligation information in CTACS is not in accord with FFS. However, we believe that this information should be in agreement with FFS in order to be useful. As of January 14, 1999, CTACS showed a total of \$37,310,681 obligated toward CISSCO work while obligations recorded in FFS totaled \$36,123,643, a difference of \$1,187,038. If one were to rely on CTACS figures, this would indicate that this amount was available for use on CISSCO projects when it was not. There are a number of reasons for the difference. For example, no

corrections have been made to CTACS as a result of OCFO's reconciliation of CISSCO accounting information for FY 1996 and FY 1997. As a result, the agency is ineffectively using resources in maintaining this information and cannot rely on the information for sound project management. Beginning near the start of FY 1998, the number of discrepancies drops due to changes made in OCIO record keeping as a result of OCFO-issued guidance.

During a prior OIG audit,⁽⁷⁾ we briefed officials from OCIO and the Office of Administration about our review of work performed on a large systems development project. At that briefing, we informed those officials that amounts in the project tracking system (the predecessor to CTACS) were not accurate and recommended that reconciliation be required to ensure the accuracy and usefulness of the data.

Agency Actions

In December 1998, senior officials from OCFO, OCIO, and GSA/FEDSIM formed a CISSCO Process Improvement Team to address our concerns about CISSCO funds control and to make other improvements. The Team's charter is shown in Appendix III. We believe that successful completion of the Team's charter will address our concerns on CISSCO funding issues. Additionally, OCFO continues its efforts to reconcile CISSCO financial records. To that end, OCFO, in conjunction with OCIO, distributed revised procedures for financial processing of CISSCO projects on February 26, 1999. The revised procedures include a process to deobligate CISSCO funds.

CONCLUSION

Senior agency officials considered the CISSCO strategy unique and critical to NRC's mission and, in a 1997 OIG report,⁽⁸⁾ we emphasized the need for close coordination and effective communication in developing the CISSCO program. In the agency's response to that report, the Deputy Executive Director for Management Services stated that the Executive Director for Operations, the Chief Information Officer, and the Chief Financial Officer (CFO) would collectively ensure that their respective staffs were "working together to guarantee the effective and efficient design, implementation, and operation of all agency information resources management projects." NRC's *Principles of Good Financial Management* states that good

⁷ OIG informed OCIO management of this concern in March 1997 during the exit interview for OIG audit 97A-02, *Review of M-Cubed's Work on the Reactor Program System*.

⁸ OIG/97A-02, *Review of M-Cubed's Work on the Reactor Program System*, dated April 23, 1997.

financial management begins with good planning and requires good communication among those involved in the financial management process.

Agency policy gives OCFO the responsibility for the administrative control of NRC's funds. However, we believe that early and effective communication and coordination between OCFO and OCIO was necessary to ensure accurate financial accounting for the CISSCO program. In our opinion, coordination and communication between the two offices was not sufficient to ensure that the accounting and funding requirements of the agency were met. For example, OCIO did not provide, and OCFO did not ensure that it received, the appropriate documentation for recording CISSCO obligations in FFS. Additionally, OCIO did not request information from contractors in a format suitable for accounting purposes. The lack of agreement between OCFO and OCIO on CISSCO funding procedures resulted in extensive efforts to produce acceptable financial records. In addition, OCIO has not ensured that CTACS, its primary tracking system for CISSCO, contains accurate obligation data. Lastly, we did find that processing of funding actions for CISSCO was generally timely given the nature of the CISSCO process.

As a result of our discussing these issues with OCFO and OCIO officials, the agency formed a charter team of senior managers whose responsibility was to address these concerns and to develop and implement revised CISSCO procedures. While we believe that this team has addressed our concerns regarding CISSCO funding issues, we are concerned that the initial inability of OCFO and OCIO to constructively work together on CISSCO funding shows that effective coordination and communication between these important offices was not working as well as the offices agreed it should.

We also note that a 1994 industry report, the *Nuclear Regulatory Review Study*, stated that NRC's management did not adequately control and oversee its own staff, programs, and operations resulting in somewhat independent, often conflicting decisions between NRC units (offices). In our opinion, sufficient coordination and agreement between OCFO and OCIO in the development stages of CISSCO would have prevented these weaknesses, avoided the expenditure of resources to produce accurate financial records in retrospect, and precluded the need for the charter team.

RECOMMENDATIONS

NRC needs to ensure adequate controls over funding for all agency programs. To do so, it must ensure that good planning, coordination, and communication exist among program offices. Because this issue has been brought to the agency's attention by OIG on prior occasions, we believe it is imperative that a rigorous effort be made to ensure such coordination and communication exists.

Therefore, we recommend that the agency:

1. conduct a lessons learned review of the coordination and communication between OCFO and OCIO, as they pertain to CISSCO, to determine the weaknesses that exist and address those weaknesses. In addition, we recommend the agency share the results of this lessons learned review with agency senior managers to prevent recurrences, and
2. establish coordination between OCFO and OCIO to ensure that the obligations data in CTACS and FFS agree. In the alternative, the obligations information should be removed from CTACS.

Our audit report on the agency's financial statements for the year ended September 30, 1998, contains specific recommendations for addressing funds control weaknesses associated with the CISSCO program. Those recommendations are also in line with issues identified in this report. We would emphasize here that the CFO's response to the financial statement audit recommendations does not cover the coordination and communication weakness we address in this report's recommendation. In addition, although the CFO proposes in his response that program managers of a new activity will be required to attend two NRC courses in financial management, those courses do not currently address the differing requirements of programs like CISSCO. We believe the agency should consider the scope of the CFO's responses to the recommendations in the financial statement audit report to ensure that all funds control policies and procedures are encompassed.

OIG COMMENTS ON AGENCY RESPONSE

On May 4, 1999, the Chief Financial Officer and the Chief Information Officer responded to our draft report (see Appendix V). They agreed with our two recommendations and presented the corrective actions they plan to implement to address our concerns.

Agency officials stated in their response that, at this time, they anticipate that the difference between the BAA and FFS obligations will be approximately \$1 million. It is our understanding that the goal of the reconciliation effort is to ensure agreement between the BA ceiling amount and the obligation amounts recorded in FFS. According to the methodology outlined in the February 26, 1999, OCFO/OCIO memorandum titled, *Revised Procedures - Financial Processing of CISSCO Projects*, funds identified for deobligation will be used as credit amounts to offset future BAAs created to provide funds to GSA/FEDSIM. We believe this methodology and the actions stated in the agency's response meet the intent of our recommendations. In addition, based on comments in the agency's response, we made editorial changes to our final report where appropriate.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our review was to determine whether controls over funding activity for the Comprehensive Information Systems Support Consolidation (CISSCO) program were adequate. To accomplish our objective, we interviewed officials in the Office of the Chief Financial Officer (OCFO), the Office of the Chief Information Officer, other Nuclear Regulatory Commission (NRC) program offices, and contracting personnel at the Federal Systems Integration and Management Center (FEDSIM) of the General Services Administration (GSA). We also reviewed the policies and procedures specifying NRC's funds control requirements, including appropriate laws and regulations, and contract documents for NRC's agreement with GSA/FEDSIM and GSA/FEDSIM's agreement with Computer Sciences Corporation.

In addition, we reviewed funding information from a judgmental sample of 20 Task Assignment Control (TAC) work requests that entered the CISSCO process after the October 28, 1997, implementation of OCFO's *Revised Procedures for Financial Processing of CISSCO Task Assignment Control Requests*. All TACs were selected from the agency's CISSCO TAC System (CTACS) database. For each of the TACs in our sample, we obtained information from the associated files and accounting data from the Federal Financial System. After confirming the accuracy of our data, we calculated the difference in days between each succeeding activity in the process. We focused on the averages of the days for each difference and analyzed those based on our knowledge and experience with the processing of activity under CISSCO.

We also reviewed two invoices for each of the 20 TACs in our sample; a total of 40 invoices. We were able to track NRC payments to GSA/FEDSIM for 26 invoices. The balance of 14 invoices had not been paid at the time of our review. For each invoice, we recorded appropriate transaction dates. After recording this information, when available, we performed a simple subtraction of dates to arrive at the difference in days between the dates for each item in our sample. We then analyzed these differences to gain an understanding of the processing time for the transactions. We did not review the reasonableness of billings.

We reviewed the relevant management controls for the funding of work under CISSCO and performed our audit work from August 1998 through January 1999 in accordance with generally accepted Government auditing standards.

GLOSSARY: Definitions of Funding Terms

Commitment	An administrative reservation of funds for an estimated amount and a specific purpose, based on the intent to obligate the funds at a future time. A commitment reserves funds but is not an externally binding legal agreement. Commitments help ensure that funds are available for obligation when the procurement process is complete.
Deobligation	The cancellation or downward adjustment of a previously recorded obligation.
Expenditure	The issuance of a check, the disbursement of cash, or the making of an electronic funds transfer to pay an obligation.
Obligation	An action that creates a liability or definite promise on the part of the Government to make a payment at some later time. An obligating document is used as the basis for recording an obligation in the NRC accounting system.

CISSCO PROCESS IMPROVEMENT TEAM CHARTER⁽¹⁾

By January 30, 1999, develop and implement revised CISSCO procedures, agreed upon by both NRC and GSA, to meet the following requirements:

1. The procedures provide a method to periodically closeout and deobligate funds from the contract for work that has been completed.
2. The procedures provide an expedited process for deobligating current year funds from the contract in the small number of cases where this is necessary.
3. The process accounts for the 15% fee withholding requirement.
4. The process ensures that NRC and GSA books are in agreement with respect to obligations/deobligations, and except for billing lags, with respect to disbursements.
5. Review, identify and close out those TACs identified by the OCFO memorandum dated 11/23/98, focusing on those TACs with the largest apparent surplus first and develop a closeout schedule mutually agreeable to all participants.

¹ This document replicates the Charter provided to the Office of the Inspector General by the Office of the Chief Information Officer staff on 1/7/99.

ABBREVIATIONS AND ACRONYMS

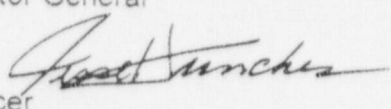
BA	Basic Agreement
BAA	Basic Agreement Amendment
CFO	Chief Financial Officer
CISSCO	Comprehensive Information Systems Support Consolidation program
CSC	Computer Sciences Corporation
CTACS	CISSCO TAC System
FEDSIM	Federal Systems Integration and Management Center
FFS	Federal Financial System
FY	fiscal year
GSA	U.S. General Services Administration
MD	Management Directive
NRC	U.S. Nuclear Regulatory Commission
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
TAC	Task Assignment Control

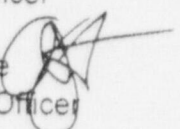


UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555-0001

May 4, 1999

MEMORANDUM TO: Thomas J. Barchi
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Jesse L. Funches 
Chief Financial Officer

Anthony J. Galante 
Chief Information Officer

SUBJECT: RESPONSE TO DRAFT AUDIT REPORT -- CONTROLS OVER
FUNDING FOR CISSCO NEED IMPROVEMENT

We appreciate the opportunity to respond to your draft audit report on "Controls Over Funding for CISSCO Need Improvement." In addition to specifically responding to the audit recommendations, we offer the following comments to clarify what was written in the report or to complete the record for outstanding items.

As indicated in the report, a joint OCFO/OCIO team was established to work together to address and resolve CISSCO issues. The team concluded its work and issued joint procedures on February 26, 1999, for the project management and financial processes for CISSCO work. These procedures included guidance on the deobligation of funds from CISSCO work. In an effort to continue the dialog on CISSCO work, the team will continue to meet weekly to discuss issues until the process becomes a matter of routine.

The OCIO has responded to the OCFO request to deobligate all unused work order (TAC) balances. These dollars will be deobligated once we complete the reconciliation between the BAA and the obligations recorded in FFS. The team has made significant progress in this reconciliation and is currently reconciling remaining differences of approximately \$100,000. The goal is to complete the reconciliation and have the BAA and FFS obligations match not later than the end of the fiscal year. At this time, it is anticipated that the difference will be approximately \$1 million.

While we agree that the reconciliation between FFS and the BAA is not yet complete, we do not agree with the statement that "...agency financial records did not adequately reflect the funds obligated and expended for CISSCO, due to incomplete and inaccurate data." Over the past year, both the OCIO and OCFO have spent considerable time reconciling outstanding TACS to FFS obligations. In addition, at the exit conference the OIG indicated that the data in FFS appeared to be an accurate representation of the CISSCO work. The discrepancy noted in the report of putting the NRC at risk of not having valid obligations available to cover expenditures was one of extremely low risk and was resolved by the procedures that were issued and by

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establishing a TAC to charge CISSCO expenditures incurred in preparing estimates for proposed work which is subsequently canceled by the sponsor.

As a point of clarification, beginning in FY 1998 the agency was using the completed CIS-2 as the official document for recording an obligation. To avoid creating another discrepancy between the FFS obligated amount and the BAA amount, the agency will now be recording an obligation based on the BAA adjustment, which is supported by approved CIS-2s.

Recommendation 1. Conduct a lessons learned review of the coordination and communication between OCFO and OCIO, as they pertain to CISSCO, to determine the weaknesses that exist and address those weaknesses. In addition, we recommend the agency share the results of this lessons learned review with agency senior managers to prevent recurrences.

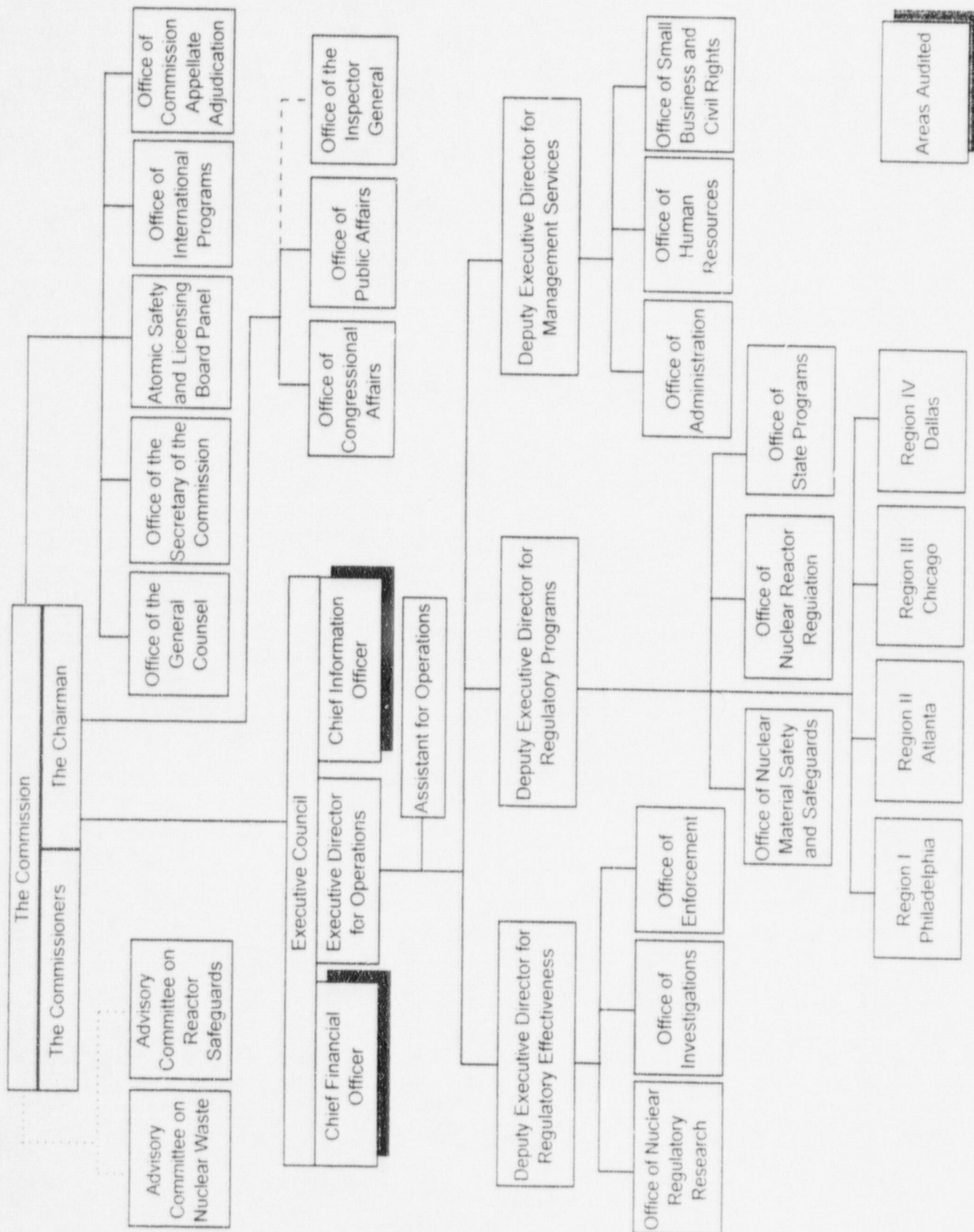
Response: Agree. We will perform a lessons learned review with the objective of improving future agreements and new initiatives. Agency senior managers will be advised of the results of the lessons learned. We anticipate this review to be completed by the end of the fiscal year.

Recommendation 2. Establish coordination between OCFO and OCIO to ensure that the obligations data in CTACS and FFS agree. In the alternative, the obligations information should be removed from CTACS.

Response: Agree. The OCIO will change CTACS obligation data to reflect the obligation data in FFS. Obligation information is needed by the CISSCO program to manage those cases where funds are provided incrementally for a TAC and as a basis for calculating contractor expenditure rates. The information must remain in CTACS. The OCIO plans to have CTACS obligation data reconciled to FFS by July 1, 1999, and plans to keep this information synchronized with FFS thereafter.

cc: William D. Travers, EDO

NRC ORGANIZATION CHART



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GLOSSARY: OFFICE OF THE INSPECTOR GENERAL PRODUCTS

INVESTIGATIVE

1. *INVESTIGATIVE REPORT - WHITE COVER*

An Investigative Report documents pertinent facts of a case and describes available evidence relevant to allegations against individuals, including aspects of an allegation not substantiated. Investigative reports do not recommend disciplinary action against individual employees. Investigative reports are sensitive documents and contain information subject to the Privacy Act restrictions. Reports are given to officials and managers who have a need to know in order to properly determine whether administrative action is warranted. The agency is expected to advise the OIG within 90 days of receiving the investigative report as to what disciplinary or other action has been taken in response to investigative report findings.

2. *EVENT INQUIRY - GREEN COVER*

The Event Inquiry is an investigative product that documents the examination of events or agency actions that do not focus specifically on individual misconduct. These reports identify institutional weaknesses that led to or allowed a problem to occur. The agency is requested to advise the OIG of managerial initiatives taken in response to issues identified in these reports but tracking its recommendations is not required.

3. *MANAGEMENT IMPLICATIONS REPORT (MIR) - MEMORANDUM*

MIRs provide a "ROOT CAUSE" analysis sufficient for managers to facilitate correction of problems and to avoid similar issues in the future. Agency tracking of recommendations is not required.

AUDIT

4. *AUDIT REPORT - BLUE COVER*

An Audit Report is the documentation of the review, recommendations, and findings resulting from an objective assessment of a program, function, or activity. Audits follow a defined procedure that allows for agency review and comment on draft audit reports. The audit results are also reported in the OIG's "Semiannual Report" to the Congress. Tracking of audit report recommendations and agency response is required.

5. *SPECIAL EVALUATION REPORT - BURGUNDY COVER*

A Special Evaluation Report documents the results of short-term, limited assessments. It provides an initial, quick response to a question or issue, and data to determine whether an in-depth independent audit should be planned. Agency tracking of recommendations is not required.

REGULATORY

6. *REGULATORY COMMENTARY - BROWN COVER*

Regulatory Commentary is the review of existing and proposed legislation, regulations, and policies so as to assist the agency in preventing and detecting fraud, waste, and abuse in programs and operations. Commentaries cite the IG Act as authority for the review, state the specific law, regulation or policy examined, pertinent background information considered and identifies OIG concerns, observations, and objections. Significant observations regarding action or inaction by the agency are reported in the OIG Semiannual Report to Congress. Each report indicates whether a response is required.



HOTLINE NUMBER:

1-800-233-3497

**THE OFFICE OF THE
INSPECTOR GENERAL**

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