



November 23, 2021

MEMORANDUM TO: Daniel H. Dorman
Executive Director for Operations

FROM: Eric Rivera */RA/*
Acting Assistant Inspector General for Audit

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE
NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK
MANAGEMENT PROCESS (OIG-21-A-16)

REFERENCE: ACTING ASSISTANT FOR OPERATIONS, OFFICE OF
THE EXECUTIVE DIRECTOR FOR OPERATIONS,
MEMORANDUM DATED OCTOBER 22, 2021

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated October 22, 2021. Based on this response, recommendations one through eight from this report are open and resolved. Please provide an updated status of the open, resolved recommendations by March 31, 2022.

If you have any questions or concerns, please call me at (301) 415-5915 or Vicki Foster, Team Leader, at (301) 415-5909.

Attachment: As stated

cc: S. Miotla, OEDO
J. Jolicoeur, OEDO
RidsEdoMailCenter Resource
OIG Liaison Resource
EDO_ACS Distribution

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

Recommendation 1: Develop and implement a process to periodically communicate a consistently understood agency risk appetite.

Agency Response

Dated October 22, 2021: The staff agrees with this recommendation and will revise OEDO Procedure 0960, *Enterprise Risk Management Reporting Instructions*, to address the agency's approach to determining and assessing its risk appetite.

Target Completion Date: September 1, 2022

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis:

The proposed actions meet the intent of the recommendation. The OIG will close this recommendation after verifying that the revised OEDO Procedure 0960, *Enterprise Risk Management Reporting Instructions*, specifies the agency's approach in the determination, implementation, and frequency of communication of its risk appetite.

Status:

Open: Resolved.

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

- Recommendation 2: Revise agency policies and guidance to:
- a. Designate the official agency risk profile document and remove references to it as a U.S. Office of Management and Budget (OMB) deliverable in Management Directive 4.4, *Enterprise Risk Management and Internal Control* and Office of the Executive Director for Operations Procedure 0960, *Enterprise Risk Management Reporting Instructions*.
 - b. Fully address the risk profile components and elements in accordance with OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*.

Agency Response

Dated October 22, 2021: The staff agrees with this recommendation. Staff will revise MD 4.4, *Enterprise Risk Management and Internal Control* and OEDO Procedure 0960, *Enterprise Risk Management Reporting Instructions* to identify and designate an official agency risk profile document and remove references to the risk profile being a deliverable to the OMB.

Target Completion Date: March 31, 2023

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis:

The proposed actions meet the intent of the recommendation. The OIG will close this recommendation when the OIG reviews the revised MD 4.4, *Enterprise Risk Management and Internal Control*, and OEDO Procedure 0960, *Enterprise Risk Management Reporting Instructions*, and verifies the designation of an official agency risk profile document and the removal of references to the risk profile being a deliverable to the OMB.

Status:

Open: Resolved.

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

Recommendation 3: Implement an enterprise risk management maturity model approach by selecting an appropriate model, assessing current practices per the model, and making progress in advancing the model.

Agency Response

Dated October 22, 2021: The staff agrees with this recommendation. Staff in OEDO and the Office of the Chief Financial Officer (OCFO) have, in the recent past, collaborated to draft and publish an agency maturity model. However, efforts were temporarily ceased upon learning OMB is revising its primary guidance document for maturity models, Playbook: Enterprise Risk Management for the U.S. Federal Government, later in 2021. The agency fully anticipates resuming this effort when OMB issues its revised guidance.

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis: The proposed actions meet the intent of the recommendation. The OIG will close this recommendation after verifying the NRC's adoption of an appropriate enterprise risk management maturity model by selecting an appropriate model, assessing current practices per the model, and making progress in advancing the model.

Status: Open: Resolved.

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

Recommendation 4: Establish and monitor implementation of procedures to ensure that Quarterly Performance Review (QPR) practices are fully performed, such as completion of the QPR Dashboard entries, and recordation of all management decisions of risk in the QPR meeting summaries and the Executive Committee on Enterprise Risk Management meeting minutes.

Agency Response

Dated October 22, 2021: The staff agrees with this recommendation and will update relevant OEDO procedures to identify requirements that QPR Dashboard entries are comprehensively completed and all risk-related management decisions resulting from QPR and ECERM meetings are recorded in meeting summaries.

Target Completion Date: September 1, 2022

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis:

The proposed actions meet the intent of the recommendation. The OIG will close this recommendation when the OIG reviews the revised relevant OEDO procedures and verifies the inclusion of requirements that QPR Dashboard entries are comprehensively completed and all risk-related management decisions resulting from QPR and ECERM meetings are recorded in meeting summaries.

Status:

Open: Resolved.

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

Recommendation 5: Reconcile the business lines structure with the Office of the Chief Financial Officer to have a common business lines structure list. (Deviations from the common business lines structure list for either the Quarterly Performance Review or reasonable assurance processes may be clarified with applicable justification noted).

Agency Response

Dated October 22, 2021: The staff agrees with this recommendation and staff will revise ERM-related guidance to include a common business lines structure list that identifies all business lines in the agency, as well as oversight responsibility. OEDO will identify and provide written justification for any deviation from the common agencywide business lines structure list referenced in any resulting products or activities.

Target Completion Date: September 1, 2022

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis:

The proposed actions meet the intent of the recommendation. The OIG will close this recommendation when the OIG reviews the revised ERM-related guidance and verifies the inclusion of a common business lines structure list that identifies all business lines in the agency, as well as oversight responsibility, and written justification for any deviation.

Status:

Open: Resolved.

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

- Recommendation 6: Update policies and guidance to address Management Directive 4.4, *Enterprise Risk Management and Internal Control*, and Management Directive 6.9, *Performance Management*, links to the Quarterly Performance Review (QPR) and reasonable assurance processes to accurately reflect that both agency processes address different aspects of enterprise risk management (ERM). This includes, but is not limited to:
- a. Updating Management Directive 6.9 for the expanded risk responsibilities added to the QPR process;
 - b. Explaining the role of the Programmatic Senior Assessment Team (PSAT) in the QPR process in Management Directive 6.9;
 - c. Specifying the Executive Committee on ERM (ECERM) role in decision-making of PSAT risks and ECERM focus areas in Management Directive 4.4;
 - d. Cross-referencing Management Directive 4.4 to Management Directive 6.9 to clearly show that ERM implementation activities through the QPR process eventually lead to the ERM focus areas and the reporting of ERM in the Integrity Act statement; and,
 - e. Including Management Directive 4.4 and Office of the Executive Director for Operations (OEDO) Procedure - 0960 in Management Directive 6.9, "Section VI. References."

Agency Response

Dated October 22, 2021: The staff agrees with the recommendation and will update policies and guidance contained in Management Directive 4.4, *Enterprise Risk Management and Internal Control* and Management Directive 6.9, *Performance Management* to reflect that the QPR and reasonable assurance processes address different aspects of enterprise risk management.

Target Completion Date: March 31, 2023

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

Recommendation 6,
continued:

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis:

The proposed actions meet the intent of the recommendation. The OIG will close this recommendation when the OIG reviews the revised Management Directive 4.4, *Enterprise Risk Management and Internal Control*, and Management Directive 6.9, *Performance Management*, and verifies that the QPR and reasonable assurance processes address different aspects of enterprise risk management in those management directives.

Status:

Open: Resolved.

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

Recommendation 7: Update policies and guidance to clarify the effective date of the quarterly risks in the Quarterly Performance Review (QPR) process.

Agency Response

Dated October 22, 2021: The staff agrees with this recommendation. The OEDO will coordinate with the OCFO to update pertinent policies and procedures including MD 4.4, *Enterprise Risk Management and Internal Control* to ensure data resulting from quarter 4 of the fiscal year is considered, as appropriate, for inclusion in the annual reasonable assurance statement.

Target Completion Date: September 1, 2022

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis:

The proposed actions meet the intent of the recommendation. The OIG will close this recommendation after verifying that the revised policies and procedures include clarification on the effective date of the quarterly risks in the Quarterly Performance Review (QPR) process so that the data resulting from quarter 4 of the fiscal year is considered in the current fiscal year-end reasonable assurance statement.

Status:

Open: Resolved.

Audit Report

AUDIT OF THE NRC'S IMPLEMENTATION OF THE ENTERPRISE RISK MANAGEMENT PROCESS OIG-21-A-16

Status of Recommendations

Recommendation 8: Require enterprise risk management-specific training that addresses U.S. Office of Management and Budget Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* requirements and current best practices, and periodically provide them to NRC personnel with ERM responsibilities.

Agency Response

Dated October 22, 2021: The staff agrees with this recommendation. Agency policies pertaining to enterprise risk management will be revised to identify training requirements for those NRC personnel with ERM responsibilities.

Target Completion Date: September 1, 2022

Point of Contact: Jaclyn Storch, 301-415-2877

OIG Analysis:

The proposed actions meet the intent of the recommendation. The OIG will close this recommendation after verifying that the revised policies pertaining to enterprise risk management specify the competencies required for the NRC personnel with ERM responsibilities and the ERM training requirement frequency.

Status:

Open: Resolved.