

October 12, 2005

MEMORANDUM TO: Jesse L. Funches
Chief Financial Officer

FROM: Stephen D. Dingbaum/RA/
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE
NUCLEAR REGULATORY COMMISSION'S FY 2004
FINANCIAL STATEMENTS (OIG-05-A-02)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDUM DATED
AUGUST 16, 2005

Attached is the Office of the Inspector General's analysis and status of recommendation 1 as discussed in the agency's response dated August 16, 2005. Based on this response recommendation 1 is resolved. Recommendations 2, 3, 4, 6, and 7 are also resolved. We will make a determination on the status of all resolved recommendations during the audit of NRC's FY 2005 financial statements.

If you have any questions or concerns, please call me on 415-5915.

Attachments: As stated

cc: William Dean, OEDO
Melinda Malloy, OEDO
Patty Tressler, OEDO

Audit Report
Audit of the Nuclear Regulatory Commission's
FY 2004 Financial Statements
(OIG-05-A-02)
Status of Recommendations

Recommendation 1: The CFO should ensure that the functionality of interfaces is rigorously tested before placing any software changes into production. Acceptance testing scripts should be designed more broadly to ensure greater scrutiny of the change being implemented. Independent validations of software changes and the related acceptance testing should be performed or reviewed and approved by persons other than those requesting the software modifications.

Response dated
August 16, 2005:

During the first quarter billing cycle of fiscal year 2005, we expanded testing of software changes to include potentially affected interfaces. In addition, test scripts were expanded to exclude assumptions creating greater scrutiny of changes and their potential impact. During the first quarter billing cycle, OCFO staff performed independent verification and validation (IV&V) of the software test plan and results. A contractor performed IV&V for software modifications during the second quarter billing cycle and we plan to utilize a contractor to perform this function for future software modifications. We have attached a report that describes how acceptance test results were reviewed independently for the fiscal year 2005 second quarter billing cycle.

OIG Analysis:

R. Navarro & Associates (RNA), OIG's contractor analyzed the report on the IV&V of the software test plan and results. Based on the analysis, RNA concluded that the level of testing performed is adequate to ensure proper function of the fee billing system after installation of the modifications noted in the report. However, OCFO needs to provide evidence of a business process, including a plan for selection of an OCFO IV&V contractor, which incorporates adequate testing of software modifications as a matter of policy. Therefore, the recommendation remains resolved pending receipt and review of revised policies and procedures documenting adequate testing and IV&V of software modifications as part of OCFO's business process.

Status: Resolved.