

May 26, 2015

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Maureen E. Wylie **/RA/**
Chief Financial Officer
Office of the Chief Financial Officer

Michael R. Johnson **/RA/**
Deputy Executive Director for Reactor
and Preparedness Programs
Office of the Executive Director for Operations

SUBJECT: FORMAL COMMENTS ON THE OFFICE OF THE INSPECTOR
GENERAL DRAFT REPORT ON THE U.S. NUCLEAR
REGULATORY COMMISSION'S REACTOR BUSINESS LINES'
COMPLIANCE WITH AGENCY NON-FINANCIAL INTERNAL
CONTROLS GUIDANCE

This memorandum responds to the May 15, 2015, Office of the Inspector General (OIG) final draft report, "Audit of NRC [U.S. Nuclear Regulatory Commission] Reactor Business Lines' Compliance with Agency Non-Financial Internal Controls Guidance." The report was revised following receipt of the agency's informal written comments of April 29, 2015, verbal comments provided during the May 1, 2015, exit conference, and editorial comments provided on May 13, 2015.

The NRC staff appreciates the cooperation of your team and agrees with the recommendations to:

1. Implement NRC Management Directive and Handbook 4.4, Internal Control non-financial internal control requirements.
2. Implement steps that hold program managers and staff accountable for meeting their responsibility adhering to internal controls.
3. Develop internal control training and guidance to include mandatory standalone courses for managers and staff, and incorporate internal control responsibilities in the NRC formal developmental programs.

In addition, the NRC staff has reviewed the report and found no sensitive, proprietary, personally identifiable information, or classified or other information that would necessitate redaction prior to issuing the report as publicly available.

CONTACT: Jesse Arildsen, OEDO
(301) 415-1785

It is important to us that the report be taken in the context of our control environment and that the context be provided to the reader.

Because of its strong attention to its mission and function as a regulator, the NRC is continuously focused on planning, assessing risk, testing, and identifying and implementing corrective actions. These internal control activities are conducted by the staff and management through well-documented programs for self-assessment of its processes and substantial efforts associated with its oversight of licensee safety. The NRC performs these activities as part of its everyday work and ensures that the programs/processes are incorporated into supporting documentation for management's review of program operations.

NRC staff significantly improved the NRC's non-financial (programmatic) internal control framework in FY 2013 based on the Government Accountability Office (GAO) Standards for Internal Control in the Federal Government. As a way to illustrate the agency's diligent and comprehensive approach on management and internal controls, Enclosure 1 provides a subset of the programs within the Reactor Business Lines that support internal control processes to meet GAO Standards. NRC staff concurs that the improved framework is carried out differently than described in parts of MD 4.4 Handbook Section III ("Assessment of Internal Control over Program Operations (Non-financial)"), which was the subject of the audit. As part of the agency's continuous process improvements, the new framework cross-references the internal control programs/processes to responsibilities described in a Memorandum of Understanding for each business line and its partner offices. This is an enhancement to MD 4.4 Handbook Section III, where the Internal Control Plan (ICP) is identified as the basis for mapping programs/processes to internal control. The NRC consciously decided not to repeat information in the ICPs and to prevent unnecessary duplication of effort. As the improvements are recent and continuing, MD 4.4 does not contain this modification and will be updated by the staff after Office of Management and Budget (OMB) next updates Circular A-123 in 2016.

While the audit didn't include step 5 in its scope, "Submit Assurance Statement," the Reactor Business Lines met the MD 4.4 requirements for developing and certifying their respective assurance statements. Specifically in MD 4.4 Handbook Section III, the final step in the internal control process for an NRC Business Line Manager is to submit the reasonable assurance statement at the end of each fiscal year, a key element for preparing the Performance and Accountability Report. Business Line Managers must submit annual assurance statements in accordance with annual Programmatic Internal Control and Reasonable Assurance Guidance issued by the Executive Director for Operations and Chief Financial Officer. Business Line Managers consider programmatic, administrative, and financial programs when signing the assurance statement. The two business lines do identify all such programmatic products and services and their associated internal control activities and objectives in their annual reasonable assurance statements and supporting documentation.

S. D. Dingbaum

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We appreciate your willingness to consider these comments as you finalize your report. If you need additional information, please contact Mr. Jesse Arildsen in OEDO at (301) 415-1785.

Enclosure:

As stated

cc: Chairman Burns
Commissioner Svinicki
Commissioner Ostendorff
Commissioner Baran
SECY
OGC
OPA
OCA

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Adams: ☒ Yes ☐ No Initials: EB
☒ Publicly Available ☐ Non-Publicly Available

SUNSI Review: EB
☐ Sensitive ☒ Non-Sensitive

*e-mail concurrence

**OGC has NLO and no additional comments

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