



U.S. NATIONAL SCIENCE FOUNDATION
Office of Inspector General

August 28, 2024

The Honorable Robert J. Feitel
Inspector General
U.S. Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board
11555 Rockville Pike
Rockville, MD 20852

Subject: System Review Report on the Nuclear Regulatory Commission's Office of Inspector General Audit Organization

Dear Mr. Feitel:

Attached is the System Review Report of the Nuclear Regulatory Commission's Office of Inspector General. 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 Audit Organizations of Federal Offices of Inspector General*. Your response to the report is included as an enclosure.

We appreciate the courtesies extended to us by you and your staff as we completed our work.

Sincerely,

A handwritten signature in dark ink that reads "Allison C. Lerner".

Allison C. Lerner
Inspector General

Enclosures



U.S. NATIONAL SCIENCE FOUNDATION Office of Inspector General

System Review Report

Robert J. Feitel, Inspector General

U.S. Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board

We have reviewed the system of quality control for the audit organization of the Nuclear Regulatory Commission Office of Inspector General (NRC OIG) in effect for the year ended March 31, 2024. 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 in all material respects with *Government Auditing Standards (GAS)* and applicable legal and regulatory requirements. The elements of quality control are described in GAS.

In our opinion, the system of quality control for the audit organization of NRC OIG in effect for the year ended March 31, 2024, has been suitably designed and complied with to provide NRC OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards and applicable legal and regulatory requirements 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*.

Monitoring of GAGAS Engagements Performed by Independent Public Accountants

In addition to reviewing its system of quality control to ensure adherence with GAS, we applied certain limited procedures in accordance with guidance established by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) related to NRC OIG's monitoring of engagements conducted in accordance with generally accepted government auditing standards (GAGAS engagements) by Independent Public Accountants (IPAs) under contract when an IPA served as the auditor. Please note that monitoring of GAGAS engagements performed by IPAs is not an audit and, therefore, is not subject to the requirements of GAS. 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; accordingly, we do not express an opinion on NRC OIG's monitoring of work performed by IPAs.

Letter of Comment

We have issued a letter that sets forth a finding that was not considered to be of sufficient significance to affect our opinion expressed in this report.

Basis of Opinion

Our review was conducted in accordance with GAS and the CIGIE *Guide for Conducting Peer Reviews of Audit Organizations 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 NRC OIG's system of quality control sufficient to assess the risks implicit in its audit function. Based on our assessments, we selected GAGAS engagements and administrative files to test for conformity with professional standards and compliance with NRC OIG's system of quality control. The GAGAS engagements selected represented a reasonable cross-section of NRC OIG audit organization, with an emphasis on higher-risk engagements.

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 NRC OIG's quality control policies and procedures to the extent we considered appropriate. These tests covered the application of NRC OIG's policies and procedures on selected GAGAS engagements. 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 noncompliance with it.

Prior to concluding the peer 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. Enclosure 1 to this report identifies the engagements we reviewed.

Responsibilities and Limitation

NRC OIG is responsible for establishing and maintaining a system of quality control designed to provide NRC OIG with reasonable assurance that the organization and its personnel comply in all material respects with professional standards and applicable legal and regulatory requirements. Our responsibility is to express an opinion on the design of the system of quality control and NRC OIG's compliance based on our review.

There are inherent limitations in the effectiveness of any system of quality control; therefore, noncompliance with the system of quality control may occur and may 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.

/s/

Allison C. Lerner, Inspector General

Enclosures