



OFFICE OF THE  
INSPECTOR GENERAL

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

October 25, 2016

MEMORANDUM TO: Maureen E. Wylie  
Chief Financial Officer

Victor M. McCree  
Executive Director for Operations

FROM: Steven E. Zane */RA/*  
Acting Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE U.S.  
NUCLEAR REGULATORY COMMISSION'S  
IMPLEMENTATION OF FEDERAL MANAGERS'  
FINANCIAL INTEGRITY ACT FOR FISCAL YEAR 2015  
(OIG-16-A-20)

REFERENCE: CHIEF FINANCIAL OFFICER'S MEMORANDUM DATED  
OCTOBER 20, 2016

Attached is the Office of the Inspector General's analysis and status of recommendations as discussed in the agency's response dated October 20, 2016. Based on this response, recommendations 1 through 3 are resolved. Please provide a status update on these recommendations by March 17, 2017.

If you have questions or concerns, please call me at (301) 415-5915 or Eric Rivera, Team Leader, at (301) 415-7032.

Attachment: As stated

cc: R. Lewis, OEDO  
H. Rasouli, OEDO  
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## **Audit Report**

### **AUDIT OF THE U.S. NUCLEAR REGULATORY COMMISSION'S IMPLEMENTATION OF FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT FOR FISCAL YEAR 2015**

(OIG-16-A-20)

#### **Status of Recommendations**

Recommendation 1: Provide interim guidance via the Yellow Announcement process to update Management Directive 4.4, especially Chapter III.

Agency Response Dated  
October 20, 2016:

Agree.

Staff will issue Interim Guidance for Programmatic Internal Control via the Yellow Announcement process. The interim guidance will update some parts of the Nuclear Regulatory Commission Management Directive (MD) 4.4, Internal Control, Handbook to reflect the updated programmatic internal control framework. The interim guidance will supersede MD 4.4 Handbook, Section III, "Assessment of Internal Control Over Program Operations (Non-Financial)[.]"

Completion Date: November 30, 2016  
Point of Contact: David Holley, OCFO

OIG Analysis:

The proposed action meets the intent of this recommendation. This recommendation will be closed when OIG has reviewed the Yellow Announcement providing interim guidance updating Management Directive 4.4.

**Status:**

Resolved.

## Audit Report

### AUDIT OF THE U.S. NUCLEAR REGULATORY COMMISSION'S IMPLEMENTATION OF FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT FOR FISCAL YEAR 2015

(OIG-16-A-20)

#### Status of Recommendations

Recommendation 2: Update and align agency guidance and processes related to internal control over program operations, quarterly performance review, and strategic planning.

Agency Response Dated  
October 20, 2016:

Agree.

1. As required by the Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, published in July 2016, the agency will develop an Enterprise Risk Management (ERM) Framework. The ERM framework will inform strategic and management decision making and ensure business processes, stakeholder analysis, and Full-Time Equivalent (FTE) utilization align with the agency's strategic plan, performance management, and control environment. The agency's implementation strategy towards the development of the ERM framework includes, leveraging appropriate risk, internal control, and agency governance organizations and processes currently in place, improving processes and developing solutions where gaps exist, and disseminating ERM and Internal Control awareness training for leadership and staff. Staff will also update MD 4.4, Internal Control, to incorporate ERM requirements as well as document alignment of internal control over programmatic operations, Quarterly Performance Review (QPR), and Strategic Planning processes.

Completion Date: March 30, 2018

2. In accordance with MD 4.4, Internal Control, the agency formed the Programmatic Senior Assessment Team (PSAT), comprised of the business line leads, in Fiscal Year (FY) 2016, Q4. The PSAT is a governance body that directs the assessment of internal control over programmatic operations, ensuring that program managers and staff are accountable for meeting their responsibility for

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(OIG-16-A-20)

#### **Status of Recommendations**

##### Recommendation 2 (Con't):

adhering to internal control, as recommended in the Audit of the U.S. Nuclear Regulatory Commission's (NRC's) Reactor Business Lines' Compliance with Agency Non-Financial Internal Control Guidance (OIG-15-A-16). In addition, the PSAT will leverage the agency's QPR process to identify and document risks, make them transparent, and develop mitigation strategies as part of the agency's enterprise risk management framework.

Completion Date: January 31, 2017

Point of Contact: David Holley, OCFO

##### OIG Analysis:

The proposed actions meet the intent of this recommendation. This recommendation will be closed when OIG has reviewed the updated agency guidance and processes related to internal control over program operations, including their alignment with quarterly performance review, and strategic planning processes.

##### **Status:**

Resolved.

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(OIG-16-A-20)

#### **Status of Recommendations**

Recommendation 3: Develop and implement enhanced record retention requirements for documentation related to internal control and corrective action plans to conform to the guidance in MD 4.4, Section III.

Agency Response Dated  
October 20, 2016:

Agree.

Beginning in FY 2017 Q1, the Internal Control Plans (ICP) for all business lines will be updated to more closely align with NRC's guidance in MD 4.4. The ICPs will document internal control risks, weaknesses, and reportable conditions. The ICPs will include risk assessments, tests of program controls, self-assessments, and program evaluations. The ICPs will track internal control activities, corrective actions, and the status of audit recommendations. The ICPs will also include a section for closed actions, as control activities are completed throughout the FY, the actions will be moved to the closed section of the ICP. End [of] FY ICPs will be stored on OCFO's G: drive. In addition, the Internal Control and Planning Branch has created an Internal Control SharePoint site that's the agency's "one-stop-shop" for internal control statutory requirements, policy guidance, and documentation and communications, including a "Standards and Guidance" catalog, organized by business line, containing links to MDs, interim staff guidance, inspection manuals, regulatory guides, office procedures, etc., that the business lines use in conducting their daily operations.

Completion Date: December 30, 2016

Point of Contact: David Holley, OCFO

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(OIG-16-A-20)

#### **Status of Recommendations**

##### Recommendation 3 (Con't):

**OIG Analysis:** The proposed actions meet the intent of this recommendation. This recommendation will be closed when OIG has reviewed enhanced record retention requirements for documentation related to internal control and corrective action plans to conform to the guidance in MD 4.4, Section III and reviewed the revised requirements.

**Status:** Resolved.