



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

**OFFICE OF THE
INSPECTOR GENERAL**

September 15, 2015

MEMORANDUM TO: Maureen E. Wylie
Chief Financial Officer

Mark A. Satorius
Executive Director for Operations

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

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S
BUDGET EXECUTION PROCESS (OIG-13-A-18)

REFERENCE: CHIEF FINANCIAL OFFICER MEMORANDUM DATED
AUGUST 21, 2015

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations 1 through 8 as discussed in the agency's response dated August 21, 2015. Based on this response, recommendation 8 is closed. Recommendations 1 and 3 remain in resolved status. Recommendations 2, and 4-7, were previously closed. Please provide an updated status on the resolved recommendations by March 31, 2016.

If you have any questions or concerns, please call me at 415-5915 or Eric Rivera, Team Leader, at 415-7032.

Attachment: As stated

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Audit Report

AUDIT OF NRC'S BUDGET EXECUTION PROCESS

OIG-13-A-18

Status of Recommendations

Recommendation 1: Complete implementation of NRC's Planning, Budgeting, and Performance Management process.

Agency Response

Dated August 21, 2015: **Status:** Ongoing

This recommendation is being addressed as part of a process to replace Management Directive (MD) 4.7, *"Policies and Practices Governing NRC Long-Range Planning, Budget Formulation, and Resource Management."* In addition, the NRC revised MD 4.4 *"Internal Controls"*, which was published in November 2012. MD 4.4 establishes and assigns responsibilities for internal control and reasonable assurance over NRC programmatic operations. The Office of the Chief Financial Officer (OFCO) decided to modify the approach to the replacement of the MD and Handbook 4.7 in order to improve policy communication, organization, and achieve agency consensus on the policies covered. Based on Commission direction (COMSECY-13-0011), the Office of the Executive Director for Operations and the OCFO are replacing MD 4.7 with four separate MDs: strategic planning process, budget formulation, performance management, and budget execution. This approach more clearly delineates roles and responsibilities, standardizes systems and processes, and improves on the coordination of policies. In the meantime, the agency will continue with improving all phases of the Planning, Budgeting, and Performance Management process as indicated in our memorandum dated June 20, 2013, on *"Actions Taken or Planned for Audit of NRC's Budget Execution Process (OIG-13-A-18)."*

Target Completion Date: 2nd Quarter Fiscal Year (FY) 2016

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when the agency completes implementation of NRC's Planning, Budgeting, and Performance Management process through the replacement of Management Directive and Handbook 4.7.

Audit Report

AUDIT OF NRC'S BUDGET EXECUTION PROCESS

OIG-13-A-18

Status of Recommendations

Recommendation 1 (cont.):

Status: Resolved.

Audit Report

AUDIT OF NRC'S BUDGET EXECUTION PROCESS

OIG-13-A-18

Status of Recommendations

Recommendation 3: Enforce the use of correct budget object codes.

Agency Response

Dated August 21, 2015: **Status:** Ongoing

1. **Monthly BOC Monitoring:** The Division of the Controller, Financial Reporting and Analysis Branch (FRAB) took the original procedures developed in FY 2014 for ensuring the proper use of BOC codes and incorporated them into the FRAB monthly general ledger (G/L) reconciliation and internal control process. FRAB began the monthly monitoring of BOC coding on obligation transactions recorded to G/L account 4801 – Undelivered Orders in February 2015 and went back to the beginning of FY 2015 to review all new G/L 4801 obligation activity for proper BOC coding. As part of the process, FRAB maintains a master list of obligation transactions that were identified as exceptions and needing corrective action. FRAB work papers are prepared for the G/L 4801 account BOC review and incorporated into the FRAB monthly G/L Reconciliation Notebook placed in the Agencywide Documents Access Management System (ADAMS) and provided to the Office of the Inspector General Financial Statement auditors. (See, June G/L Monthly reconciliation Notebook ADAMS: ML15208A176).
2. **Corrections to Identified BOC Exceptions:** Since obligation transactions originate in the Office of Administration, Acquisition Management Division (AMD) procurement system (STAQS) and interfaced into the agency accounting system (FAIMIS), FRAB staff began working with AMD staff in FY 2015 to develop a process to correct BOCs on obligation transactions in both STAQS and FAIMIS in order to keep the two systems in-sync. Successful testing of the process to correct BOCs on obligation transactions in FAIMIS has been completed, and AMD staff is scheduled to complete the testing in STAQS by mid-August 2015. Once successful testing

Audit Report

AUDIT OF NRC'S BUDGET EXECUTION PROCESS

OIG-13-A-18

Status of Recommendations

Recommendation 3 (cont.):

is completed, FRAB and AMD staff will develop a procedure to complete the BOC corrections in both production systems.

3. **Removal of Two Digit Major Object Class**

MOC: During the BOC monitoring process, FRAB identified a number of obligation transactions being recorded in STAQS and interfaced to FAIMIS with a two digit Major Object class (MOC) code versus the normal four digit BOC (i.e. MOC 2500 – Contract Services, versus 252A – Contract Services, Non-Federal). In February 2015, FRAB staff worked with AMD staff to have the MOC code removed from the selection criteria for recording requisitions and obligations in STAQS. Exceptions identified during the first half of FY 2015 with MOC codes will be corrected in STAQS and FAIMIS using the process identified above in action #2.

4. **Annual Update to the BOC Guide**: During September 2015, FRAB will issue an updated BOC Guide to offices for use when recording procurement actions in STAQS and FAIMIS. FRAB will distribute the guide to the allowance financial managers and office budget contacts and will look into sending a mass e-mail distribution to all funds certifying officials and contracting officer representatives. As part of the distribution, FRAB will outline the importance of using the correct BOC coding and the impact on external and internal reporting. Additionally, FRAB will provide a description of common errors identified with previously recorded obligation transactions.

Target Completion Date: 4th Quarter FY 2015

Audit Report

AUDIT OF NRC'S BUDGET EXECUTION PROCESS

OIG-13-A-18

Status of Recommendations

Recommendation 3 (cont.):

OIG Analysis: The proposed corrective action partially addresses the intent of OIG's recommendation. This recommendation will be closed when OIG sees evidence of completed reviews of the accuracy and consistent use of budget object codes.

Status: Resolved.

Audit Report

AUDIT OF NRC'S BUDGET EXECUTION PROCESS

OIG-13-A-18

Status of Recommendations

Recommendation 8: Incorporate clarified guidance on position delegations for allowance holders in MD 4.2, which is currently under revision.

Agency Response

Dated August 21, 2015: **Status:** Completed

This recommendation has been addressed as part of the revision to MD and Handbook 4.2, "*Administrative Control of Funds*," published June 22, 2015. See page 17, Section IV. D. 1. "Allowance Holder Responsibilities," of the Handbook, 4.2 (ADAMS: [ML14157A275](#)).

Target Completion Date: 3rd Quarter FY 2015

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. OIG received and reviewed the revised final Management Directive and Handbook 4.2, which includes clarified guidance on position delegations for allowance holders. Therefore, this recommendation is considered closed.

Status: Closed.