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## MANAGEMENT LETTER

In planning and performing our audit of the financial statements of the U.S. Nuclear Waste Technical Review Board (NWTRB) for the year ended September 30, 2006, we considered NWTRB's internal control structure in order to determine our audit procedures for the preparation of audited financial statements, but not to provide assurance on the internal control structure beyond that which is required in the *Report on Internal Control Over Financial Reporting* and the *Report on Compliance with Laws and Regulations and Other Matters*, both of which are consolidated into the *Independent Auditors' Report*. Additionally, we reviewed accounting policies and procedures and considered the impact of those policies and procedures on internal controls and operating efficiency. The letter discusses our audit results for FYE 09-30-2006 and corrective actions taken on recommendations from the prior audit.

### I. AUDIT FINDINGS

#### A. Fiscal Year Ended September 30, 2006

As per the *Independent Auditors' Report*, we did not identify any reportable conditions or material weakness in internal control, or instances of non-compliance with significant laws and regulations or other matters. Under standards issued by the American Institute of Certified Public Accountants, *reportable conditions* are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the agency's ability to record, process, summarize, and report financial data consistent with the assertions by management in the financial statements. *Material weaknesses* are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our recommendations for improvement are based upon building on the recommendations presented in our prior management letter dated December 8, 2005. The recommendations are presented after our assessment of each recommendation from last year. We have only one new recommendation.



## **B. Corrective Actions on Recommendations from Prior Audit**

In our management letter dated December 8, 2005, related to our audit for the fiscal year ended September 30, 2005, we presented four recommendations:

- Formalize Documentation of Transaction Authorization and Processing Steps
- Implement Post-Payment Verification and Reconciliation Procedures
- Check Fund Recipients and Vendors Against Excluded Parties List System
- Extend Service Continuity Planning Beyond Information Technology to Human Resources

On September 15, 2006, management provided us a written response updating us on corrective actions that had been taken over the course of the year. Below we summarize our original recommendation, management's response and the adequacy of that response.

### ***Formalize Documentation of Transaction Authorization and Processing Steps***

*Summary of Recommendation:* We recommended compiling all accounting and reporting related policies and procedures, standard forms and checklists into one manual for ease of access. We also noted the policies and procedures were not updated for all relevant transaction types.

*Summary of Management's Response:* Management has engaged a CPA firm to assist in drafting an accounting policies and procedures manual. We have reviewed that draft, but do not wish to provide detailed comments on the content. Section E – Desk Procedures addresses the step by step procedural guidance we recommended. We suggest you review the content to make sure all transaction types are addressed.

*Effectiveness of Management's Response:* Management has effectively addressed this recommendation by drafting an accounting procedures manual, but we have follow up recommendations to complete management's corrective actions.

*Follow-Up Recommendations:* A complete manual will include Section E – Desk Procedures, a monthly reconciliation procedures checklist (see next section for detail), the Status of Funds reporting process (internal financial report), and an appendix of all standard forms used on a regulation basis (e.g. travel authorizations, payment transmittal forms, etc.). You may want to consider taking the narrative format of the desk procedures and reformatting into a series of checklists. We have always found people use checklist more frequently than they consult manuals. Plus checklists include places for initials and dates to document that procedures were actually performed. We also suggest creating a calendar of reports due to OMB and other agencies.



### ***Implement Post-Payment Verification and Reconciliation Procedures***

*Summary of Recommendation:* We observed that Linda Hiatt was reconciling agency to GSA records each month in a manner more effective than most other federal agency clients we audit, but was not utilizing a formal procedures checklist with columns for preparer signoff and date. We indicated the need each month to formally and rigorously reconcile the data in the GSA accounting system with internal records to determine if all transactions submitted had been processed with the correct amounts, payee information, etc., to account for all automated deductions such as IPACs, and to examine GSA records to determine if any transactions do not correspond to agency records and require further research. We indicated post-payment verification and reconciliation procedures should be performed monthly using a procedures checklist that required the preparer to initial and date after each step was performed.

*Summary of Management's Response:* In the process of drafting the policies and procedure manual, this critical step was missed. The Status of Funds Report addresses this to some extent, but does not quite hit the mark.

*Effectiveness of Management's Response:* Management needs to implement a monthly reconciliation checklist that requires preparer initials and dates.

*Follow-Up Recommendations:* Last year, we provided you a sample monthly reconciliation checklist. We are resubmitting an edited version of this that incorporates best practices from other small federal agency audits we conducted. We also recommend implementing the checklist retroactive to the beginning of FY 2007.

### ***Check Fund Recipients and Vendors Against Excluded Parties List System***

*Summary of Recommendation:* We recommended checking fund recipients and vendors against the federal government's Excluded Party List System (EPLS) to ensure procurement of goods and services does not include any parties banned from doing business with the federal government.

*Summary of Management's Response:* Management has stated that it will implement this as the last step in the procurement process.

*Effectiveness of Management's Response:* Once implemented, management will have effectively addressed this recommendation.



## ***Extend Service Continuity Planning Beyond Information Technology to Human Resources***

*Summary of Recommendation:* We recommended evaluating the adequacy of succession planning done to date and developing a plan to review succession planning and related issues on a regular and recurring basis.

*Summary of Management's Response:* The Board recognizes that succession planning is difficult for a micro-agency with 11 Board members and 15 employees. Therefore, in the event that a Board member has to be replaced, the Board will notify the White House and the National Academy of Sciences of the vacancy. In addition, in the absence of an Executive Director, the Board will in most likelihood appoint a senior staff member to temporarily fill the position until a permanent replacement could be selected. In the event that a senior professional position is vacant, the Board will fill the vacancy through a contractual arrangement until a permanent replacement could be selected. In the event that an administrative staff position is vacant, the Board would request the General Services Administration or establish contractual agreement(s) to provide assistance until a permanent replacement could be selected.

*Effectiveness of Management's Response:* Management has effectively addressed this recommendation.

## **II. RECOMMENDATIONS**

**Design and implement a contractor evaluation form** – In reviewing contracts, invoices and other documentation for payments, we noticed that there is no formal process for a program officer to sign off on the receipt and acceptance of goods and services (like a receiving report). For example, our sample included a contract with scientist William Murphy to attend a meeting and submit a report. There is a note on the invoice saying report was submitted to Dave Diodato, but nowhere is there a document in the file from Mr. Diodato stating that the report was received and approved. Upon further inquiry, we were notified this type of approval is typically done by sending an e-mail. Documentation of this type of acceptance should be incorporated into the payment authorization process and the vendor files.

## **III. TRACKING AUDITOR RECOMMENDATIONS**

It is expected that the management of each federal agency have policies and procedures in place to track actions taken in response to auditor findings or recommendations. We would like you to prepare a written response to this letter for our files. During next year's audit, we will review progress on the items addressed in this letter. We suggest you prioritize addressing our comments relating to "Implement Post-Payment Verification and Reconciliation Procedures."



#### **IV. DISTRIBUTION**

This letter is intended solely for the information and use of the management of the U.S. Nuclear Waste Technical Review Board and is not intended to be and should not be used by anyone other than management.

*Martin & Wall, P.C.*

Martin & Wall, P.C.  
November 10, 2006

**Nuclear Waste Technical Review Board**

**Post-Payment Verification and Review Procedures  
(Monthly Reconciliation of Agency Records to GSA Records)**

**Month Ending:** \_\_\_\_\_

ACTIVITY	INITIALS	DATE
Compare GSA detail report to transmittals submitted. Verify accuracy and completeness of the following:		
<ul style="list-style-type: none"> <li>• Payee information. Examine accuracy of names and search for similar names to existing vendors. This is an anti fraud procedure and is a test to identify false vendor schemes.</li> </ul>		
<ul style="list-style-type: none"> <li>• Payment amount. Confirm that the approved amount matches the amount posted by GSA.</li> </ul>		
<ul style="list-style-type: none"> <li>• Date posted. Check to see that the document is posted in the correct period and if the payment is compliant with the Prompt Payment Act.</li> </ul>		
Determine if there are any transactions on the GSA detail report that were not authorized. If an unauthorized item is identified investigate the transaction. Notify GSA and determine the corrective action needed to adjust the error.		
Reconcile Interagency Payment and Collection (IPAC) system payments against appropriate documentation for IPAC transactions. This should include review of Statement of Differences where applicable.		
Determine that deductions for payroll amounts in the accounting service G/L corresponds to payroll summary reports from payroll service provider.		
Examine “open items” report provided by service provider and determine if follow up action is needed on any items.		
Identify and annotate any transactions that require further investigation because of accuracy, completeness, timeliness, or are of a suspicious nature.		

Comments: