New England Intergovernmental Audit Forum

Inspector General Community Update

November 20, 2019

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NRC Overview

- NRC regulates commercial use of nuclear material and reactors to ensure safety and security
- 5 member Commission
- CFO Act agency
- Budget approximately \$970 million
- Approximately 2,900 FTE
- HQ, 5 regions, and technical training center

Inspectors General

- Inspectors General Act of 1978, as amended
 - Originally 12 IGs, now 74
 - Promote economy and efficiency
 - Prevent and detect fraud, waste, and abuse
 - Keep agency head and Congress fully informed
- Ensure programs working and funds used properly
- Investigate allegations of wrongdoing
- Operate a fraud hotline

Management Challenges

- IT security and management
- Financial management
- Procurement management
- Grant management
- Human capital management
- Performance management
- Facilities management

Cross-Cutting Initiatives

- Previous cross-cutting work
 - Cloud computing
 - Public facing websites
 - Purchase card
- Planned cross-cutting work
 - Controls over PII
 - Small business contracting
 - Background investigations
 - Enterprise Risk Management
 - Capping reports of existing reports ongoing
- Cross-cutting work mandated by statute
 - Financial Statement, FISMA, DATA Act

Enterprise view of risk

- OMB A-123 (2016) revisions introduce ERM provisions
 - Emphasis on higher risk activities, not checklist
- Integration with GAO Green Book and GAO Fraud Risk Management Framework
- Enterprise view of risk
 - Agencies own risk management
 - OIGs can provide technical advice
- OIG coordination with OMB and stakeholders

Risk Identification for Oversight

Why look for risk?

- Helps ensure programs are working and funds are used properly.
- Government responsible for all activity.
- Risk-based approaches help focus on areas that need more attention.

General risks

- What an award recipient **is**....
- More obvious

Activity-based risks

- What an award recipient <u>does</u>....
- Harder to see
- Data analytics helps improve visibility

IG Empowerment Act

- Extends and strengthens authorities of IG Act
- Access to information is critical to OIG oversight
- Status of open recommendations in Semi-Annual Report
- Computer matching act exemption
- Paperwork Reduction Act exemption
- GAO study on IG vacancies

Data Analytics

- Greater use in the OIG community
 - Compare databases
 - Summarize vast amounts of data
 - Apply automated risk indicators
 - 100% review of <u>transaction-level</u> data
 - Application to payroll, medical, contracts, and grants
 - IG Empowerment Act will help data matches
- Greater visibility of risk
 - General risk = what an organization <u>is</u>
 - Activity-based risk = what an organization <u>does</u>
 - Change in behavior over time
 - Unusual activity at a point in time

Greater attention on how funds spent in government

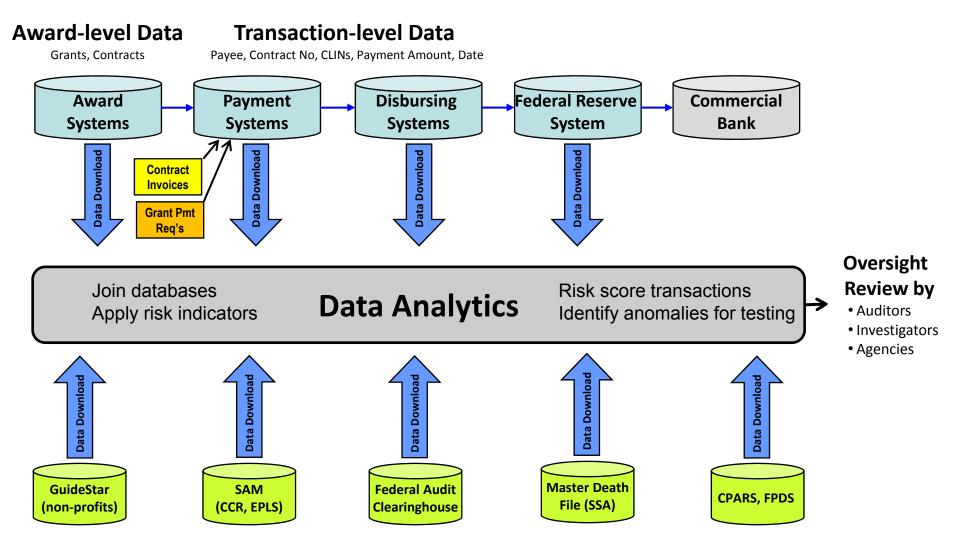
DATA Act

- Government-wide structured data standards for financial reporting
- USASpending data should be standardized and machine-readable
- Agencies implementation (May 2017)
- OIG responsibilities in coordination with GAO
 - Readiness reviews (2016) and required audits (2017, 2019, 2021)
 - Assess completeness, timeliness, quality, and accuracy

• Improper Payments Elimination and Recovery Act (IPERA)

- Amends the Improper Payments Information Act of 2002
- Strengthens detection, prevention, and recovery efforts
- Pre-award and pre-payment checks with <u>Do Not Pay</u>
- Published improper payment estimates with reduction targets
- Goal to reduce improper payments by \$50B, recover \$2B in 2 yrs

Payment Processes and Data Analytics

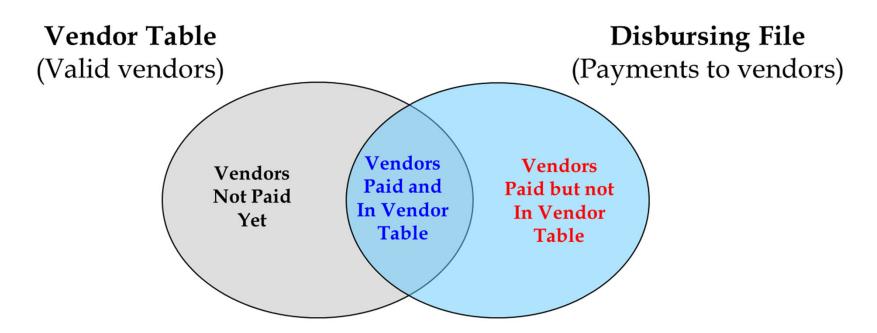


Examples of systems that can help verify integrity of payment transactions

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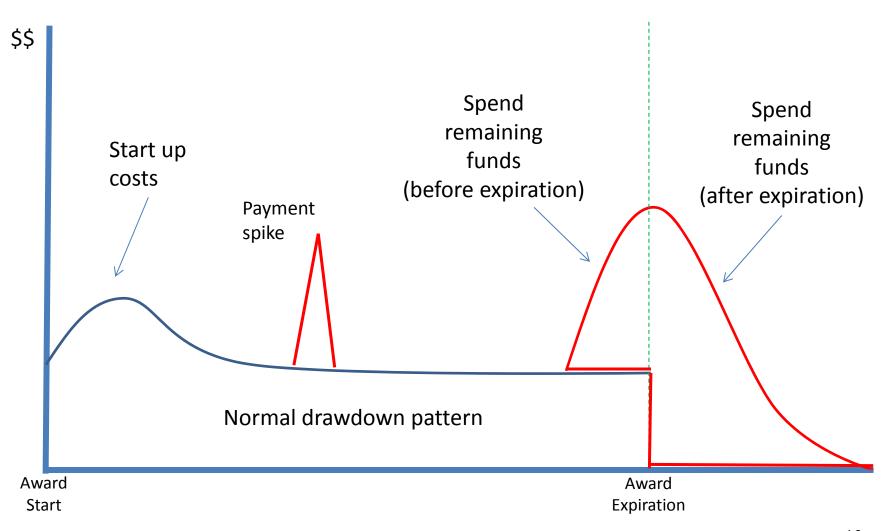
Comparing Data Files

(Three Bucket Theory)

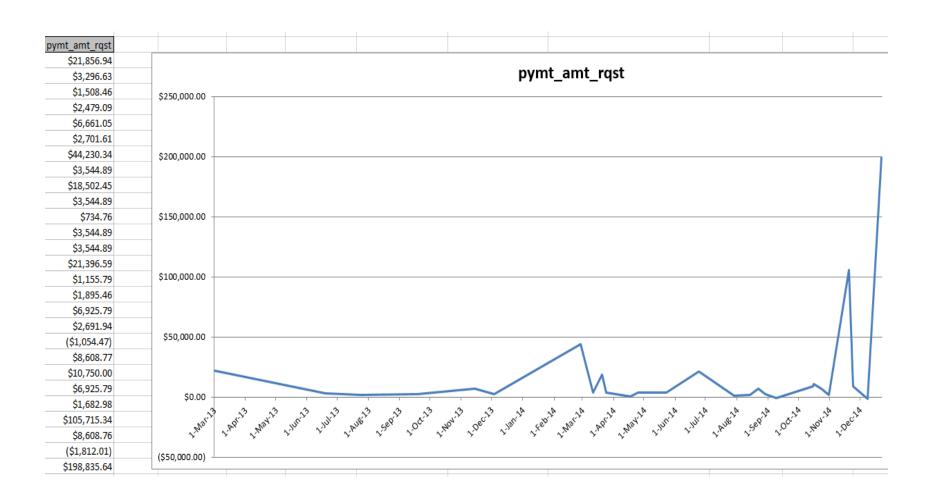


vendor lable	טו	Disbursing Table	טו	Amt
ABC Company	123			
LMN, Inc	456	LMN, Inc	456	123.45
XYZ Limited	789	XYZ Limited	789	234.57
		Easy Road, LLP	999	999.99

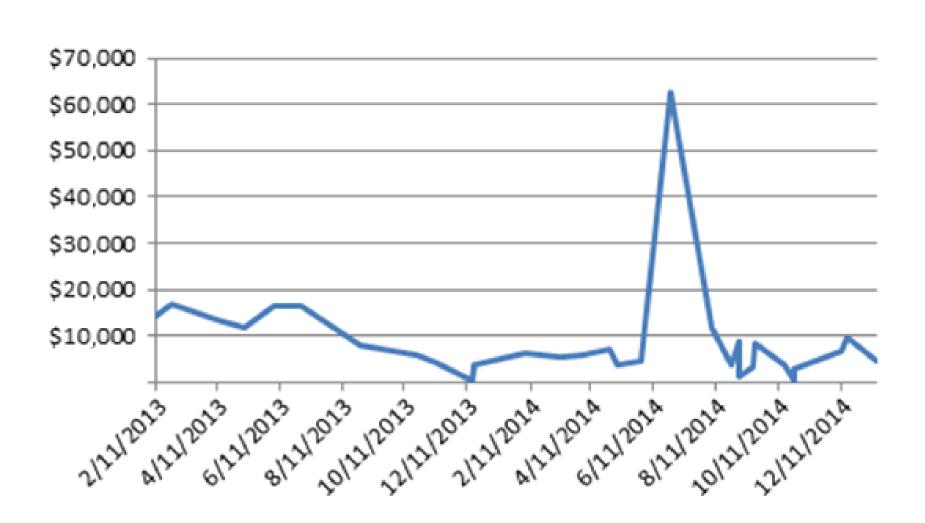
Anomalous Drawdown Patterns



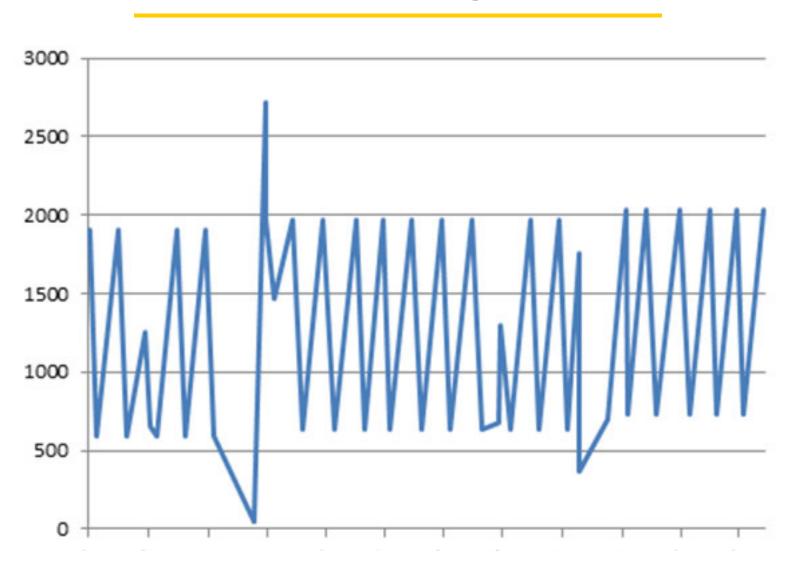
Spend out Pattern



Draw Spike



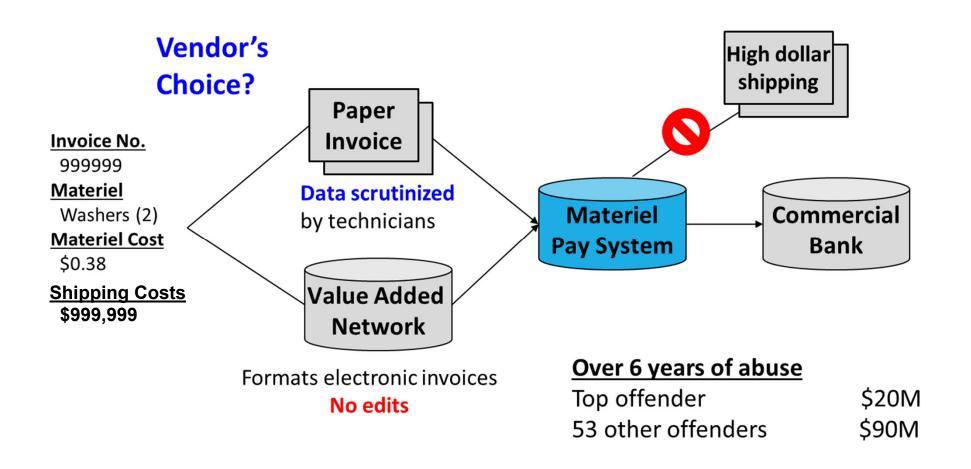
Does this drawdown pattern look okay?



Case Study – Excessive Shipping Charges

- Excessive shipping charges in materiel invoices
- Materiel payment system paid \$30 billion per year
- Materiel (often parts) paid from contract funding lines
- Shipping costs paid from open allotment funding line
- Materiel costs generally \$100 \$500 per order
- Shipping costs average less than \$150 per order

Case Study – Excessive Shipping Charges



Financial Statement Audits

• CFO Act of 1990

- Financial reporting for 24 CFO Act agencies
- Macro view of agency financial management
- System controls, data reliability/accuracy important

Challenges

- Systems not integrated
- Need supporting documentation for financial data
- Inventory: location, quantity, value, acquisition date are important
- Challenges with completeness and existence
- Financial Statement Audit Changes in 2019

2018 Yellow Book

- GAO Project Team
- Advisory Council Members
 - Public Accounting
 - State and Local Government
 - Offices of Inspector General
- Effective dates for audit work
 - Performance audits started on or after July 1, 2019
 - Financial audits ending on or after June 30, 2020
- OIGs updating audit manuals
- Peer Review Guide being updated
- Peer Reviews likely will use 2011 and 2018 Yellow Books

Emerging Technologies

- Robotic Process Automation (RPA) and Bots
- Artificial Intelligence
- Machine Learning
- Natural Language Processing
- Blockchain
- Internet of Things (IoT)
- Agencies are starting to use the technologies
- OIGs adjusting for oversight
- OIGs are using technologies as well for oversight
- CIGIE Technology Committee efforts

IT Security

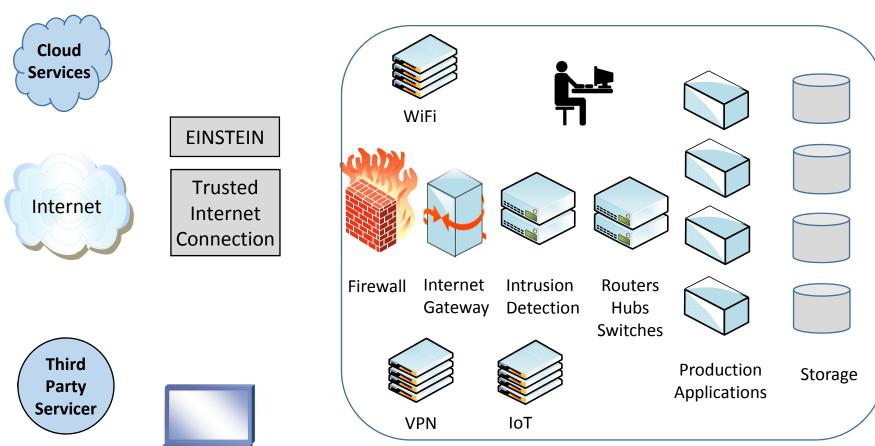
- Recent hacks (OPM, Census)
- Agencies are ramping up protections
- OIGs are ramping up assessments
 - FISMA and risk-based IT security audits
 - Financial statement IT security audits
 - Capability maturity scoring
- IT security testing
 - Perimeter testing
 - Vulnerability scans
 - Penetration testing
 - Trusted Internet Connection (TIC) and Einstein testing
 - Insider threats
- Cloud computing

High Level Network

Email Data storage

Payroll

Services



Remote Access

Audit Resolution

- Audit resolution is phase where audit recommendations transition into agency improvements
 - Corrective action plan
 - Final action
- Recent legislation
 - IG Empowerment Act
 - Good Accounting Obligation in Government Act (GAO IG Act)
- Areas of focus:
 - Recommendation writing
 - Coordination with agency action officials
 - Tracking capabilities



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OVER 5 YEARS, IG INVESTIGATIONS RESULTED IN...

27,430
SUCCESSFUL PROSECUTIONS



8,135
SUCCESSFUL CIVIL ACTIONS

FY 2013-2017

What is Oversight.gov?

Oversight.gov is a publicly accessible, searchable website containing the latest public reports from Federal Inspectors General who are members of the Council of the Inspectors General on Integrity and Efficiency (CIGIE).

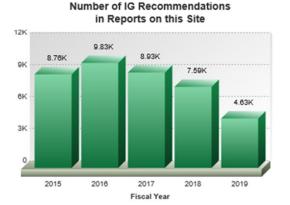
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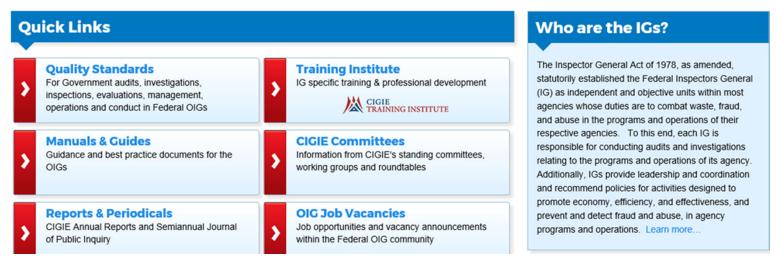












Questions?

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