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System Review Report

September 27, 2012

To The Honorable Hubert T. Bell
Inspector General
Nuclear Regulatory Commission

We have reviewed the system of quality control for the audit organization of the Nuclear Regulatory Commission (NRC) Office of Inspector General (OIG) in effect for the year ended March 31, 2012. A system of quality control encompasses Nuclear Regulatory Commission (NRC) OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming with *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards*. NRC OIG is responsible for designing a system of quality control and complying with it to provide NRC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Our responsibility is to express an opinion on the design of the system of quality control and NRC OIG's compliance therewith based on our review.

Our review was conducted in accordance with *Government Auditing Standards* and guidelines established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE). During our review, we interviewed NRC OIG personnel and obtained an understanding of the nature of the NRC OIG audit organization, and the design of the NRC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected engagements and administrative files to test for conformity with professional standards and compliance with the NRC OIG's system of quality control. The engagements selected represented a reasonable cross-section of the NRC OIG's audit organization, with emphasis on higher-risk engagements. Prior to concluding the review, we reassessed the adequacy of the scope of the peer review procedures and met with NRC OIG management to discuss the results of our review. We believe that the procedures we performed provide a reasonable basis for our opinion.

In performing our review, we obtained an understanding of the system of quality control for the NRC OIG's audit organization. In addition, we tested compliance with the NRC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NRC OIG's policies and procedures on selected engagements. Our review was

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based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of noncompliance with it.

There are inherent limitations in the effectiveness of any system of quality control, and therefore noncompliance with the system of quality control may occur and not be detected. Projection of any evaluation of a system of quality control to future periods is subject to the risk that the system of quality control may become inadequate because of changes in conditions, or because the degree of compliance with the policies or procedures may deteriorate.

Enclosure 1 to this report identifies the offices of the NRC OIG that we visited and the engagements that we reviewed.

In our opinion, the system of quality control for the audit organization of NRC OIG in effect for the year ended March 31, 2012, has been suitably designed and complied with to provide NRC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. Federal audit organizations can receive a rating of *pass*, *pass with deficiencies*, or *fail*. NRC OIG has received a peer review rating of *pass*.

As is customary, we have issued a letter dated September 27, 2012 that sets forth findings that were not considered to be of sufficient significance to affect our opinion expressed in this report.

In addition to reviewing its system of quality control to ensure adherence with *Government Auditing Standards*, we applied certain limited procedures in accordance with guidance established by the CIGIE related to NRC OIG's monitoring of engagements performed by Independent Public Accountants (IPA) under contract where the IPA served as the principal auditor. It should be noted that monitoring of engagements performed by IPAs is not an audit and therefore is not subject to the requirements of *Government Auditing Standards*. The purpose of our limited procedures was to determine whether NRC OIG had controls to ensure IPAs performed contracted work in accordance with professional standards. However, our objective was not to express an opinion and accordingly, we do not express an opinion, on NRC OIG's monitoring of work performed by IPAs.



James Springs, Acting Inspector General
National Archives and Records Administration

Enclosures

SCOPE AND METHODOLOGY (Enclosure 1)

Scope and Methodology

We tested compliance with the NRC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included a review of 6 of 18 audit and attestation reports issued during the period April 1, 2011 through March 31, 2012, and semiannual reporting periods of September 30, 2011 and March 31, 2012.

We visited NRC OIG's headquarters in Rockville, MD.

Reviewed Engagements Performed by NRC OIG

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-11-A-10	5/3/2011	Audit of NRC's Oversight of ISFSI Security
OIG-11-A-13	5/31/2011	Audit of NRC's Purchase Card Program
OIG-11-A-15	7/27/2011	Audit of NRC's Shared "S" Drive
OIG-12-A-06	12/13/2011	Audit of NRC's Oversight of Decommissioned Uranium Recovery Sites and Sites Undergoing Decommissioning
OIG-12-A-09	2/10/2012	Audit of NRC's Use of Confirmatory Action Letters

Reviewed Monitoring Files of NRC OIG for Contracted Engagements

<u>Report No.</u>	<u>Report Date</u>	<u>Report Title</u>
OIG-12-A-03	11/9/2011	Results of the Audit of the United States Nuclear Regulatory Commission's Financial Statements for Fiscal Year 2011

NRC OIG RESPONSE TO DRAFT REPORT (Enclosure 2)



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

OFFICE OF THE
INSPECTOR GENERAL

September 24, 2012

James Springs
Acting Inspector General
National Archives and
Records Administration
8601 Adelphi Road, Room 1300
College Park, MD 20740-6001

Dear Mr. Springs:

Thank you for the opportunity to comment on the official *Draft System Review Report on the Nuclear Regulatory Commission's Office of Inspector General Audit Organization*. We have no comments.

If you have any questions regarding the response, please contact Stephen D. Dingbaum, Assistant Inspector General for Audits, at 301-415-5915.

Sincerely,

A handwritten signature in cursive script, appearing to read "Hubert T. Bell".

Hubert T. Bell
Inspector General