



April 27, 2022

MEMORANDUM TO: Joel C. Spangenberg
Executive Director of Operations

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

SUBJECT: STATUS OF RECOMMENDATIONS: RESULTS OF THE
AUDIT OF THE DEFENSE NUCLEAR FACILITIES SAFETY
BOARD'S FINANCIAL STATEMENTS FOR FISCAL YEAR
2021 (DNFSB-22-A-05)

REFERENCE: OFFICE OF THE GENERAL MANAGER, MEMORANDUM
DATED MARCH 1, 2022

Attached is the Office of the Inspector General's (OIG) analysis and status of the recommendations discussed in the DNFSB's response dated March 01, 2022. Based on this response, recommendations three, four, six, and seven are now closed. Recommendations one, two, and five remain open and resolved. Please provide an updated status of the open and resolved recommendations **by August 31, 2022**.

If you have any questions or concerns, please call me at (301) 415-5915 or Terri Cooper, Team Leader, at (301) 415-5965.

Attachment: As stated

cc: J. Biggins, GM
R. Howard

**RESULTS OF THE AUDIT OF THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD'S FINANCIAL STATEMENTS
FOR FISCAL YEAR 2021**

DNFSB-22-A-05

Status of Recommendations

Recommendation 1: Review of the Service Organization Control (SOC 1) Reports

We recommend the DNFSB implements policies and procedures to perform monitoring of the NFC, including obtaining and reviewing the SOC 1 report and appropriately implementing CUECs, as needed. Management should maintain evidence of its review of the USDA SOC 1 report and ensure all CUECs are implemented and operate effectively.

Agency Response dated
March 1, 2022:

Disagree. The OIG is incorrect that the SOC 1 report is required to maintain effective CUECs. In accordance with OMB guidance, DNFSB will continue its practice to use any of the acceptable methods of ensuring effective CUECs including one or more of the following procedures:

- a. Obtaining and reading a System and Organization Controls report, if available;
- b. Contacting the service organization, through the user entity, to obtain specific information;
- c. Visiting the service organization and performing procedures that will provide the necessary information about the relevant controls at the service organization; and/or
- d. Using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organization.

The DNFSB meets regularly with NFC to obtain specific information regarding the implementation of support services provided by NFC.

Request Recommendation be closed.

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Status of Recommendations

Recommendation 1(cont.):

OIG Analysis:

Based on the agency's response, the OIG will move this recommendation to open and resolved. However, the OIG will not close the recommendation until the DNFSB clearly states in its guidance the acceptable methods that are used to ensure effective CUECs.

Status:

Open: Resolved.

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Status of Recommendations

Recommendation 2: Information Technology Access and Segregation of Duties

We recommend the DNFSB defines and implements access and segregation of duties controls to:

- a. Provision and periodically recertify user access to Symplicity,
- b. Segregate the duties of users with access to the financial data in Symplicity.

Agency Response Dated
March 1, 2022:

Agree. DNFSB has implemented a process to validate Symplicity user access on an annual basis. Furthermore, collaboration is ongoing with Symplicity program manager to add read-only access capability for DNFSB users that do not have responsibilities to input data in the system.

Estimated Completion Date: June 30, 2022

OIG Analysis: The proposed action meets the intent of the recommendation. The recommendation will be closed when the DNFSB provides support for the process to validate Symplicity user access on an annual basis and implements the read-only access feature for the appropriate users.

Status: Open: Resolved.

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Status of Recommendations

Recommendation 3: Management Lacks Proper Review of Property

- a. We recommend that DNFSB management implement a process to perform a more detailed review of the General Property, Plant, and Equipment, Net balance on their financial statements, as well as further develop controls to ensure the accuracy and completeness of the asset related financial data.
- b. We recommend that DNFSB management implement a process to ensure that acquisition costs are reported at the time the asset is placed in service and capitalization has started, especially if there is a significant impact to the reported balance.

Agency Response Dated
March 1, 2022:

Agree. In order to strengthen internal controls of capitalized asset reporting, DNFSB has added another layer of reconciliation to the capitalized asset depreciation report to ensure asset balance and depreciation calculation align with the General Ledger. DNFSB also has procedures in place to ensure acquisition costs are reported when the asset is placed in service.

Request Recommendation be closed.

OIG Analysis:

The OIG requested and received a copy of the monthly reconciliation report and verified the agency has added reconciliation steps to ensure USDA depreciation calculations align with the general ledger. In addition, the OIG noted DNFSB management incorporated an independent review of the monthly reconciliation, and it is documented in the report. The actions meet the intent of the recommendation. Therefore, the recommendation is closed.

Status: Closed.

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Status of Recommendations

Recommendation 4: Lack of Payroll Reconciliation

We recommend DNFSB management implement and document monitoring controls to ensure all payroll related expenses from the pay files are properly and accurately recorded in the general ledger.

Agency Response Dated
March 1, 2022:

Agree. DNFSB has established a reconciliation process that compares the payroll information provided by the National Finance Center (NFC) to the payroll expenses recorded in the General Ledger.

Request Recommendation be closed.

OIG Analysis:

The OIG requested and received a sample payroll reconciliation report and verified the DNFSB has established reconciliation steps that compare the payroll information provided by the National Finance Center (NFC) to the payroll expenses recorded in the general ledger. The action meets the intent of the recommendation. Therefore, the recommendation is now closed.

Status: Closed.

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Status of Recommendations

Recommendation 5: Imputed Financing Estimates and Lack of Documentation

We recommend the DNFSB implement policies, procedures, and controls to ensure calculated imputed costs are reasonable and supportable.

Agency Response Dated
March 1, 2022:

Agree. Imputed cost consists of the cost of employee benefits and cost of office spaces utilized but not paid for by DNFSB. The Division of Budget and Finance (DBF) is currently finalizing a process guide that includes instructions on how to calculate the imputed cost of employee benefits. The successful implementation of the process guide is heavily reliant on the capability of the National Finance Center to provide employees benefit reports at the end of the 4th Quarter, FY2022. The calculation for the imputed cost of office spaces utilized by DNFSB Resident Inspectors but not paid for by DNFSB will be developed during the 4th Quarter, FY 2022. The calculation will be based on actual rent rates at the facilities where Resident Inspectors work.

Estimated Completion Date: 1st Quarter FY 2023.

OIG Analysis: The proposed action meets the intent of the recommendation. The recommendation will be closed after the DNFSB has implemented policies, procedures, and controls to ensure calculated imputed costs are reasonable and supportable.

Status: Open: Resolved.

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Status of Recommendations

Recommendation 6: Unfunded Leave Liability

We recommend DNFSB management utilize information more directly relevant to the line item, as available, such as on the leave liability report, in order to determine the unfunded leave liability amount to be recorded as of year-end.

Agency Response Dated
March 1, 2022:

Agree. DNFSB has established a point of contact at NFC to obtain the annual leave liability information. As a result, the correct amount of the unfunded leave liability was reported on the 4th Quarter, FY 2021 DNFSB financial statements.

Request Recommendation be closed.

OIG Analysis:

The OIG verified the DNFSB established a point of contact at NFC and the correct amount of the unfunded leave liability was reported. The action meets the intent of the recommendation. Therefore, the recommendation is now closed.

Status: Closed.

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Status of Recommendations

Recommendation 7: Financial Statement Preparation

DNFSB management should enhance its review control processes and monitoring over the compilation and preparation of the DNFSB year-end financial statements to prevent and/or timely detect errors to their financial statements and the related note disclosures. The reviews of the financial statements and related note disclosures should be completed considering the latest requirements of OMB A-136.

Agency Response Dated
March 1, 2022:

Disagree. During the FY 2021 Financial Statement Audit, draft documents were provided to the auditors in response to requests for information. Establishing a finding and issuing a recommendation in response to draft information incorrectly assumes that the draft information represents corrected and finalized financial statements. This recommendation mischaracterizes that draft information as errors in the financial statements. While DNFSB disagrees with this recommendation, we have taken additional steps to ensure documentation of the review of the quarterly financial statements and footnote disclosures in order to detect errors on a timely basis.

Request Recommendation be closed.

OIG Analysis:

The OIG obtained and reviewed the additional steps DNFSB has taken related to enhancing its review control processes and monitoring over the compilation preparation of the DNFSB year-end financial statements to prevent and/or timely detect errors to their financial statements and the related note disclosures. These steps meet the intent of the recommendation. Therefore, the recommendation is now closed.

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Status of Recommendations

Recommendation 7 (cont.):

Status: Closed.