OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20554

September 17, 2015

The Honorable Hubert T. Bell
Inspector General
United States Nuclear Regulatory Commission

Dear Mr. Bell:

Attached is the External Peer Review Report of the Nuclear Regulatory Commission Office of Inspector General audit organization. The review was conducted in accordance with *Government Auditing Standards* and the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting Peer Reviews of the Audit Organizations of Federal Offices of Inspector General.*

Our review resulted in a peer review rating of pass. This means no material weaknesses were identified and there were no restrictions on the scope of the auditors work during the review. Your response to the draft report is included as Enclosure 2.

If you have any questions regarding the attached report, please contact Arnie Garza, Deputy Assistant Inspector General for Audit at 202-418-0992 or Arnie.Garza@fcc.gov; or Robert McGriff, Acting Assistant Inspector General for Audit at 202-418-0483 or Robert.McGriff@fcc.gov.

David L. Hunt for
Inspector General

Attachment: Peer Review Report

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20554

System Review Report

September 17, 2015

TO: Honorable Hubert T. Bell, Inspector General
United States Nuclear Regulatory Commission
Office of Inspector General

We have reviewed the system of quality control for the audit organization of the United States Nuclear Regulatory Commission, Office of Inspector General (NRC OIG) in effect for the year ended March 31, 2015. A system of quality control encompasses NRC OIG's organizational structure and the policies adopted and procedures established to provide it with reasonable assurance of conforming to *Government Auditing Standards*. The elements of quality control are described in *Government Auditing Standards, December 2011 revision*, issued by the Comptroller General of the United States. NRC OIG is responsible for establishing and maintaining a system of quality control that is designed to provide NRC OIG with reasonable assurance that the organization and its personnel comply with professional standards and applicable legal and regulatory requirements 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 the Council of the Inspectors General on Integrity and Efficiency (CIGIE*) Guide for Conducting Peer Reviews of the Audit Organization of Federal Offices of Inspector General*. 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 system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected audits and review engagements, collectively referred to as "audits," and administrative files to test for conformity with professional standards and compliance with the NRC OIG's system of quality control. The audits selected represented a reasonable cross-section of the NRC OIG 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 audit organization. In addition, we tested compliance with the NRC OIG quality control policies and procedures to the extent we considered appropriate. These tests covered the application of the NRC OIG policies and procedures on selected audits. Our review was based on selected tests; therefore, it would not necessarily detect all weaknesses in the system of quality control or all instances of non-compliance 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 and procedures may deteriorate.

Enclosure 1 to this draft report identifies the audit scope and methodology; the engagements we reviewed; and the NRC OIG site we visited in order to review the engagements.

In our opinion, the system of quality control for the audit organization of NRC OIG in effect for the year ended March 31, 2015, 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. Audit organizations can receive a rating of *pass; pass with deficiencies, or fail*. NRC OIG has received an External Peer Review rating of *pass*.

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.

Robert Moff FOR

David L. Hunt
Inspector General

Enclosures: Scope and Methodology
Management's Comments

Enclosure 1

SCOPE AND METHODOLOGY

Scope and Methodology

We tested compliance with NRC OIG audit organization's system of quality control to the extent we considered appropriate. These tests included 6 of 28 audits issued during the period April 1, 2014 through March 31, 2015. We also reviewed the internal quality control reviews performed by NRC OIG.

In addition, we reviewed the NRC OIG's monitoring of audits performed by an IPA where the IPA served as the auditor during fiscal year 2014. During the period, NRC OIG contracted for the audit of its agency's fiscal year 2014 financial statements. NRC OIG also contracted for other audits that were to be performed in accordance with *Government Auditing Standards*.

We visited the NRC OIG office in Washington, DC.

Reviewed Audits Performed by NRC OIG:

Audit Report No.	Report Title	Issue Date
OIG-15-A-12	Audit of NRC's Internal Controls Over Fee Revenue	03/19/2015
OIG-15-A-06	Audit of NRC's Oversight of Spent Fuel Pools	02/10/2015
OIG-14-A-21	Audit of NRC's Communications Security Program	09/29/2014
OIG-14-A-18	Audit of NRC's Method for Retaining and Documenting Information Supporting the Yucca Mountain Licensing Process	07/23/2014

Reviewed Monitoring Files for Audits Contracted by the NRC OIG:

Audit Report No.	Report Title	Issue Date
OIG-15-A-03	Clifton, Larson, Allen, LLP's Audit of NRC's FY 2014 and 2013 Financial Statements	11/14/2014
DNFSB-15-A-2014	Acuity's Audit of Defense Nuclear Facilities Safety Boards 2014 and 2013 Financial Statement	11/14/2014

Enclosure 2

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

OFFICE OF THE
INSPECTOR GENERAL

September 1, 2015

David Hunt
Inspector General
Federal Communications Commission
445 12th St., S.W., Room 2-C 720
Washington, D.C. 20554

Dear Mr. Hunt:

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 415-5915.

Sincerely,

/Hubert T. Bell

Hubert T. Bell
Inspector General