



Office of the Inspector General

U.S. Nuclear Regulatory Commission

Annual Plan

Fiscal Year 2017

FOREWORD

I am pleased to present the Office of the Inspector General's (OIG) fiscal year (FY) 2017 *Annual Plan* for the U.S. Nuclear Regulatory Commission (NRC). The *Annual Plan* provides the audit and investigative strategies and associated summaries of the specific work planned for the coming year. It sets forth OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2017. (Effective April 1, 2014, the NRC OIG was assigned also to serve as the OIG for the U.S. Defense Nuclear Facilities Safety Board; OIG's annual plan for that agency is contained in a separate document.)

NRC's mission is to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. OIG is committed to overseeing the integrity of NRC programs and operations. Developing an effective planning strategy is a critical aspect of accomplishing this commitment. Such planning ensures that audit and investigative resources are used efficiently.

This *Annual Plan* was prepared to align with the OIG *Strategic Plan* for FYs 2014 – 2018, which is based, in part, on an assessment of the strategic challenges facing NRC. The *Strategic Plan* identifies OIG's priorities and establishes a shared set of expectations regarding the goals we expect to achieve and the strategies we will employ over that timeframe. The *Strategic Plan* is the foundation on which our *Annual Plan* is based. OIG sought input from Congress, the NRC Commission, NRC Headquarters, and NRC Regions in developing this *Annual Plan*.

We have programmed all available resources to address the matters identified in this plan. This approach maximizes use of our resources. However, to respond to a changing environment, it is sometimes necessary to modify this plan as circumstances, priorities, or resources warrant.

Hubert T. Bell
Inspector General

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MISSION AND AUTHORITY

The Nuclear Regulatory Commission's (NRC) Office of the Inspector General (OIG) was established on April 15, 1989, pursuant to Inspector General Act Amendments contained in Public Law 100-504. OIG's mission is to (1) conduct and supervise independent audits and investigations of agency programs and operations; (2) promote economy, effectiveness, and efficiency within the agency; (3) prevent and detect fraud, waste, and abuse in agency programs and operations; (4) develop recommendations regarding existing and proposed regulations relating to agency programs and operations; and (5) keep the agency head and Congress fully and currently informed about problems and deficiencies relating to agency programs. The Act also requires the Inspector General (IG) to prepare a semiannual report to the NRC Chairman and Congress summarizing the activities of the OIG.

In furtherance of the execution of this mission and of particular importance to OIG's annual plan development, the IG summarizes what he considers to be the most serious management and performance challenges facing NRC and assesses the agency's progress in addressing those challenges. In the latest annual assessment (October 2016) the IG identified the following as the most serious management and performance challenges facing NRC:¹

1. Regulation of nuclear reactor safety programs.
2. Regulation of nuclear materials and radioactive waste programs.
3. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.
4. Management of information technology and information management.
5. Management of financial programs.
6. Management of administrative functions.

Through its Issue Area Monitor (IAM) program, OIG staff monitor agency performance on these management and performance challenges. These challenges, in conjunction with OIG's strategic goals, serve as an important basis for deciding which audits and evaluations to conduct each fiscal year.

¹The challenges are not ranked in any order of importance.

PLANNING STRATEGY

The FY 2017 *Annual Plan* is linked with OIG's *Strategic Plan* for FYs 2014 – 2018. The *Strategic Plan* identifies the major challenges and critical risk areas facing the NRC so that OIG resources may be directed in these areas in an optimum fashion.

The *Strategic Plan* recognizes the mission and functional areas of the agency and the major challenges the agency faces in successfully implementing its regulatory program. The plan presents strategies for reviewing and evaluating NRC programs under the strategic goals that OIG established. OIG's strategic goals are to (1) *strengthen NRC's efforts to protect public health and safety and the environment*, (2) *enhance NRC's efforts to increase security in response to an evolving threat environment*, and (3) *increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources*. To ensure that each audit and evaluation carried out by OIG aligns with the *Strategic Plan*, program areas selected for audit and evaluation have been cross walked from the *Annual Plan* to the *Strategic Plan* (see planned audits in appendixes A, B, and C).

AUDIT AND INVESTIGATION UNIVERSE

NRC's proposed FY 2017 budget is \$982.3 million, including 3,525 full-time equivalents. The agency's mission is to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. The agency also has a role in enhancing nuclear safety and security throughout the world.

NRC is headquartered in Rockville, Maryland, just outside of Washington, DC; has four regional offices located throughout the United States; and operates a technical training center located in Chattanooga, Tennessee.

The agency carries out its mission through various licensing, inspection, research, and enforcement programs. NRC responsibilities include regulating 100 commercial nuclear power reactors licensed to operate in the United States; 74 licensed and or operating Independent Spent Fuel Storage Installations; 31 licensed and operating research and test reactors; 13 fuel cycle facilities; and approximately 2,800 licenses issued for medical, academic, and industrial uses of nuclear material. NRC has also received 18 applications for new power reactors, is reviewing renewal applications for 12 units at 8 sites, and is overseeing the decommissioning of 17 commercial nuclear power plants and 5 research and test reactors.

The audit and investigation oversight responsibilities are therefore derived from the agency's wide array of programs, functions, and support activities established to accomplish NRC's mission.

AUDIT STRATEGY

Effective audit planning requires current knowledge about the agency's mission and the programs and activities used to carry out that mission. Accordingly, OIG continually monitors specific issue areas to strengthen its internal coordination and overall planning process. Under the office's Issue Area Monitoring (IAM) program, staff designated as IAMs are assigned responsibility for keeping abreast of major agency programs and activities. The broad IAM areas address nuclear reactors, nuclear materials, nuclear waste, information management, security, financial and administrative programs, human resources, and international programs. Appendix E contains a listing of the IAMs and the issue areas for which they are responsible.

The audit planning process, which is informed by the OIG *Strategic Plan* and identified agency management and performance challenges, yields audit assignments that identify opportunities for efficiency, economy, and effectiveness in NRC programs and operations; detect and prevent fraud, waste, and mismanagement; improve program and security activities at headquarters and regional locations; and respond to emerging circumstances and priorities. The priority for conducting audits is based on (1) mandatory legislative requirements; (2) critical agency risk areas; (3) emphasis by the President, Congress, NRC Chairman, or other NRC Commissioners; (4) a program's susceptibility to fraud, manipulation, or other irregularities; (5) dollar magnitude or resources involved in the proposed audit area; (6) newness, changed conditions, or sensitivity of an organization, program, function, or activities; (7) prior audit experience, including the adequacy of internal controls; and (8) availability of audit resources.

INVESTIGATION STRATEGY

OIG investigation strategies and initiatives add value to agency programs and operations by identifying and investigating allegations of fraud, waste, and abuse leading to criminal, civil, and administrative penalties and recoveries. By focusing on results, OIG has designed specific performance targets focusing on effectiveness. Because NRC's mission is to protect public health and safety, the main investigative concentration involves alleged NRC misconduct or inappropriate actions that could adversely impact health and safety-related matters. These investigations typically include allegations of

- Misconduct by high-ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact public health and safety.

- Failure by NRC management to ensure that health and safety matters are appropriately addressed.
- Failure by the NRC to appropriately transact nuclear regulation.
- Conflict of interest by NRC employees with NRC contractors and licensees.
- Indications of management or supervisory retaliation or reprisal.

OIG will also implement initiatives designed to monitor specific high-risk areas within NRC's corporate management that are most vulnerable to fraud, waste, and abuse. A significant focus will be on emerging information technology and national security issues that could negatively impact the security and integrity of NRC data and operations. This will also include efforts to ensure the continued protection of personal privacy information held within agency databases and systems. OIG is committed to improving the security of the constantly changing electronic business environment by investigating unauthorized intrusions and computer-related fraud, and by conducting computer forensic examinations. Other proactive initiatives will focus on determining instances of procurement fraud, identifying vulnerabilities in the nuclear supply chain, theft of property, insider threats, and Government travel and purchase card abuse.

As part of these proactive initiatives, OIG will meet with agency internal and external stakeholders to identify systemic issues or vulnerabilities. This approach will allow the identification of potential vulnerabilities and an opportunity to improve agency performance, as warranted.

With respect to OIG's strategic goals pertaining to safety and security, OIG routinely interacts with public interest groups, individual citizens, industry workers, and NRC staff to identify possible lapses in NRC regulatory oversight that could impact public health and safety. OIG also conducts proactive initiatives and reviews into areas of current or future regulatory safety or security interest to identify emerging issues or address ongoing concerns regarding the quality of NRC's regulatory oversight. Such areas might include new reactor licensing and relicensing of existing plants, aspects of the transportation and storage of high-level and low-level waste, as well as decommissioning activities. Finally, OIG periodically conducts a limited number of Event Inquiries and Special Inquiries. Event Inquiry reports document OIG's examination of events or agency regulatory actions to determine if staff actions may have contributed to the occurrence of an event. Special Inquiry reports document those instances where an investigation identifies inadequacies in NRC regulatory oversight that may have resulted in a potential adverse impact on public health and safety.

Appendix D provides investigation objectives and initiatives for FY 2017. Specific investigations are not included in the plan because investigations are primarily responsive to reported violations of law and misconduct by NRC employees and contractors, as well as allegations of irregularities or abuse in NRC programs and operations.

PERFORMANCE MEASURES

For FY 2017, we will use a number of key performance measures and targets for gauging the relevancy and impact of our audit and investigative work. OIG calculates these measures in relation to each of OIG's strategic goals to determine how well we are accomplishing our objectives. The performance measures are

1. Percentage of OIG completed products and activities that have a high impact² on improving NRC's safety, security, and corporate management programs.
2. Percentage of audit recommendations agreed to by the agency.
3. Percentage of final agency actions taken within 2 years on audit recommendations.
4. Percentage of agency actions taken in response to investigative reports.
5. Percentage of active cases completed in less than 18 months on average.
6. Percentage of closed investigations referred to the U.S. Department of Justice (DOJ) or other relevant authorities.
7. Percentage of closed investigations resulting in indictments, convictions, civil suits or settlements, judgments, administrative actions, or monetary results.

² High impact is the effect of an issued report or activity undertaken that results in (a) confirming risk areas or management and performance challenges that caused the agency to take corrective action, (b) real dollar savings or reduced regulatory burden, (c) identifying significant wrongdoing by individuals that results in criminal or administrative action, (d) clearing an individual wrongly accused, or (e) identifying regulatory actions or oversight that may have contributed to the occurrence of a specific event or incident or resulted in a potential adverse impact on public health or safety.

OPERATIONAL PROCESSES

The following sections detail the approach used to carry out the audit and investigative responsibilities previously discussed.

AUDITS

OIG's audit process comprises the steps taken to conduct audits and involves specific actions, ranging from annual audit planning to performing audit followup. The underlying goal of the audit process is to maintain an open channel of communication between the auditors and NRC officials to ensure that audit findings are accurate and fairly presented in the audit report.

OIG performs the following types of audits:

Performance – Performance audits focus on NRC administrative and program operations and evaluate the effectiveness and efficiency with which managerial responsibilities are carried out, including whether the programs achieve intended results.

Financial – These audits, which include the financial statement audit required by the *Chief Financial Officers Act*, attest to the reasonableness of NRC's financial statements and evaluate financial programs.

Contract – Contract audits evaluate the costs of goods and services procured by NRC from commercial enterprises.

The key elements in the audit process are as follows:

Audit Planning – Each year, suggestions are solicited from Congress, the NRC Commission, agency management, external parties, and OIG staff. An annual audit plan (i.e., this document) is developed and distributed to interested parties. It contains a listing of planned audits to be initiated during the year and the general objectives of the audits. The annual audit plan is a “living” document that may be revised as circumstances warrant, with a subsequent redistribution of staff resources.

Audit Notification – Formal notification is provided to the office responsible for a specific program, activity, or function, informing them of OIG's intent to begin an audit of that program, activity, or function.

Entrance Conference – A meeting is held to advise agency officials of the objective(s), and scope of the audit, and the general methodology to be followed.

Survey – Exploratory work is conducted before the more detailed audit work commences to gather data for refining audit objectives, as appropriate; documenting internal control systems; becoming familiar with the activities, programs, and processes to be audited; and identifying areas of concern to management. At the conclusion of the survey phase, the audit team will recommend to the Assistant Inspector General for Audits (AIGA) a “Go” or “No Go” decision regarding the verification phase. If the audit team recommends a “No Go,” and it is approved by the AIGA, the audit is dropped.

Audit Fieldwork – A comprehensive review is performed of selected areas of a program, activity, or function using an audit program developed specifically to address the audit objectives.

End of Fieldwork Briefing With Agency – At the conclusion of audit fieldwork, the audit team discusses the tentative report findings and recommendations with the auditee.

Discussion Draft Report – A discussion draft copy of the report is provided to agency management to allow them the opportunity to prepare for the exit conference.

Exit Conference – A meeting is held with the appropriate agency officials to discuss the discussion draft report. This meeting provides agency management the opportunity to confirm information, ask questions, and provide any necessary clarifying data.

Final Draft Report – If requested by agency management during the exit conference, a final draft copy of the report that includes comments or revisions from the exit conference is provided to the agency to obtain formal written comments.

Final Audit Report – The final report includes, as necessary, any revisions to the facts, conclusions, and recommendations of the draft report discussed in the exit conference or generated in written comments supplied by agency managers. Written comments are included as an appendix to the report. Some audits are sensitive and/or classified. In these cases, final audit reports are not made available to the public.

Response to Report Recommendations – Offices responsible for the specific program or process audited provide a written response on each recommendation (usually within 30 days) contained in the final report. Agency management responses include a decision for each recommendation indicating agreement or disagreement with the recommended action. For agreement, agency management provides corrective actions taken or planned and actual or target

dates for completion. For disagreement, agency management provides their reasons for disagreement and any alternative proposals for corrective action.

Impasse Resolution – If the response by the action office to a recommendation is unsatisfactory, OIG may determine that intervention at a higher level is required. The Executive Director for Operations is NRC's audit followup official, but issues can be taken to the Chairman for resolution, if warranted.

Audit Followup and Closure – This process ensures that recommendations made to management are implemented.

INVESTIGATIONS

OIG's investigative process normally begins with the receipt of an allegation of fraud, mismanagement, or misconduct. Because a decision to initiate an investigation must be made within a few days of each referral, OIG does not schedule specific investigations in its annual investigative plan.

Investigations are opened in accordance with OIG priorities as set forth in the OIG *Strategic Plan* and in consideration of prosecutorial guidelines established by the local U.S. attorneys for the DOJ. OIG investigations are governed by the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Investigations, the OIG Special Agent Handbook, and various guidance provided periodically by DOJ.

Only four individuals in the OIG can authorize the opening of an investigative case: the IG, the Deputy IG, Assistant Inspector General for Investigations (AIGI), and the Senior Assistant for Investigative Operations. Every allegation received by OIG is given a unique identification number and entered into a database. Some allegations result in investigations, while others are retained as the basis for audits, referred to NRC management, or, if appropriate, referred to another law enforcement agency.

When an investigation is opened, it is assigned to a special agent who prepares a plan of investigation. This planning process includes a review of the criminal and civil statutes, program regulations, and agency policies that may be involved. The special agent then conducts the investigation, and uses a variety of investigative techniques to ensure completion.

In cases where the special agent determines that a crime may have been committed, he or she will discuss the investigation with a Federal and/or local prosecutor to determine if prosecution will be pursued. In cases where a prosecuting attorney decides to proceed with a criminal or civil prosecution, the special agent assists the attorney in any preparation for court proceedings that may be required.

For investigations that do not result in prosecution but are handled administratively by the agency, the special agent prepares an investigative report summarizing the facts disclosed during the investigation. The investigative report is distributed to agency officials who have a need to know the results of the investigation. For investigative reports provided to agency officials, OIG requires a response within 120 days regarding action taken as a result of the investigative findings. OIG monitors corrective or disciplinary actions that are taken.

OIG collects data summarizing the criminal and administrative action taken as a result of its investigations and includes this data in its semiannual reports to Congress.

As a complement to the investigation function, OIG also periodically conducts a limited number of Event Inquiries and Special Inquiries. Event Inquiry reports document OIG's examination of events or agency regulatory actions to determine if staff actions may have contributed to the occurrence of an event. Special Inquiry reports document those instances where an investigation identifies inadequacies in NRC regulatory oversight that may have resulted in a potential adverse impact on public health and safety.

HOTLINE

The OIG Hotline Program provides NRC employees, contract employees, and the public with a confidential means of reporting to the OIG instances of fraud, waste, and abuse relating to agency programs and operations.

Please Contact:

E-mail:	Online Form
Telephone:	1-800-233-3497
TDD	1-800-270-2787
Address:	U.S. Nuclear Regulatory Commission Office of the Inspector General Hotline Program Mail Stop O5-E13 11555 Rockville Pike Rockville, MD 20852

**NUCLEAR SAFETY AUDITS
PLANNED FOR FY 2017**

Audit of NRC's Fire Protection Oversight

DESCRIPTION AND JUSTIFICATION:

The NRC requires every U.S. nuclear power plant to have a robust fire protection program to ensure that nuclear reactors operate safely. Plants can manage their fire safety with either a deterministic or a risk-informed, performance-based approach.

A 1975 fire at the Browns Ferry commercial nuclear reactor in Alabama prompted NRC, in 1979, to establish deterministic fire protection requirements. This approach stipulates that the plant's fire protection plan must outline the overall fire protection program and installed fire protection systems, as well as the means to ensure safe reactor shutdown in the event of a fire.

NRC modified its fire protection regulations, 10 CFR 50.48, "Fire protection," in 2004 to incorporate risk-informed, performance-based fire protection requirements contained in National Fire Protection Association Standard 805. The regulation allows plants to request exemptions to the 1979 or the 2004 standards if the plants can demonstrate special circumstances. NRC grants exemptions if they do not present an undue risk to health and safety and if other relevant requirements are met. NRC inspects fire protection programs at individual plants on a triennial basis.

OBJECTIVE:

The audit objective is to assess the consistency of NRC's oversight of fire protection programs at operating nuclear power plants.

SCHEDULE:

Initiated in the 4th quarter of FY 2016.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-1: Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 1:

Regulation of nuclear reactor safety programs.

Audit of NRC's Oversight of Employee Participation in American Society of Mechanical Engineers Code Committees

DESCRIPTION AND JUSTIFICATION:

NRC oversees civilian use of nuclear power and materials to assure adequate protection of public health and safety and the environment. In pursuit of its mission, NRC designates select employees as authorized NRC representatives to American Society of Mechanical Engineers Code Committees. These Code Committees are comprised of public and private sector personnel who collaborate to develop technical standards, some of which inform Federal regulations governing the commercial nuclear power industry.

Employees assigned to voluntary standards and professional organizations such as the American Society of Mechanical Engineers must adhere to NRC and other Federal regulations to prevent conflict of interests, misuse of government position and resources, and actions that could directly and predictably affect the financial interests of that organization or members of that organization. Federal regulations and standards also require NRC to establish procedures to ensure employees serving on voluntary standards organizations and professional organizations while on official duty adhere to ethical and other agency requirements.

OBJECTIVE:

The audit objective will be to assess NRC's oversight and compliance with applicable law, regulation, and policy relating to NRC employee participation in American Society of Mechanical Engineers Code Committees.

SCHEDULE:

Initiated in the 4th quarter of FY 2016.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 6:

Management of administrative functions.

Audit of NRC's Oversight for Issuing Certificates of Compliance for Radioactive Material Packages

DESCRIPTION AND JUSTIFICATION:

NRC must approve any package used for shipping nuclear material before shipment. If the package meets NRC requirements, NRC issues a Radioactive Material Package Certificate of Compliance (CoC) to the organization requesting approval of a package. For a transportation package to be certified by the NRC, it must be shown by actual test or computer analysis to withstand a series of accident conditions.

To apply for a CoC to ship nuclear material, an organization must submit an application to NRC for review and approval. The application must address the safety and operational characteristics of the package analyses for structural and thermal design, radiation shielding, nuclear criticality, and material content confinement. After reviewing this information, NRC determines whether to grant a CoC. Ensuring NRC's oversight for issuing a CoC for a radioactive material package is essential to public health, safety, and the environment.

OBJECTIVE:

The audit objective is to determine if NRC's process for issuing CoCs for radioactive material packages provides adequate protection for public health, safety, and the environment.

SCHEDULE:

Initiate in the 1st quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-3: Identify risk areas facing NRC's oversight of nuclear materials and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 2:

Regulation of nuclear materials and radioactive waste programs.

Audit of NRC's 10 CFR 2.206 Petition Review Process

DESCRIPTION AND JUSTIFICATION:

The NRC considers public involvement in its activities a cornerstone of appropriate regulation of the nuclear industry. One opportunity it provides for its stakeholders to express their opinions is the petition process outlined in 10 CFR 2.206. This process allows members of the public to petition the NRC to take enforcement action, such as modifying, suspending, or revoking an NRC-issued license, to resolve a problem. When NRC receives a 2.206 petition, staff review it against criteria to determine if it should be accepted for evaluation or rejected. A petition undergoing this review is referred to as a petition under consideration. Rejection of a petition is communicated in a closure letter. If a petition has been accepted for further evaluation, it is considered an open petition until the staff formally grants or denies the requested action in a Director's Decision.

As of September 2016, NRC had eight 2.206 petitions under consideration, and one open 2.206 petition. According to agency timeliness goals, staff are expected to issue a preliminary Director's Decision within 120 days of receiving and formally acknowledging a petition. Petitioners may then comment on the preliminary Director's Decision. A final Director's Decision is expected within 45 days of comment period closure.

OBJECTIVE:

The audit objective is to determine whether NRC staff follow agency guidance consistently in reviewing 10 CFR 2.206 petitions, and take steps to ensure appropriate information supports NRC decisions on 10 CFR 2.206 petitions.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-1: Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 1:

Regulation of nuclear reactor safety programs.

Evaluation of Proposed NRC Modifications to the Probabilistic Risk Assessment Process

DESCRIPTION AND JUSTIFICATION:

NRC uses Probabilistic Risk Assessment (PRA) modeling to estimate risks of potential accidents at nuclear power plants. PRA provides insights into the strengths and weaknesses of the design and operation of a nuclear power plant. For operating plants in the United States, a PRA can estimate three levels of risk including the following:

- Level 1 PRA estimates the frequency of accidents that cause damage to the nuclear reactor core. This is commonly called core damage frequency.
- Level 2 PRA estimates the frequency of accidents that release radioactivity from the nuclear power plant based on Level 1.
- Level 3 PRA starts with Level 2 radioactivity release accidents and estimates the injury consequences to the public and environmental damage.

NRC is currently exploring a potential shift to using PRA models developed and maintained by licensees to replace the agency's Standardized Plant Analysis Risk models. In undertaking such a major change to existing procedures, NRC should consider a variety of factors, including gain of efficiencies, transition costs, and potential new training and skills that may be required in the use of newer and different risk models. NRC will also have to evaluate the potential for NRC staff having access to additional licensee proprietary information as well as the impact the change will have overall on NRC's ability to be an independent regulator.

OBJECTIVE:

The objective of this evaluation will be to assess NRC's process for piloting alternative risk modeling techniques and analyzing costs, benefits, and feasibility of these alternatives.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-1: Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

Management Challenge 1:

Regulation of nuclear reactor safety programs.

Audit of NRC's Outreach and Consultation Practices with Federally-Recognized Native American Tribal Governments

DESCRIPTION AND JUSTIFICATION:

The United States has a unique relationship with Native American tribes as prescribed in the Constitution of the United States, treaties, and Federal statutes. As an individual regulatory agency, NRC recognizes that it has a "trust responsibility" to federally-recognized Native American tribes to adopt practices consistent with the fundamental principles contained in treaties, statutes, and executive orders. This special relationship requires Federal consultation with Native American tribes to be meaningful, in good faith, and entered into on a government-to-government basis.

The NRC staff has developed agencywide policy and guidance to ensure effective government-to-government interactions with Native American and Alaska Native Tribes and to encourage and facilitate Tribal involvement. It is NRC's expectation that all program and regional office outreach, consultation, and coordination practices will be consistent and adhere to the NRC's responsibilities and requirements.

OBJECTIVE:

The audit objective is to determine whether NRC fulfills its tribal outreach and consultation responsibilities and requirements.

SCHEDULE:

Initiate in the 3rd quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-3: Identify risk areas facing NRC's oversight of nuclear materials and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 2:

Regulation of nuclear materials and radioactive waste programs.

Audit of NRC's Oversight of the National Materials Program

DESCRIPTION AND JUSTIFICATION:

The National Materials Program (NMP) is a term that has been used for many years, to define the broad collective framework within which both NRC and the Agreement States in carrying out their respective radiation safety regulatory programs.

The focus of the NMP is the shared program activities between NRC and Agreement States and the ability of Agreement States to assume a greater proportional responsibility for the shared program activities. The scope of the NMP covers *Atomic Energy Act* materials, which are currently regulated by NRC and Agreement States.

Per NRC Commission direction, NRC and the Agreement States continue to collaboratively address materials issues within the constraints of available resources. Currently, there are 13 non-Agreement States and 37 Agreement States. Two of the non-Agreement States have submitted letters of intent to become Agreement States.

NRC has been developing and piloting the NMP for decades, which reflects the evolving relationship between NRC and the Agreement States. NRC and Agreement States continue to be challenged with the ability to deal with the NMP environment that is constantly evolving to include changes in priorities for regulatory needs and fiscal conditions.

OBJECTIVE:

The audit objective is to determine if the NMP is an effective and efficient framework for carrying out NRC and Agreement State radiation safety regulatory programs.

SCHEDULE:

Initiate in the 3rd quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-3: Identify risk areas facing NRC's oversight of nuclear materials and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 2:

Regulation of nuclear materials and radioactive waste programs.

Audit of NRC's Implementation of the Backfit Process

DESCRIPTION AND JUSTIFICATION:

The backfit process is how NRC decides whether to issue new or revised requirements or staff positions to nuclear power facility licensees. A backfit is a modification or addition to plant systems, structures, components, procedures, organization, design approval, or manufacturing license that may result from the imposition of a new or amended rule or regulatory staff position. Backfit can be generic or plant-specific.

Backfit is expected to occur and is an inherent part of the regulatory process. However, it is to be done only after a formal, systematic review to ensure that changes are properly justified and suitably defined.

OBJECTIVE:

The audit objective is to determine if NRC's implementation of the backfit process provides for the appropriate protection of public health and safety or common defense and security.

SCHEDULE:

Initiate in the 4th quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-1: Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 1:

Regulation of Nuclear Reactor Safety Programs.

Audit of NRC's Generic Issues Program

DESCRIPTION AND JUSTIFICATION:

The NRC is responsible for identifying issues that involve public health and safety, the common defense and security, or the environment in the assessment of plant operation. These issues could affect multiple entities under NRC jurisdiction and are characterized by NRC as generic issues. NRC documents and tracks resolution of generic issues and proposed generic issues, which can be identified by NRC staff or members of the public.

NRC recently revised and enhanced the generic issues process following an Office of the Executive Director for Operations-sponsored review. A limited number of generic issues have been processed under the new process.

As part of program enhancement, NRC implemented changes intended to improve timeliness and communications for the generic issues process. Additionally, NRC's generic issues process has been simplified by reducing the number of stages from five to three. According to Management Directive 6.4, *Generic Issues Program*, the three stage process for generic issues includes screening, assessment, and regulatory office implementation. The resolution of generic issues may involve new or revised rules, guidance, or revised interpretation of rules or guidance that affect nuclear power plant licensees. Congress requires the NRC to maintain this program.

OBJECTIVE:

The audit objective is to determine whether NRC provides appropriate oversight and management of regulatory processes for generic issues pertaining to commercial nuclear power reactor safety.

SCHEDULE:

Initiate in the 4th quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-1: Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 1:

Regulation of nuclear reactor safety programs.

Audit of NRC's Special and Infrequently Performed Inspections

DESCRIPTION AND JUSTIFICATION:

NRC conducts baseline inspections at commercial nuclear power plants in support of the Reactor Oversight Process. Additionally, NRC may conduct special and infrequent inspections using criteria in Inspection Manual Chapter (IMC) 2515, Appendix C. These inspections may be implemented in response to events, infrequent major activities at nuclear power plants, to evaluate emergent technical issues not related to licensee performance, to fulfill NRC's obligations under domestic interagency memoranda of understanding, or to implement the requirements of 10 CFR Part 75 for treaties between the United States and the International Atomic Energy Agency. These inspections are not part of the baseline or supplemental inspection program elements and Regional Administrator authorization is generally required for their implementation.

OBJECTIVE:

The audit objectives are to assess NRC's processes for (1) identifying conditions that warrant special and infrequent safety inspections at commercial power reactors under IMC 2515 Appendix C, and (2) conducting these inspections in accordance with agency guidance.

SCHEDULE:

Initiate in the 4th quarter of FY 2017.

STRATEGIC GOAL 1:

Strengthen NRC's efforts to protect public health and safety and the environment.

Strategy 1-1: Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 1:

Regulation of nuclear reactor safety programs.

**SECURITY AUDITS
PLANNED FOR FY 2017**

Audit of NRC's Foreign Assignee Program

DESCRIPTION AND JUSTIFICATION:

NRC's Foreign Assignee Program was approved by the Commission in 1974 and began accepting assignees during the 1980s. Following background and biographical checks, an invitation is extended to a proposed assignee. NRC's Office of International Programs approves or disapproves the assignment to NRC and designates the NRC office to which the foreign assignee will be assigned.

Multiple NRC offices develop security plans specifying the security-related procedures, requirements, and restrictions for the assignee's NRC assignment. An information technology security plan addresses computer configurations and connections.

In June 2015, NRC's Designated Approval Authority (DAA) approved a request to initiate a pilot program to allow foreign assignees access to NRC's Local Area Network (LAN). The DAA approval waived the background investigation requirements for NRC LAN access as required by NRC Management Directives for the requested foreign assignee.

OBJECTIVE:

The audit objective is to assess whether the foreign assignee program provides adequate information security.

SCHEDULE:

Initiated in the 4th quarter of FY 2016.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to an evolving threat environment.

Strategy 2-2: Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

Independent Evaluation of NRC's Implementation of the Federal Information Security Modernization Act of 2014 for Fiscal Year 2016

DESCRIPTION AND JUSTIFICATION:

The *Federal Information Security Modernization Act of 2014* (FISMA) requires an independent evaluation of NRC's information security program and practices. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security.

FISMA provides the framework for securing the Federal Government's information technology including both unclassified and national security systems. All agencies must implement the requirements of FISMA and report annually to the Office of Management and Budget (OMB) and Congress on the effectiveness of their security programs.

OBJECTIVE:

The audit objective is to conduct an independent evaluation of the NRC's implementation of FISMA for FY 2016.

SCHEDULE:

Initiated in the 4th quarter of FY 2016.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to an evolving threat environment.

Strategy 2-2: Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructures (personnel, physical, and cyber security) and nuclear security.

Audit of Security Over Decommissioning Plants

DESCRIPTION AND JUSTIFICATION:

The Security Oversight and Support Branch within the Office of Nuclear Security and Incident Response (NSIR) plans, coordinates, and manages oversight activities for security at decommissioned power reactors. “Decommission” means to remove a nuclear facility from service and reduce residual radioactivity to a level that permits (1) release of the property for unrestricted use and termination of the license, or (2) release of the property under restricted conditions and termination of the NRC license. Nineteen nuclear reactors in the United States are undergoing decommissioning.

Decommissioning begins when a licensee informs NRC of its plans to permanently cease operations, and must be completed within 60 years of cessation of operations. During decommissioning, the fuel is removed from the reactor, cooled in the spent fuel pool, and then placed in dry cask storage. If there is fuel onsite, a decommissioning power plant must maintain a physical protection program that provides high assurance the activities involving special nuclear material are not inimical to common defense and security and do not constitute an unreasonable public risk. NRC oversees licensee security programs at decommissioning nuclear power plants through inspections.

OBJECTIVE:

The audit objective is to determine if the security inspection program provides adequate protection of radioactive structures, systems, and components at decommissioning reactors.

SCHEDULE:

Initiated in the 4th quarter of FY 2016.

STRATEGIC GOAL 2:

Enhance NRC’s efforts to increase security in response to an evolving threat environment.

Strategy 2-1: Identify risk areas involved in effectively securing both new and operating nuclear reactors, nuclear fuel cycle facilities, and nuclear materials and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

Evaluation of the Information System Security Officer Function

DESCRIPTION AND JUSTIFICATION:

NRC relies heavily on its information technology infrastructure and systems to carry out the agency's mission to "license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment." As a result, risks to these systems have a direct impact on the agency's ability to carry out its mission. As the number and sophistication of cyber attacks grows, so does the likelihood that NRC systems and assets will be susceptible to such attacks.

The Information System Security Officers (ISSOs) have direct responsibility for protecting a system and its data, and are responsible for ensuring that the system is properly secured in accordance with NRC and Federal policies and procedures. ISSOs play a critical role in addressing and offsetting risks to NRC systems. The ISSO is at the center of all information system security activities in all stages of a system's life cycle. The ISSO serves as the principle point of contact for questions about all aspects of a system's security.

OBJECTIVE:

The evaluation objective is to assess if the ISSOs have the necessary skill level needed to perform the work and to determine the effectiveness of the ISSO function within all agency locations.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to an evolving threat environment.

Strategy 2-2: Identify risk areas associated with maintaining a secure infrastructure (i.e. physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructure (personnel, physical and cyber security) and nuclear security.

Audit of NRC's Adoption of Cloud Computing

DESCRIPTION AND JUSTIFICATION:

Cloud computing refers to information technology services that allow delivery of on-demand computing solutions through the use of converged infrastructure and shared services. Cloud computing frees up organizations from having to invest in technology infrastructure, and allows them to focus resources on their actual business, get applications up and running faster, achieve greater agility in meeting fluctuating business requirements, and improve systems manageability and maintenance.

OMB established the Federal Cloud Computing Strategy. The strategy instituted a 'cloud-first' policy designed to accelerate the adoption and usage of cloud computing technologies by Federal agencies. The General Services Administration established the Federal Risk Authorization Management Program (FedRAMP), which provides a standard, centralized approach to assessing cyber controls and authorization of cloud computing based systems. All Federal agencies must use the FedRAMP process for doing security assessments, authorizations, and continuous monitoring of cloud services.

OBJECTIVE:

The audit objective is to assess the extent to which NRC has adopted and manages cloud computing services.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to an evolving threat environment.

Strategy: 2-2: Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

Audit of NRC's Force on Force Security Inspections of Fuel Cycle Facilities

DESCRIPTION AND JUSTIFICATION:

NRC requires robust security at the Nation's nuclear facilities. To achieve this, NSIR has the responsibility for assessing the development and implementation of security programs at various nuclear facilities throughout the United States including fuel cycle facilities. Each licensee is required to provide "defense in depth" at these facilities. An essential part of the NRC oversight for security at fuel cycle facilities is the force-on-force security inspections.

The force-on-force inspection is conducted at least once every 3 years for several weeks. Force on Force exercises are designed to test various elements of the facility's security program in order to determine if the licensee has the ability to defend the facility against the design basis threat for theft or diversion and if the exercise have been designed in accordance with the agency's regulations.

OBJECTIVE:

The audit objective is to determine the effectiveness of the force on force program for fuel cycle facilities.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to an evolving threat environment.

Strategy 2-1: Identify risk areas involved in effectively securing both new and operating nuclear reactors, nuclear fuel cycle facilities, and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

Independent Evaluation of NRC's Implementation of the Federal Information Security Modernization Act of 2014 for Fiscal Year 2017

DESCRIPTION AND JUSTIFICATION:

The Federal Information Security Modernization Act of 2014 (FISMA) requires an independent evaluation of NRC's information security program and practices. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security.

FISMA provides the framework for securing the Federal Government's information technology including both unclassified and national security systems. All agencies must implement the requirements of FISMA and report annually to OMB and Congress on the effectiveness of their security programs.

OBJECTIVE:

The evaluation objective will be to conduct an independent evaluation of NRC's FISMA implementation in Headquarters, the Regions, and Technical Training Center for FY 2017.

SCHEDULE:

Initiate in the 3rd quarter of FY 2017.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to an evolving threat environment.

Strategy 2-2: Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructures (personnel, physical, and cyber security) and nuclear security.

Audit of NRC Endorsements and Approvals of Industry Security Standards

DESCRIPTION AND JUSTIFICATION:

NSIR's, Division of Security Policy (DSO), oversees the development of security policy, guidance, and licensing activities for NRC licensees. DSO activities include conducting required reviews of licensee and applicant submitted security-related plans to ensure implementation of NRC requirements. DSO publishes guidance to establish standards and ensure consistency in the review of licensing and application submittals. Industry organizations publish guidance for their members to support consistent submittals. Industry may also submit guidance or templates, which DSO may evaluate for endorsement as acceptable for use by licensees.

The evaluation process for endorsement uses NRC security regulations, regulatory guidance, and industry guidance determined by the NRC to be acceptable for use by industry in meeting requirements. DSO staff provide comments and perform additional reviews after revision. DSO may conclude that an industry document is acceptable, acceptable with exceptions, or not unacceptable.

OBJECTIVE:

The audit objective will be to determine whether NRC endorsements or approvals of industry security standards result from adequate evaluation.

SCHEDULE:

Initiate in the 4th quarter of FY 2017.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to an evolving threat environment.

Strategy 2-1: Identify risk areas involved in effectively securing both new and operating nuclear reactors, nuclear fuel cycle facilities, and nuclear materials and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

Audit of Security Over Research and Test Reactors

DESCRIPTION AND JUSTIFICATION:

The NRC maintains an active oversight program of all research and test reactors which includes routine safety and security inspections and assessments. Research and test reactors are nuclear reactors primarily used for research, training, and development. They are licensed to operate at different maximum power levels and use various quantities and types of nuclear materials as fuel. NRC requires research and test reactors to maintain security plans or procedures that are designed to detect, deter, assess, and respond to unauthorized activities.

Most research and test reactors are located at universities or colleges in the United States. The type and quantity of security measures in place at any given facility are “graded” depending on the potential for radiological release or exposure. Depending on the grade of the facility, individuals are not required to be screened by metal or explosive detective devices prior to entering a research and test reactor facility. Most research reactors have “public education” as a key element of their mission, and allow public tours of the facilities. Also, the use of dedicated armed guards varies among the research and test reactor facilities. Most university research reactors rely on armed officers, usually campus-based police officers, for security protection.

OBJECTIVE:

The audit objective will be to determine whether NRC provides adequate security oversight of research and test reactors.

SCHEDULE:

Initiate in the 4th quarter of FY 2017.

STRATEGIC GOAL 2:

Enhance NRC’s efforts to increase security in response to an evolving threat environment.

Strategy 2-1: Identify risk areas involved in effectively securing both new and operating nuclear reactors, nuclear fuel cycle facilities, and nuclear materials, and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 3:

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

**CORPORATE MANAGEMENT AUDITS
PLANNED FOR FY 2017**

Audit of NRC's Fiscal Year 2016 Financial Statements

DESCRIPTION AND JUSTIFICATION:

Under the *Chief Financial Officers Act* and the *Government Management and Reform Act*, OIG is required to audit the financial statements of the NRC. The report on the audit of the agency's financial statements is due on November 15, 2016. In addition, OIG will issue reports on NRC's

- Special Purpose Financial Statements.
- Implementation of the *Federal Managers' Financial Integrity Act*.
- Condensed Financial Statements.
- Compliance with the *Improper Payments Elimination and Recovery Act of 2010*.

OBJECTIVES:

The audit objectives are to

- Express opinions on the agency's financial statements and internal controls,
- Review compliance with applicable laws and regulations,
- Review the controls in NRC's computer systems that are significant to the financial statements,
- Assess the agency's compliance with OMB Circular A-123, Revised, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and
- Assess agency compliance with the *Improper Payments Elimination and Recovery Act of 2010*.

SCHEDULE:

Initiated in the 3rd quarter of FY 2016.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 5:

Management of financial programs.

Audit of NRC's Purchase Card Program

DESCRIPTION AND JUSTIFICATION:

The *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, requires all executive branch agencies to establish and maintain safeguards and internal controls for charge cards. OMB guidance requires each agency head to provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. The annual certification should be included as part of the existing annual assurance statement under the *Federal Managers' Financial Integrity Act of 1982* (31 U.S.C. 3512(d)(2)).

Under the Charge Card Act, Inspectors General are required to conduct periodic risk assessments of agency purchase card programs to analyze the risks of illegal, improper, or erroneous purchases. Status reports on Inspectors General purchase card audit recommendations, if any, must be submitted to OMB by January 31, 2017, for compilation and transmission to Congress and the U.S. Comptroller General.

OBJECTIVES:

The audit objective is to determine whether internal controls are in place and operating effectively to maintain compliance with applicable purchase card laws, regulations, and NRC policies.

SCHEDULE:

Initiated in the 3rd quarter of FY 2016.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 6:

Management of administrative functions.

Audit of NRC's Managerial Cost Accounting Practices

DESCRIPTION AND JUSTIFICATION:

NRC must be a prudent steward of its fiscal resources through sound financial management. Sound financial management includes the production of timely, useful, and reliable cost accounting information to support agency management. An effective cost accounting system assures full alignment of programs with outcomes in compliance with the Statement of Federal Financial Accounting Standards No. 4, *Managerial Cost Accounting Concepts and Standards*.

To be an effective tool for management decision-making, a cost accounting system requires an effective internal control process over data collected and its reporting functions. NRC is required to generate cost accounting information and use cost information to support managerial decision-making to provide accountability for decisions and to assure achievement of the best value for the agency's dollars.

OBJECTIVE:

The audit objectives are to determine whether NRC (1) is complying with the requirements of Statement of Federal Financial Accounting Standard No. 4, and (2) has established an effective system of internal control over the production and use of cost accounting data and information.

SCHEDULE:

Initiated in the 4th quarter of FY 2016.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 5:

Management of financial programs.

Audit of NRC's Contract Administration Process

DESCRIPTION AND JUSTIFICATION:

The Federal Acquisition Regulation (FAR), NRC Acquisition Regulations and Management Directive 11.1, *NRC Acquisition of Supplies and Services*, discuss the importance of contract administration criteria NRC uses for contract administration. According to the FAR, only Contracting Officers (CO), acting within the scope of their authority, are able to enter into and administer contracts. However, COs may, when appropriate, delegate responsibility for specific contract administration or technical supervision tasks to a Contracting Officer's Representative (COR). CORs may not redelegate any authority delegated to them by the CO.

CORs and COs are required to take biennial training to maintain certification as contracting professionals. CORs are responsible for the daily administration and technical direction of a contract during the period of performance. These responsibilities can include: verifying deliverables against contract terms, reviewing and reconciling invoices, monitoring contract funding, overseeing contractor performance, addressing security requirements for onsite contractors, on/off boarding of contractor staff, and verifying support for Intra-Governmental Payment and Collection.

OBJECTIVE:

The audit objective is to assess the effectiveness of NRC's compliance with applicable contract administration requirements.

SCHEDULE:

Initiate in the 1st quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 6:

Management of administrative functions.

Audit of NRC's PMDA and DRMA Functions

DESCRIPTION AND JUSTIFICATION:

The Program Management, Policy Development and Analysis (PMDA) function at NRC headquarters offices and the Division of Resource Management and Administration (DRMA) function at NRC regional offices manage service delivery in support areas such as administration, human capital, budget, contract management, and information management/technology. These organizations address individual office support needs depending on the specific mission of each office. They perform functions that are specific to their organization, functions that are common across all the PMDA/DRMA organizations, and functions that were transferred from other offices. The FY 2016 budget has more than 200 staff positions for allotted PMDA/DRMA functions.

OBJECTIVE:

The audit objective is to determine if the activities performed by NRC's PMDA/DRMA programs produce the intended results from operational processes in a manner that efficiently and effectively uses resources.

SCHEDULE:

Initiate in the 1st quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 6:

Management of administrative functions.

Audit of NRC's Compliance With Standards Established By The Digital Accountability and Transparency Act (DATA) of 2014

DESCRIPTION AND JUSTIFICATION:

The Digital Accountability and Transparency Act of 2014 (DATA) was enacted May 9, 2014, and requires that Federal agencies report financial and payment data in accordance with data standards established by the Department of Treasury and OMB. The data reported will be displayed on a Web site available to taxpayers and policy makers. In addition, the act requires that OIG review statistical samples of the data submitted by the agency under the Act and report to Congress on the completeness, timeliness, quality and accuracy of the data sampled and the use of the data standards by the agency.

The Council of the Inspectors General on Integrity and Efficiency (CIGIE) identified a timing anomaly with the oversight requirements contained in the Act and recommended that IGs delay reports required by the Act. In the interim, CIGIE encouraged IGs to undertake DATA "Readiness Reviews" well in advance of the first November 2017 report. This Readiness Review strategy is being pursued by NRC OIG. OIG plans to provide Congress with the first report in November 2017.

OBJECTIVE:

The audit objective is to review the data submitted by the agency under the DATA and determine the completeness, timeliness, quality, and accuracy of the data sampled and assess the use of the data standards.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 5:

Management of financial programs.

Audit of NRC's Decommissioning Financial Assurance Instrument Inventory

DESCRIPTION AND JUSTIFICATION:

NRC Management Directive 8.12, *Decommissioning Financial Assurance Instrument Security Program*, provides guidance for ensuring that financial instruments, submitted as financial assurance for decommissioning by material licensees and fuel cycle licensees under Title 10, Code of Federal Regulations, fulfil their intent (i.e., providing reasonable assurance that financial resources for decommissioning will be available). The directive describes proper handling and safeguarding of financial instruments, and establishes requirements for the agency to perform an annual internal inventory and a biennial external inventory of the financial instruments. After verification, staff are required to prepare a report for management. These instruments are maintained in an Office of Nuclear Material Safety and Safeguards (NMSS) safe to ensure proper protection and handling.

During OIG's Audit of NRC's Decommissioning Funds Program (OIG-16-A-16; June 8, 2016) OIG planned to verify the accuracy of the controlled list of original financial instruments maintained by NMSS. However, the safe containing the documents was broken and inaccessible, and OIG was not able to perform an independent inventory to verify information related to the financial instruments. NMSS' financial instrument control list (unaudited) reportedly contained 45 financial instruments and approximately \$2.2 billion in decommissioning funds.

OBJECTIVE:

The audit objective is to determine whether NMSS' controlled list of financial instruments are properly handled, safeguarded, and accurately inventoried in a timely manner.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 5:

Management of financial programs.

Audit of NRC's Process for Managing Intra-Government Payment and Collection System Payments

DESCRIPTION AND JUSTIFICATION:

Federal agencies frequently provide services to other agencies. These services require an exchange of money when the agencies enter into an agreement and services are performed. Federal agencies use the Department of Treasury's Intra-Government Payment and Collection (IPAC) system to transfer funds from one agency to another with standardized descriptive data. While the Department of Treasury administers the IPAC system, NRC must ensure transactions in the system are accurate and paid in a timely manner. NRC processes approximately \$80 million a year through the IPAC system. The agency's Office of the Chief Financial Officer receives the IPAC payment or reimbursement request and then forwards the IPAC action to the corresponding NRC COR for review and approval.

In recent years, there have been concerns about IPAC payment requests being sent to incorrect NRC CORs, payments being submitted in a timely manner, and insufficient data to review IPAC transactions.

OBJECTIVE:

The audit objective is to assess whether NRC has established and implemented an effective process to ensure that IPAC payments are processed in a timely and accurate manner.

SCHEDULE:

Initiate in the 2nd quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 5:

Management of financial programs.

Assessment of NRC's Most Serious Management and Performance Challenges

DESCRIPTION AND JUSTIFICATION:

In January 2000, Congress enacted the *Reports Consolidation Act of 2000*, which requires Federal agencies to provide an annual report that would consolidate financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. Included in the Act is a requirement that, on an annual basis, IGs summarize the most serious management and performance challenges facing their agencies. Additionally, the Act requires that IGs assess their respective agency's efforts to address the challenges.

OBJECTIVES:

The audit objectives are to

- Identify the most serious management and performance challenges facing NRC.
- Assess the agency's efforts to address the management and performance challenges.

SCHEDULE:

Initiate in the 3rd quarter of FY 2017.

STRATEGIC GOALS AND STRATEGIES:

Addresses all OIG strategic goals and strategies.

MANAGEMENT CHALLENGES 1 THROUGH 6:

Addresses all of the management and performance challenges.

Audit of NRC's Fiscal Year 2017 Financial Statements

DESCRIPTION AND JUSTIFICATION:

Under the *Chief Financial Officers Act* and the *Government Management and Reform Act*, OIG is required to audit the financial statements of the NRC. The report on the audit of the agency's financial statements is due on November 15, 2017. In addition, OIG will issue reports on NRC's

- Special Purpose Financial Statements.
- Implementation of the *Federal Managers' Financial Integrity Act*.
- Condensed Financial Statements.
- Compliance with the *Improper Payments Elimination and Recovery Act of 2010*.

OBJECTIVES:

The audit objectives are to

- Express opinions on the agency's financial statements and internal controls,
- Review compliance with applicable laws and regulations,
- Review the controls in NRC's computer systems that are significant to the financial statements,
- Assess the agency's compliance with OMB A-123, Revised, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and
- Assess agency compliance with the *Improper Payments Elimination and Recovery Act of 2010*.

SCHEDULE:

Initiate in the 3rd quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 5:

Management of financial programs.

Evaluation of NRC's Oversight of the Agency's Federally Funded Research and Development Center

DESCRIPTION AND JUSTIFICATION:

In October 1987, NRC entered into a 5-year contract with Southwest Research Institute (SwRI) to operate a Federally Funded Research and Development Center (FFRDC) in San Antonio, Texas. SwRI established the Center for Nuclear Waste Regulatory Analyses (the Center) to provide the agency with long-term technical assistance and research related to NRC's High Level Waste program under the *Nuclear Waste Policy Act of 1982*, as amended. The current contract, which is expected to expire on September 30, 2017, has a ceiling of \$75.8 million, and is one of NRC's largest active contracts. The Commission must decide whether to renew the contract with SwRI.

The FAR requires that, prior to extending a contract for an FFRDC, a sponsor must conduct a comprehensive review of the use and need of the FFRDC. OIG previously reviewed the nature and adequacy of NRC's renewal justification in 1992, 1997, 2002, 2007, and 2012.

OBJECTIVES:

The evaluation objectives are to determine if (1) NRC is properly considering all FAR requirements for an FFRDC review in preparing its renewal justification, and (2) NRC is adequately fulfilling its oversight responsibilities for the FFRDC.

SCHEDULE:

Initiate in the 4th quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 6:

Management of administrative functions.

Audit of NRC's Exercise Of Its Buyout Authority

DESCRIPTION AND JUSTIFICATION:

NRC received authority from the U.S. Office of Personnel Management and OMB to offer a limited number of early outs and/or buyouts to eligible employees in covered positions. Over 2,000 employees were eligible to apply for up to a maximum of 212 early out and/or buyout opportunities and were encouraged to make their requests to the agency from May 6 through June 3, 2016. In mid-June, NRC notified employees whether their requests were approved or denied. Ninety-nine employees submitted applications and the process determined that only ninety-three of those employees were eligible for an early out/buyout slot. However, only 86 employees were approved. Of this total, 85 employees requested the buyout and 21 of them took advantage of the early out.

The agency requested the early out/buyout authority to help reduce the size of and reshape the workforce consistent with its Project Aim and re-baselining efforts. Offering early outs/buyouts are part of NRC's plan to accelerate attrition and move forward with reducing the size of the organization.

OBJECTIVE:

The audit objectives are to assess NRC's early out/buyout policies and procedures to determine if workforce planning documentation, personnel staffing plans, or similar documents, were developed, communicated and applied as permitted by applicable guidance and regulation in a way that did not adversely impact the agency's mission.

SCHEDULE:

Initiate in the 4th quarter of FY 2017.

STRATEGIC GOAL 3:

Increase the economy, efficiency and effectiveness with which NRC manages and exercises stewardship over its resources.

Strategy 3-1: Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

MANAGEMENT CHALLENGE 6:

Management of administrative functions.

**INVESTIGATIONS –
PRIORITIES, OBJECTIVES,
AND INITIATIVES FOR FY 2017**

INTRODUCTION

The Assistant Inspector General for Investigations (AIGI) has responsibility for developing and implementing an investigative program that furthers OIG's objectives. The AIGI's primary responsibilities include investigating possible violations of criminal statutes relating to NRC programs and activities, investigating allegations of misconduct by NRC employees, interfacing with DOJ on OIG-related criminal matters, and coordinating investigations and OIG initiatives with other Federal, State, and local investigative agencies and other AIGIs.

Investigations covering a broad range of allegations concerning criminal wrongdoing or administrative misconduct affecting various NRC programs and operations may be initiated as a result of allegations or referrals from private citizens; licensee employees; NRC employees; Congress; other Federal, State, and local law enforcement agencies; OIG audits; the OIG Hotline; and proactive efforts directed at areas bearing a high potential for fraud, waste, and abuse.

This investigative plan was developed to focus OIG investigative priorities and use available resources most effectively. It provides strategies and planned investigative work for FY 2017 in conjunction with the OIG *Strategic Plan*. The most serious management and performance challenges facing the NRC, as identified by the IG, were also considered in the development of this plan.

PRIORITIES

The OIG will initiate approximately 50 investigations and a limited number of Event/Special Inquiries in FY 2017. As in the past, reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority on OIG's use of available resources. Because NRC's mission is to protect public health and safety and the environment, Investigations' main concentration of effort and resources will involve investigations of alleged NRC employee misconduct that could adversely impact public health and safety related matters.

OBJECTIVES

To facilitate the most effective and efficient use of limited resources, Investigations has established specific objectives aimed at preventing and detecting fraud, waste, and abuse as well as optimizing NRC effectiveness and efficiency. Investigations will focus its investigative efforts in several broad-based areas, as follows, which include possible violations of criminal statutes relating to NRC programs and operations and allegations of misconduct by NRC employees.

INITIATIVES

Safety and Security

- Investigate allegations that NRC employees improperly disclosed alleged identities and allegations; NRC employees improperly handled alleged concerns; and NRC failed to properly address retaliation issues involving NRC management officials and/or NRC licensee employees who raised public health and safety or security concerns regarding NRC activities.
- Examine allegations that NRC has not maintained an appropriate “arms length” distance from licensees, and contractors.
- Investigate allegations that NRC employees released predecisional, proprietary, or official-use-only information.
- Investigate allegations that NRC employees had improper personal relationships with NRC licensees and where NRC employees violated government-wide ethics regulations concerning the solicitation of employment with NRC licensees.
- Interact with public interest groups, individual alleged, and industry workers to identify indications of lapses or departure in NRC regulatory oversight that could create safety and security problems.
- Maintain close working relationships with members of the intelligence community to identify and ameliorate vulnerabilities and threats to NRC employees and resources, including instances of economic espionage.
- Conduct a limited number of Event and Special Inquiries into specific events that indicate an apparent shortcoming in NRC’s regulatory oversight of the nuclear industry’s safety and security programs to determine the appropriateness of the staff’s actions to protect public health and safety.
- Proactively review and become knowledgeable in areas of NRC staff regulatory emphasis to identify emerging issues that may require future OIG involvement such as decommissioning activities. Also provide real time OIG assessments of the appropriateness of NRC staff’s handling of contentious regulatory activities related to nuclear safety and security matters.
- Identify risks associated with the proliferation of nuclear material and nuclear technology.
- Take an aggressive stand to protect NRC’s infrastructure against both internal and external computer intrusions by working in close coordination with staff

within the Office of Information Services and NRC systems administrators. This will include developing and disseminating intelligence to assist in protecting NRC computer systems and aggressively pursuing suspected computer intrusion incidents.

- Investigate allegations of misconduct by NRC employees and contractors, as appropriate.

Corporate Management

- Attempt to detect possible wrongdoing perpetrated against NRC's procurement and contracting and grant program by maintaining a close working relationship with the Office of Administration, Division of Contracts and cognizant NRC Program Offices.
- Aggressively pursue investigations appropriate for *Program Fraud Civil Remedies Act* action, including abuses involving false reimbursement claims by employees and contractors.
- As appropriate, coordinate with OIG Audit IAMs in an effort to identify areas or programs with indicators of possible fraud, waste, and abuse.
- Conduct fraud awareness and information presentations for NRC employees and external stakeholders regarding the role of NRC OIG.
- As appropriate, investigate allegations of misconduct by NRC employees and contractors.

OIG Hotline

- Promptly process complaints received via the OIG Hotline. Initiate investigations when warranted and properly dispose of allegations that do not warrant OIG investigation.

Freedom of Information Act (FOIA) & Privacy Act

- Promptly process all requests for information received under FOIA. Coordinate as appropriate with the General Counsel to the IG and FOIA/Privacy Section.

NRC Support

- Participate as observers on Incident Investigation Teams and Accident Investigation Teams as determined by the IG.

Liaison Program

- Maintain close working relationships with other law enforcement agencies, public interest groups, and the Congress. This will be accomplished through periodic meetings with AIGs, pertinent congressional staff, public interest groups, and appropriate law enforcement organizations.
- Maintain a viable regional liaison program to foster a closer working relationship with NRC regional offices.
- Establish and maintain NRC OIG active participation in OIG community fraud working groups, multiagency fraud task forces, and multiagency undercover operations where a nexus to NRC programs and operations has clearly been established.

ALLOCATION OF RESOURCES

Investigations undertakes both proactive initiatives and reactive investigations. Approximately 85 percent of available investigative resources will be used for reactive investigations. The balance will be allocated to proactive investigative efforts such as reviews of NRC contract files, examinations of NRC information technology systems to identify weaknesses or misuse by agency employees, participation in interagency task forces and working groups, reviews of delinquent Government travel and purchase card accounts, and other initiatives.

ISSUE AREAS AND DESIGNATED ISSUE AREA MONITORS

ISSUE AREAS AND DESIGNATED ISSUE AREA MONITORS

NUCLEAR SAFETY

NUCLEAR MATERIALS SAFETY AND SAFEGUARDS

Michael Blair
Roxana Hartsock
Avinash Jaigobind
Sherri Miotla
John Thorp

NUCLEAR WASTE SAFETY

Ziad Buhaissi
George Gusack
Meredith Johnson
Regina Revinzon
John Thorp

NUCLEAR REACTOR SAFETY

Jenny Cheung
Levar Cole
Vicki Foster
Paul Rades
John Thorp
Tim Wilson

SECURITY AND INFORMATION TECHNOLOGY

NUCLEAR SECURITY

Amy Hardin
Connor McCune
Beth Serepca

INFORMATION MANAGEMENT

Ebaide Esoimeme
Kristen Lipuma
Beth Serepca
Felicia Silver
Chanel Stridiron
Janelle Wiggs

CORPORATE MANAGEMENT

FINANCIAL AND ADMINISTRATIVE

Gail Butler
Terri Cooper
Mary Meier
Eric Rivera
Michael Steinberg
Tincy Thomas
Jimmy Wong

CONTRACTS AND PROCUREMENT

Terri Cooper
Eric Rivera

HUMAN RESOURCES

Gail Butler
Jimmy Wong

**ABBREVIATIONS
AND ACRONYMS**

ABBREVIATIONS AND ACRONYMS

AIGI	Assistant Inspector General for Investigations
CFR	Code of Federal Regulations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CO	Contracting Officer
CoC	Certificate of Compliance
COR	Contracting Officer's Representative
DAA	Designated Approval Authority
DATA	Digital Accountability and Transparency Act
DOJ	U.S. Department of Justice
DRMA	Division of Resource Management and Administration
DSO	Division of Security Policy
FAR	Federal Acquisition Regulation
FedRAMP	Federal Risk Authorization Management Program
FFRDC	Federally Funded Research and Development Center
FISMA	Federal Information Security Modernization Act
FOIA	Freedom of Information Act
FY	Fiscal Year
IAM	Issue Area Monitor
IG	Inspector General
IPAC	Intra-Government Payment and Collection
ISSO	Information System Security Officers
LAN	Local Area Network
NMP	National Materials Program
NMSS	Office of Nuclear Material Safety and Safeguards
NRC	U.S. Nuclear Regulatory Commission
NSIR	Nuclear Security and Incident Response
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PMDA	Program Management, Policy Development and Analysis
PRA	Probabilistic Risk Assessment
SwRI	Southwest Research Institute

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