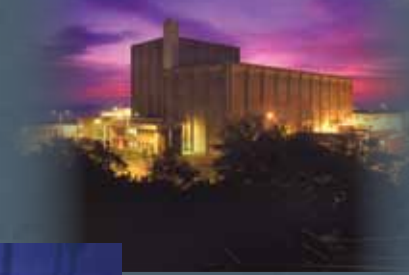




# SEMIANNUAL REPORT TO CONGRESS

*October 1, 2010 – March 31, 2011*



## OIG VISION

“We are agents of positive change striving for continuous improvement in our agency’s management and program operations.”

## NRC OIG MISSION

NRC OIG’s mission is to (1) independently and objectively conduct and supervise audits and investigations relating to NRC’s programs and operations; (2) prevent and detect fraud, waste, and abuse; and (3) promote economy, efficiency, and effectiveness in NRC’s programs and operations.

Top Photo: Control Room. Photo by Louie Psihoyos via Getty Images.

Bottom Photo: Cherenkov effect in the Reed Research Reactor.

Center Photo: Pilgrim Nuclear Power Station  
Photo courtesy of Entergy Nuclear.

Right Photo: Wolf Creek Nuclear Reactor  
Photo courtesy of Wolf Creek Nuclear Operating Corp.

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# A MESSAGE FROM THE INSPECTOR GENERAL



I am pleased to present this Semiannual Report to Congress on the activities and accomplishments of the Nuclear Regulatory Commission (NRC) Office of the Inspector General (OIG) from October 1, 2010, to March 31, 2011.

Our work reflects the legislative mandate of the Inspector General Act, which is to identify and prevent fraud, waste, and abuse through the conduct of audits and investigations relating to NRC programs and operations. The audits and investigations highlighted in this report demonstrate our commitment to ensuring integrity and efficiency in NRC's programs and operations.

The NRC continues to perform its critical agency functions to ensure the safe and secure civilian use of byproduct, source, and special nuclear materials. During this reporting period, the NRC OIG continued its focus on critical agency operations to include NRC's Implementation of 10 CFR Part 21: reporting of defects and noncompliance, NRC's non-concurrence process, and the Inspector General's evaluation of the NRC's most serious management and performance challenges. Our efforts to work with the NRC to identify risks and vulnerabilities early on will afford the agency the opportunity to take any necessary corrective action.

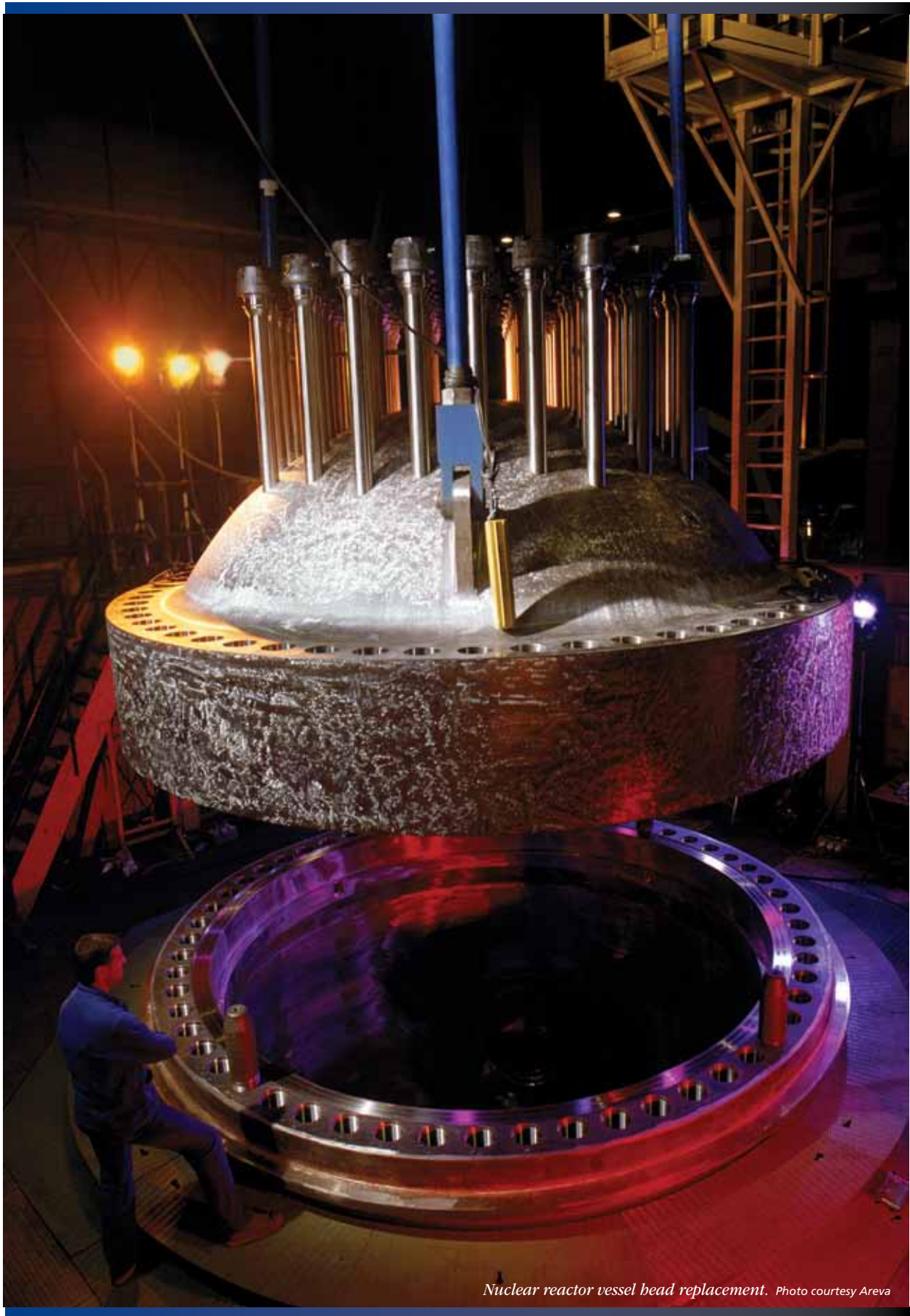
During this semiannual period, we issued nine audit reports. As a result of this work, OIG made a number of recommendations to improve the effective and efficient operation of NRC's safety, security, and corporate management programs. OIG also opened 32 investigations and completed 12 cases. Six of the open cases were referred to the Department of Justice, and 25 allegations were referred to NRC management for action.

The NRC OIG remains committed to the integrity, efficiency, and effectiveness of NRC programs and operations, and our audits, investigations, and other activities highlighted in the report demonstrate this ongoing commitment. Those efforts were recently recognized with the granting of an Award for Excellence by the Council of the Inspectors General on Integrity and Efficiency to an audit team for its report on NRC's Oversight of Construction at Nuclear Facilities. I would like to acknowledge our auditors, investigators, and support staff for their superior work and commitment to the mission of our office.

Finally, the success of the NRC OIG would not be possible without the collaborative efforts between my staff and agency managers to address OIG findings and to implement the corrective actions recommended by my office. I wish to thank them for their dedication and support, and I look forward to their continued cooperation as we work together to ensure the integrity of agency operations.

A handwritten signature in black ink that reads "Hubert T. Bell". The signature is written in a cursive, flowing style.

Hubert T. Bell  
Inspector General



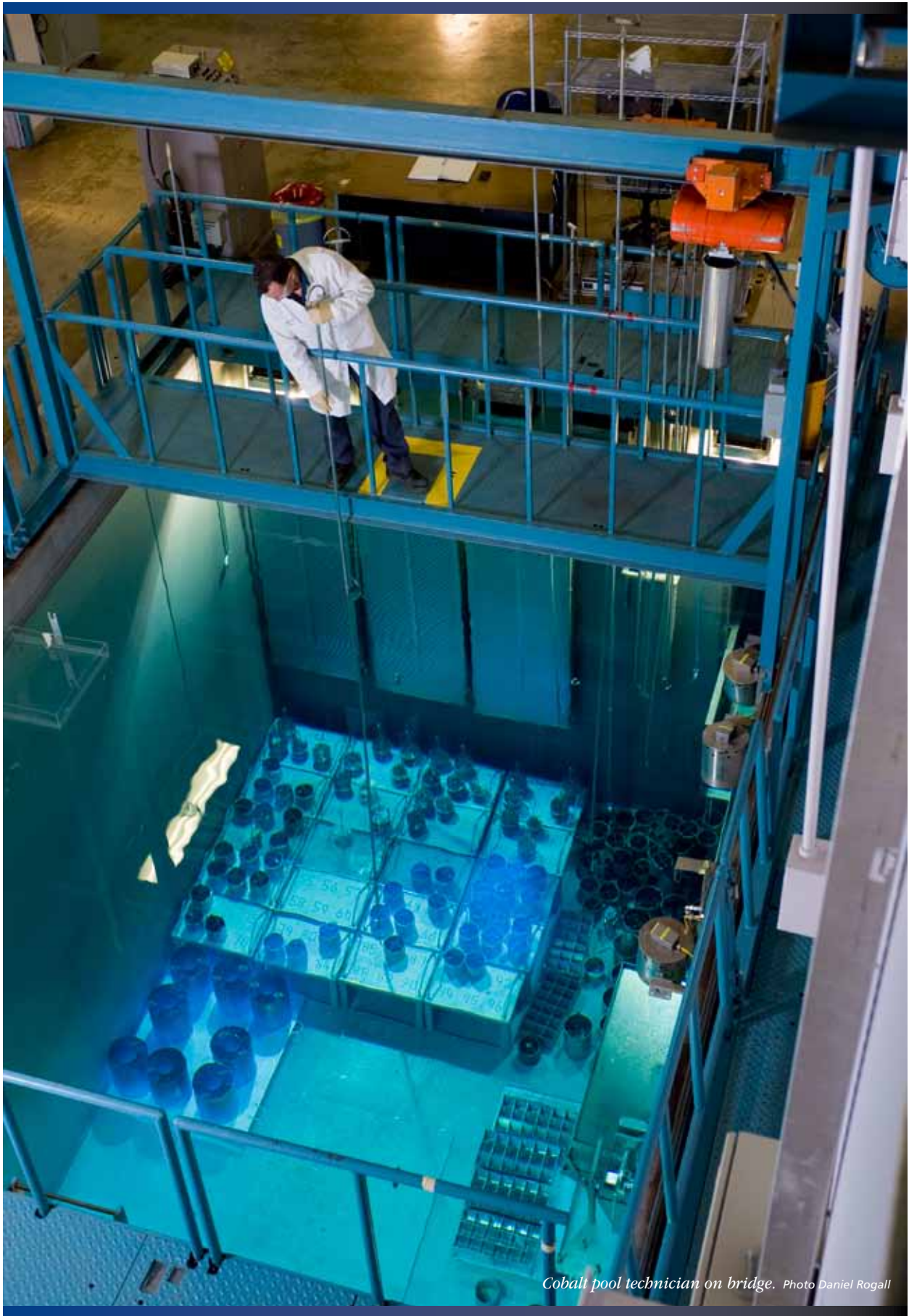
*Nuclear reactor vessel head replacement. Photo courtesy Areva*

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*Cobalt pool technician on bridge. Photo Daniel Rogall*

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# HIGHLIGHTS

*The following two sections highlight selected audits and investigations completed during this reporting period. More detailed summaries appear in subsequent sections of this report.*

## AUDITS

- The *Reports Consolidation Act of 2000* requires the Inspector General (IG) of each Federal agency to summarize annually what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges. In accordance with the act, the IG at the U.S. Nuclear Regulatory Commission (NRC) updated what he considers to be the most serious management and performance challenges facing NRC as of October 1, 2010. The IG evaluated the overall work of the Office of the Inspector General (OIG), the OIG staff's general knowledge of agency operations, and other relevant information to develop and update his list of management and performance challenges. As part of the evaluation, OIG staff sought input from NRC's Chairman, Commissioners, and management to obtain their views on what challenges the agency is facing and what efforts the agency has taken to address previously identified management challenges.
- The non-concurrence process is part of the agency's *Differing Views Program*, and is managed by the Office of Enforcement. NRC's implementation of an agencywide non-concurrence process supports the agency's goal of promoting an open collaborative work environment, which values collaborative decisionmaking, diverse views, unbiased evaluations, and honest feedback on how decisions are made. The non-concurrence process was developed to promote discussion and consideration of differing views on draft documents, provide a non-concurrence option for individuals with concerns who had a role in creating or reviewing draft documents, and provide a uniform approach for processing non-concurrences. The audit objective was to determine if the agency's non-concurrence process is operating as intended.
- On December 17, 2002, the President signed the *E-Government Act of 2002*, which included the *Federal Information Security Management Act (FISMA) of 2002*. FISMA outlines the information security management requirements for agencies, which include an annual independent evaluation of an agency's information security program and practices to determine their effectiveness. This evaluation must include testing the effectiveness of information security policies, procedures, and practices for a representative subset of the agency's information systems. FISMA requires the annual evaluation to be performed by the Inspector General or by an independent external auditor. Office of Management and Budget (OMB) memorandum M-10-15, *FY 2010 Reporting Instructions for the Federal Information Security Management Act*

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*and Agency Privacy Management*, dated April 21, 2010, requires the agency's OIG to report their responses to OMB's annual FISMA reporting questions for OIGs via an automated collection tool. The objective of this review was to perform an independent evaluation of the NRC's implementation of FISMA for FY 2010.

- *The Chief Financial Officers Act of 1990*, as amended, requires the Inspector General or an independent external auditor, as determined by the Inspector General, to annually audit NRC's financial statements to determine whether the agency's financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. In addition, the audit evaluates the effectiveness of internal controls over financial reporting and the agency's compliance with laws and regulations.
- NRC endeavors to protect the public health and safety and the environment through the regulation of the 104 operating nuclear power plants in the United States. *The Energy Reorganization Act of 1974, as amended, Section 206, Noncompliance*, provides the statutory basis for NRC guidance and regulations that pertain to reporting component defects in operating reactors. Specifically, Section 206 requires licensees that operate nuclear power plants to notify NRC of defects in basic components that could cause a substantial safety hazard. The audit objective was to determine if NRC's implementation of Federal regulations requiring reactor licensees to report defects contained in installed equipment is meeting the intent of the *Energy Reorganization Act of 1974, as amended, Section 206, Noncompliance*.
- Homeland Security Presidential Directive 12 (HSPD-12) states that it is national policy to "enhance security, increase E-Government efficiency, reduce identity fraud, and protect personal privacy" by establishing common identification standards for all Federal Government employees and contractors. HSPD-12 directs executive branch agencies to use standardized identification to gain physical access to Federal facilities and logical access to Federal information systems. NRC has taken steps to meet its HSPD-12 requirements by issuing Personal Identity Verification (PIV) cards and developing data systems to support use of PIV cards. Use of PIV cards is a basic element of a broader Government initiative called *Identity, Credential, and Access Management (ICAM)*, which aims to carry out specific provisions as well as the full intent of HSPD-12. ICAM programs have two main areas of operations: physical access control systems, which provide physical security at Federal facilities, and logical access control systems, which address the security of Federal computer networks. The audit objective was to assess whether NRC has effectively implemented its ICAM programs.



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## INVESTIGATIONS

- OIG conducted an investigation based on an allegation submitted by a private citizen to NRC under Title 10 Code of Federal Regulations (CFR) Section 2.206, which permits any person to file a petition requesting that the NRC Commission take enforcement-related action, i.e., to modify, suspend, or revoke a license or to take other appropriate action. The 2.206 petition must be in writing and provide the grounds for taking the proposed action.
- OIG conducted an investigation based on an allegation from several stakeholders. The stakeholders alleged that in implementing a pilot program performance-based regulatory standard for fire protection in accordance with 10 CFR 50.48(c) at Shearon Harris nuclear power plant the NRC is directing licensees to use fire models that have not been validated and verified as required by National Fire Protection Association Standard 805. They further alleged that a former NRC employee was wrongfully terminated for speaking out against the performance-based standard for fire protection.
- OIG conducted an investigation into an allegation that the NRC project manager for two of NRC's three Safeguards Information Local Area Network and Electronic Safe System (SLES) contracts was requesting out-of-scope records management work from one of the SLES contractors and that the NRC project manager directed contractor staff to enter inaccurate information into SLES database fields.
- OIG conducted an investigation to determine whether two NRC BlackBerry devices were compromised during an official trip to a foreign country by two NRC staff members.



*Reactor cooling tower. Photo Shutterstock*

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# OVERVIEW OF THE NRC AND THE OIG

## NRC'S MISSION

NRC was formed in 1975, in accordance with the Energy Reorganization Act of 1974, to regulate the various commercial and institutional uses of nuclear materials. The agency succeeded the Atomic Energy Commission, which previously had responsibility for both developing and regulating nuclear activities.

NRC's mission is to 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. NRC's regulatory mission covers three main areas:

- **Reactors** - Commercial reactors that generate electric power and research and test reactors used for research, testing, and training.
- **Materials** - Uses of nuclear materials in medical, industrial, and academic settings and facilities that produce nuclear fuel.
- **Waste** - Transportation, storage, and disposal of nuclear materials and waste, and decommissioning of nuclear facilities from service.



Under its responsibility to protect public health and safety, NRC has three principal regulatory functions: (1) establish standards and regulations, (2) issue licenses for nuclear facilities and users of nuclear materials, and (3) inspect facilities and users of nuclear materials to ensure compliance with the requirements. These regulatory functions relate both to nuclear power plants and other uses of nuclear materials – like nuclear medicine programs at hospitals, academic activities at educational institutions, research, and such industrial applications as gauges and testing equipment.

The NRC maintains a current Web site and a public document room at NRC headquarters in Rockville, Maryland, and holds public hearings, public meetings in local areas and at NRC offices, and discussions with individuals and organizations.

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## OIG HISTORY, MISSION, AND GOALS

### *OIG History*

In the 1970s, Government scandals, oil shortages, and stories of corruption covered by newspapers, television, and radio stations took a toll on the American public's faith in its Government. The U.S. Congress knew it had to take action to restore the public's trust. It had to increase oversight of Federal programs and operations. It had to create a mechanism to evaluate the effectiveness of Government programs. And, it had to provide an independent voice for economy, efficiency, and effectiveness within the Federal Government that would earn and maintain the trust of the American people.

In response, Congress passed the landmark legislation known as the Inspector General Act (IG Act), which President Jimmy Carter signed into law in 1978. The IG Act created independent Inspectors General, who would protect the integrity of Government; improve program efficiency and effectiveness; prevent and detect fraud, waste, and abuse in Federal agencies; and keep agency heads, Congress, and the American people fully and currently informed of the findings of IG work.

Today, the IG concept is a proven success. The IGs continue to deliver significant benefits to our Nation. Thanks to IG audits and investigations, billions of dollars have been returned to the Federal Government or have been better spent based on recommendations identified through those audits and investigations. IG investigations have also contributed to the prosecution of thousands of wrongdoers. In addition, the IG concepts of good governance, accountability, and monetary recovery encourages foreign governments to seek advice from IGs, with the goal of replicating the basic IG principles in their own governments.



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## ***OIG Mission and Goals***

NRC's OIG was established as a statutory entity on April 15, 1989, in accordance with the 1988 amendment to the IG Act. NRC OIG's mission is to (1) independently and objectively conduct and supervise audits and investigations relating to NRC programs and operations; (2) prevent and detect fraud, waste, and abuse; and (3) promote economy, efficiency, and effectiveness in NRC programs and operations.

OIG is committed to ensuring 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 effectively. To that end, OIG developed a strategic plan<sup>1</sup> that includes the major challenges and critical risk areas facing NRC.

The plan identifies the priorities of OIG and establishes a shared set of expectations regarding the goals OIG expects to achieve and the strategies that will be employed to do so. OIG's *Fiscal Years 2008-2013 Strategic Plan* features three goals, which generally align with NRC's mission and goals:

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

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<sup>1</sup> OIG's current strategic plan covers the period FY 2008 through FY 2013.

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# OIG PROGRAMS AND ACTIVITIES

## AUDIT PROGRAM

The OIG Audit Program focuses on management and financial operations; economy or efficiency with which an organization, program, or function is managed; and whether the programs achieve intended results. OIG auditors assess the degree to which an organization complies with laws, regulations, and internal policies in carrying out programs, and they test program effectiveness as well as the accuracy and reliability of financial statements. The overall objective of an audit is to identify ways to enhance agency operations and promote greater economy and efficiency. Audits comprise four phases:

- **Survey phase** - An initial phase of the audit process is used to gather information, without detailed verification, on the agency's organization, programs, activities, and functions. An assessment of vulnerable areas determines whether further review is needed.
- **Verification phase** - Detailed information is obtained to verify findings and support conclusions and recommendations.
- **Reporting phase** - The auditors present the information, findings, conclusions, and recommendations that are supported by the evidence gathered during the survey and verification phases. Exit conferences are held with management officials to obtain their views on issues in the draft audit report. Comments from the exit conferences are presented in the published audit report, as appropriate. Formal written comments are included in their entirety as an appendix in the published audit report.
- **Resolution phase** - Positive change results from the resolution process in which management takes action to improve operations based on the recommendations in the published audit report. Management actions are monitored until final action is taken on all recommendations. When management and OIG cannot agree on the actions needed to correct a problem identified in an audit report, the issue can be taken to the NRC Chairman for resolution.

Each September, OIG issues an *Annual Plan* that summarizes the audits planned for the coming fiscal year. Unanticipated high priority issues may arise that generate audits not listed in the *Annual Plan*. OIG audit staff continually monitor specific issues areas to strengthen OIG's internal coordination and overall planning process. Under the OIG Issue Area Monitor (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, international programs, security, information management, and financial management and administrative programs.

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## INVESTIGATIVE PROGRAM

OIG's responsibility for detecting and preventing fraud, waste, and abuse within NRC includes investigating possible violations of criminal statutes relating to NRC programs and activities, investigating misconduct by NRC employees, interfacing with the Department of Justice on OIG-related criminal matters, and coordinating investigations and other OIG initiatives with Federal, State, and local investigative agencies and other OIGs. Investigations 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 IG initiatives directed at areas bearing a high potential for fraud, waste, and abuse.

Because NRC's mission is to protect the health and safety of the public, OIG's Investigative Program directs much of its resources and attention on investigations of alleged conduct by NRC staff that could adversely impact matters related to health and safety. These investigations may address 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 NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.
- Conflicts of interest involving NRC employees and NRC contractors and licensees, including such matters as promises of future employment for favorable or inappropriate treatment and the acceptance of gratuities.
- Fraud in the NRC procurement program involving contractors violating Government contracting laws and rules.

OIG has also implemented a series of proactive initiatives designed to identify specific high-risk areas that are most vulnerable to fraud, waste, and abuse. A primary focus is electronic-related fraud in the business environment. OIG is committed to improving the security of this constantly changing electronic business environment by investigating unauthorized intrusions and computer-related fraud, and by conducting computer forensic examinations. Other proactive initiatives focus on determining instances of procurement fraud, theft of property, Government credit card abuse, and fraud in Federal programs.

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## GENERAL COUNSEL ACTIVITIES

### **Regulatory Review**

Pursuant to the Inspector General Act, 5 U.S.C. App. 3, Section 4(a)(2), OIG reviews existing and proposed legislation, regulations, policy, and implementing management directives (MD), and makes recommendations to the agency concerning their impact on the economy and efficiency of agency programs and operations.

Regulatory review is intended to provide assistance and guidance to the agency prior to the concurrence process so as to avoid formal implementation of potentially flawed documents. OIG does not concur or object to the agency actions reflected in the regulatory documents, but rather offers comments and requests responsive action within specified timeframes.

Comments provided in regulatory review reflect an objective analysis of the language of proposed agency statutes, directives, regulations, and policies resulting from OIG insights from audits, investigations, and historical data and experience with agency programs. OIG review is structured so as to identify vulnerabilities and offer additional or alternative choices.

From October 1, 2010, through March 31, 2011, OIG reviewed more than 250 agency documents, including approximately 185 Commission papers (SECYs); Staff Requirements Memoranda; and 75 Federal Register Notices, regulatory actions, and statutes.

To effectively track the agency's response to OIG regulatory review, comments include a request for written replies within 90 days, with either a substantive reply or status of issues raised by OIG.

During this reporting period, the OIG commented on several management directives related to agency communications and two security related directives. In addition, OIG provided substantive observations on the agency's strategic plan. Also, the agency provided responsive comments for eight matters previously reviewed by OIG. Significant comments and suggestions provided by OIG in our regulatory reviews during this period are summarized below.

#### **Management Directives**

Draft MD and Handbook 3.5, *Attendance at NRC Staff-Sponsored Meetings*, provides guidance so that members of the public have the opportunity to enhance their understanding of the agency's regulatory process through attendance at, and/or participation in, the agency's public meetings with applicants, licensees, and others. It also provides guidance so that all public meetings are noticed in a timely manner to inform interested stakeholders



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about NRC's meetings so as to balance the NRC's objective of openness and the public's interest in attending or participating in NRC meetings against the need for the NRC staff to exercise its regulatory and safety responsibilities without undue administrative burden. The draft document was well organized and partially responsive to audit report OIG-10-A-14, *NRC's Process for Closed Meetings*. The audit report recommended clearer definitions and clarification to ensure that notices and summaries are available in the agency's ADAMS database. The draft directive appeared to resolve the first issue, but the public availability of notices and summaries was not adequately addressed. In addition, the OIG commentary identified incorrect references and the need for consistency in directions regarding notices to the public.

MD and Handbook 3.7, *NUREG Series Publications*, was revised entirely to consolidate content of existing MD 3.7, *Unclassified Staff Publications in the NUREG Series*, and 3.8, *Unclassified Contractor and Grantee Publications in the NUREG Series*, and to establish a new, simplified designator system for NUREG-series publications. The revision was also intended to identify and clarify the responsibilities of NRC managers, staff, and project officers and add tips for writing in plain language. The OIG review found the revision to be generally well constructed. OIG comments reflected concern with regard to consistency in identifying the Office of the General Counsel (OGC) role in publications and suggested that the procedures for compiling and publishing proceedings be cross-referenced.

MD 3.11, *Conferences and Conference Proceedings*, was revised with the specified goals of identifying appropriate responsible organizations; incorporating new procurement procedures; and providing information about proprietary and copyrighted materials, revised forms, and exhibits to illustrate appropriate formats for individual papers in a conference proceeding. The revision achieved these objectives in a comprehensive fashion. Our comments for this document identified the need for consistent direction on the role of OGC and correction of listed references.

Draft MD 3.12, *Handling and Disposition of Foreign Documents and Translations*, was intended to clarify and update the policies and procedures applicable to NRC's translations program. The OIG review found that MD 3.12 and its associated handbook do not provide adequate guidance to NRC personnel who procure translation services. OIG provided observations from our own staff experience to highlight the need for more specificity in the guidance provided. The OIG commentary noted that at the time of an OIG-observed NRC inspection in Japan there was confusion on how NRC would use interpreters. The two Japanese interpreters serving the inspection team were used to sharing the interpretation duties between them. That is, one would interpret for an hour while the other took a break and then they would switch roles—and do this all day. This is not how NRC inspections work. The team of inspectors needed

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both interpreters to be available to work the full day but this was not what the interpreters expected or wanted to do. In addition, OIG related that MD 3.12 may not be the best place to provide guidance for procurement of interpretive services, but it may be beneficial to ensure guidance or points of contact to get guidance are identified in MD 3.12. Further, OIG commented that for interpretation services for overseas inspections, guidance should be added on the amount of time these services typically take so that this time can be taken into account when scheduling overseas inspections.

Draft MD and Handbook 3.15, *Multimedia Services*, was formerly titled *Audio-visual and Photographic Services*. The draft update was found to be complete and detailed. OIG comments corrected references and title names.

### Communication Issues

The draft agency implementing document for Executive Order 13166, *Limited English Proficiency (LEP) Plan*, was generally comprehensive and well constructed. Our two primary comments identified an alternative definition of “eligible LEP persons” and added a section to address law enforcement activities and language services needed for this activity.

The purpose of draft MD 12.5, *NRC Computer Security Program*, is to provide guidance to appropriate security measures to protect NRC information and information systems. This includes ensuring that security measures provide the appropriate level of protection and reliable access to NRC information and information systems by authorized individuals only; the NRC automated information security program complies with the requirements of the FISMA, OMB policy guidance, and related policies, procedures, standards, and guidelines, including information security standards and guidelines for national security systems; and senior agency officials provide information security for the information and information systems that support the operations and assets under their control. The OIG comments related additional details on the role and responsibilities, evidence collection and retention and access authority of the Inspector General, as well as agency reporting requirements to the OIG.

Draft MD 12.3, *NRC Personnel Security Program*, is intended to provide guidance to assure that NRC employees, consultants, contractors, and licensees are reliable and trustworthy to have access to NRC facilities, classified information, sensitive NRC information and equipment, nuclear power facilities, and special nuclear material. In addition to minor language changes, review of the revised directive and handbook resulted in comments suggesting that consistent alignment in the organizational responsibilities sections would add additional clarity.

### NRC Strategic Plan

The OIG comments on the draft strategic plan focused generally on two matters: the failure to address FY 2011 Inspector General Management and Performance Challenge, “Administration of all aspects of financial manage-

ment and procurement,” and that removal of references to the construction of a high-level waste facility appeared to be premature in view of the ongoing legal disputes involving this matter. In addition, OIG related that the plan did not appear to address the loss of retiring employees who possess fungible skills and the capability of remaining staff to address issues associated with legacy facilities that are undergoing relicensing.

## OTHER ACTIVITIES

### ***NRC OIG Receives CIGIE Award for Excellence***

*In 2010, the Council of the Inspectors General on Integrity and Efficiency recognized an OIG audit team with the prestigious CIGIE Award for Excellence. The audit team was recognized for exceptional performance in identifying opportunities for improvement in NRC’s construction inspection program for civilian-use nuclear reactor and fuel cycle facilities built in the United States. The team consisted of Sherri Miotla, Team Leader; Catherine Colleli, Audit Manager; Eric Rivera, Audit Manager; and Tim Wilson, Senior Analyst.*



*OIG receives CIGIE Award. Pictured left to right are Eric Rivera, Audit Manager; Sherri A. Miotla, Team Leader; Steven E. Zane, Deputy Assistant Inspector General for Audits; Timothy Wilson, Senior Analyst; Hubert T. Bell, Inspector General; Catherine M. Colleli, Audit Manager; David C. Lee, Deputy Inspector General; and Stephen D. Dingbaum, Assistant Inspector General for Audits.*

In recent years, there has been renewed worldwide interest in constructing nuclear facilities. NRC is responsible for licensing and inspecting construction activities of new civilian-use nuclear reactor and fuel cycle facilities built in the United States. The nuclear industry is responsible for ensuring that the design and construction of these facilities are in accordance with applicable NRC regulations.

During the 1970s and 1980s, NRC and its predecessor, the Atomic Energy Commission, oversaw the industry’s construction of the first generation of U.S. nuclear plants. Several of the construction projects experienced significant problems related to design and construction quality resulting in the cancellation of several plants in various stages of construction. Congress, at that time, questioned NRC’s ability to provide effective regulatory oversight of the construction activities and directed the agency to study ways to improve quality in the construction of future plants. In response to the congressional directive, NRC issued, in May 1984, NUREG-1055, *Improving Quality and the Assurance of Quality in the Design and Construction of Nuclear Power Plants: A Report to Congress*. The report concluded that NRC’s inspection practices were inadequate and offered several recommendations to improve NRC programs.

In 2006, NRC reorganized in response to the anticipated new reactor licensing and construction inspection workload. The Office of New Reactors was created with the primary responsibility for developing the agency’s construction

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inspection program and its associated program guidance. This program was designed to ensure that plants are built in accordance with the approved design and licensing requirements and will operate in compliance with NRC regulations.

The audit team found<sup>2</sup> that NRC's process for identifying construction lessons learned contains some, but not all, of the key elements of a successful program. While NRC's guidance document lays out the foundation for gathering lessons learned data related to construction, it does not comprehensively contain all the key elements identified as important to the success of an organization's lessons learned program. The agency falls short in formally identifying a lessons learned definition, collection and implementation procedures, as well as appropriate resources. NRC's culture regarding its construction lessons learned process also tends to be informal. More specifically,

- The agency has not formally identified a lessons learned definition, presuming that the definition is commonly understood. Yet, all have different understandings and expectations for what it might include with most believing that lessons learned are negative events and not allowing for the possibility of including a positive event.
- While the agency has incorporated guidance for maintaining and improving its lessons learned process, it lacks formal criteria to help identify which issues must be brought forward for management consideration.
- The agency does not have a procedure that documents how lessons learned are implemented through the Construction Inspection Program.
- The agency does not identify the level of expertise required for staff involvement in the construction lessons learned evaluation process.

As such, the lack of well-developed guidance could jeopardize the construction inspection program's goal to prevent recurrences of construction related problems and may compromise the public's confidence in NRC's ability to effectively oversee new nuclear construction projects.

Moreover, the successful implementation of the construction inspection program is closely tied to the level of experience and qualifications of the agency's inspectors. However, a majority of NRC's construction inspection staff will have little, if any, actual experience overseeing construction activities. For fiscal year 2009, the agency budgeted \$243.5 million, including 819 full-time equivalent staff, for new reactor activities to include the construction inspection program. These staff members provide varying amounts of support to the program on an ongoing basis.

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<sup>2</sup> *Audit findings described were presented in OIG-09-A-17, Audit of NRC's Oversight of Construction at New Nuclear Facilities (September 29, 2009).*



Without fully developed guidance, agency inspection staff could miss opportunities to identify and analyze potentially significant negative and positive lessons learned associated with construction activities. This becomes especially important in NRC's current regulatory environment, which has seen no new domestic nuclear power plant construction in more than 20 years.

The audit team made a comprehensive recommendation to enhance the agency's construction inspection program and its associated guidance to include key elements identified as important to the success of an organization's lessons learned program. The agency agreed with the recommendation and is implementing corrective actions to improve its program for the construction of civilian-use nuclear reactor and fuel cycle facilities built in the United States.

## MANAGEMENT AND PERFORMANCE CHALLENGES

<b>Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission *</b> <b>as of October 1, 2010</b> <i>(as identified by the Inspector General)</i>	
Challenge 1	Protection of nuclear material used for civilian purposes.
Challenge 2	Managing information to balance security with openness and accountability.
Challenge 3	Ability to modify regulatory processes to meet a changing environment, to include the licensing of new nuclear facilities.
Challenge 4	Oversight of radiological waste.
Challenge 5	Implementation of information technology and information security measures.
Challenge 6	Administration of all aspects of financial management and procurement.
Challenge 7	Managing human capital.

*\*The most serious management and performance challenges are not ranked in any order of importance.*

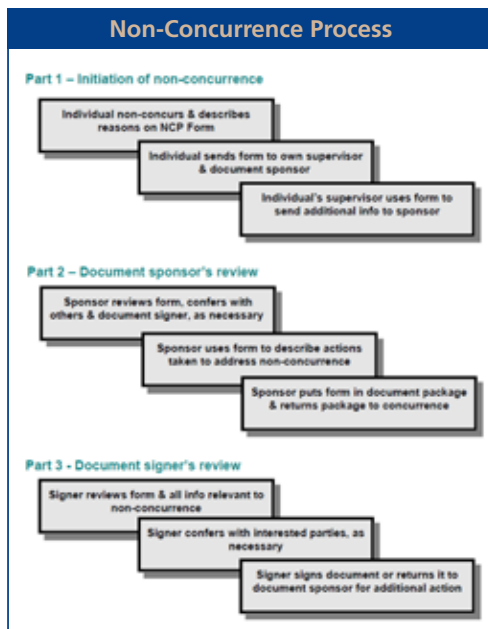
# AUDITS

To help the agency improve its effectiveness and efficiency during this period, OIG completed nine financial and performance audits or evaluations, six of which are summarized here that resulted in numerous recommendations to NRC management.

## AUDIT SUMMARIES

### **Audit of NRC's Non-Concurrence Process**

*OIG Strategic Goal: Safety*



Source: MD 10.158, Appendix A

The non-concurrence process is part of the agency's Differing Views Program, and is managed by the Office of Enforcement. NRC's implementation of an agency-wide non-concurrence process supports the agency's goal of promoting an open collaborative work environment, which values collaborative decisionmaking, diverse views, unbiased evaluations, and honest feedback on how decisions are made. The non-concurrence process was developed to promote discussion and consideration of differing views on draft documents, provide a non-concurrence option for individuals with concerns who had a role in creating or reviewing draft documents, and provide a uniform approach for processing non-concurrences.

The Executive Director for Operations issued draft MD and Handbook 10.158, *NRC Non-Concurrence Process*, via Yellow Announcement on November 29, 2006. The Yellow Announcement directed staff to follow the

requirements in the interim directive and handbook, which were to supersede any existing office-level non-concurrence procedures. At the time of its 2006 issuance, MD 10.158 was expected to remain in interim status for approximately 1 year to gain operating experience to make informed revisions to the directive before its finalization. Finalization of MD 10.158 was further prolonged after the initial 1-year period to gain additional operating experience. Currently, MD 10.158 remains in interim status and is scheduled to be finalized in June 2013.

The audit objective was to determine if the agency's non-concurrence process is operating as intended.

#### *Audit Results:*

The agency's non-concurrence process is a valuable tool in facilitating discussion of differing views between staff and management and is generally implemented as it was intended. However, OIG identified opportunities for improvement within the non-concurrence process in the following two areas:

- Agency guidance and training.

- Capture and review of operating experience.

### **Agency Guidance and Training on Non-Concurrence Process Can Be Improved**

Although the agency provides guidance and training on the non-concurrence process, the guidance is incomplete and the training is limited. Providing properly implemented guidance and training that effectively communicate policies, objectives, responsibilities, authorities, requirements, and information to employees are essential human capital practices that help to ensure employees have the knowledge and skills to perform their job and accomplish the agency mission. However, agency guidance on the non-concurrence process is imprecise and remains in prolonged interim status. Furthermore, interviews with staff and managers who have been involved in the process revealed that 70 percent did not understand their respective rights, roles, and responsibilities under the process as compared to that described in MD 10.158. In addition, 51 percent exhibited a misunderstanding of the purpose and expectations for implementing the process.

Training on the agency's non-concurrence process is not provided in a medium that is routinely available to all staff when they need it. Without precise guidance and timely training, the non-concurrence process will continue to be inconsistently implemented and staff will perceive the process as ineffective and inefficient. Furthermore, some staff are hesitant to raise differing views through the agency's non-concurrence process because they perceive a negative stigma attached to the process.

### **Non-Concurrence Operating Experience Is Not Routinely or Comprehensively Captured or Reviewed**

MD 10.158 was implemented as interim guidance in November 2006 with the intention that the agency gain operating experience in order to make informed revisions to the directive prior to its final issuance. According to management, a prolonged interim status would allow operating experience to be gained, which, in turn, would be used to make informed revisions to the management directive. Program management best practices include strategies for routinely reviewing and capturing operating experience. However, because the non-concurrence process was implemented by design without a requirement to conduct regular program reviews, operating experience is not being formally captured or reviewed. As a result, it would be difficult for program management to perform a comprehensive assessment of the non-concurrence process and determine what revisions are needed to improve MD 10.158. Furthermore, the agency's knowledge management initiative is negatively impacted when Forms 757, "Non-Concurrence Process,"<sup>3</sup> which are key decisionmaking documents, are inconsistently tracked, profiled, and retained.

*(Addresses Management and Performance Challenge # 2)*

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<sup>3</sup> NRC Form 757 is a key decisionmaking document specific to the agency's non-concurrence process that provides a forum for the non-concurring individual, select document contributors, and management to respectively document and address concerns regarding a draft document.

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## ***Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act for Fiscal Year 2010***

### *OIG Strategic Goal: Security*

On December 17, 2002, the President signed the E-Government Act of 2002, which included the Federal Information Security Management Act (FISMA) of 2002.<sup>4</sup> FISMA outlines the information security management requirements for agencies, which include an annual independent evaluation of an agency's information security program<sup>5</sup> and practices to determine their effectiveness. This evaluation must include testing the effectiveness of information security policies, procedures, and practices for a representative subset of the agency's information systems. FISMA requires the annual evaluation to be performed by the IG or by an independent external auditor. OMB memorandum M-10-15, *FY 2010 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management*, dated April 21, 2010, requires the agency's OIG to report their responses to OMB's annual FISMA reporting questions for OIGs via an automated collection tool.

The objective of this review was to perform an independent evaluation of the NRC's implementation of FISMA for FY 2010.

As of completion of fieldwork, NRC had 25 operational systems that fall under FISMA reporting requirements.<sup>6</sup> Of the 25, 8 are general support systems,<sup>7</sup> and 17 are major applications.<sup>8</sup> NRC had three systems operated by a contractor or other organization on behalf of the agency (one major application and two general support systems).

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<sup>4</sup> *The Federal Information Security Management Act of 2002 was enacted on December 17, 2002, as part of the E-Government Act of 2002 (Public Law 107-347) and replaces the E-Government Information Security Reform Act, which expired in November 2002.*

<sup>5</sup> *For the purposes of FISMA, the agency uses the term "information system security program."*

<sup>6</sup> *NRC also has a number of major applications and general support systems currently in development. For FISMA reporting purposes, only operational systems are considered.*

<sup>7</sup> *A general support system is an interconnected set of information resources under the same direct management control that share common functionality. Typical general support systems are local and wide area networks, servers, and data processing centers.*

<sup>8</sup> *A major application is a computerized information system or application that requires special attention to security because of the risk and magnitude of harm that would result from the loss, misuse, or unauthorized access to or modification of the information in the application.*



## Evaluation Results:

### Program Enhancements and Improvements

Over the past 8 years, NRC has continued to make improvements to its information system security program and continues to make progress in implementing the recommendations resulting from previous FISMA evaluations.

The agency has accomplished the following since the FY 2009 FISMA independent evaluation:

- The agency continued to make significant progress in certifying and accrediting its systems. For the first time since 2001, when reporting on certification and accreditation began under Government Information Security Reform Act, all NRC operational systems, including all contractor systems for which NRC has direct oversight, have a current certification and accreditation. In FY 2010, the agency completed certification and accreditation of three existing agency systems and two new systems, and reaccredited four agency systems. As of the completion of fieldwork for FY 2010, all 25 operational NRC information systems and all 3 systems used or operated by a contractor or other organization on behalf of the agency had a current certification and accreditation.
- The agency completed or updated security plans for all of the agency's 25 operational systems and for all 3 contractor systems.
- The agency completed annual security control testing for all agency systems and for all contractor systems.
- The agency completed annual contingency plan testing for all but one agency system and for all contractor systems, including updating the contingency plans.
- The agency issued several new Computer Security Office processes including the NRC Agency-wide Continuous Monitoring Program, the NRC Security Impact Assessment Process, and the NRC Plan of Action and Milestones (POA&M) Process.

### Program Weakness

While the agency has continued to make improvements in its information system security program and has made progress in implementing the recommendations resulting from previous FISMA evaluations, the independent evaluation identified one information system security program weakness—a *repeat finding from several previous independent evaluations*: the agency's POA&M program still needs improvement.

(Addresses Management and Performance Challenge # 5)

Total Number of Agency and Contractor Systems and Numbers Reviewed by FIBS 199 System Impact Level						
FIPS 199 System Impact Level	Agency Systems		Contractor Systems		Total Number of Systems (Agency and Contractor Systems)	
	Total Number	Number Reviewed	Total Number	Number Reviewed	Total Number	Number Reviewed
High	9	1	1	1	10	2
Moderate	16	2	1	0	17	2
Low	0	0	1	0	1	0
Not Categorized	0	0	0	0	0	0
<b>Total</b>	<b>25</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>28</b>	<b>4</b>

Source: OIG Data

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## **Results of the Audit of the Nuclear Regulatory Commission's Financial Statements for Fiscal Years 2010 and 2009**

### *OIG Strategic Goal: Corporate Management*

The Chief Financial Officers Act of 1990, as amended, requires the Inspector General or an independent external auditor, as determined by the Inspector General, to annually audit NRC's financial statements to determine whether the agency's financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In addition, the audit evaluated the effectiveness of internal controls over financial reporting and the agency's compliance with laws and regulations.

### *Audit Results:*

#### **Financial Statements**

The auditors expressed an unqualified opinion on the agency's FY 2010 and 2009 financial statements.

#### **Internal Controls**

The auditors expressed an unqualified opinion on the agency's internal controls.

#### **Compliance with Laws and Regulations**

The auditors found no reportable instances of noncompliance with laws and regulations.

*(Addresses Management and Performance Challenge #6)*

## **Audit of NRC's Implementation of 10 CFR Part 21, Reporting of Defects and Noncompliance**

### *OIG Strategic Goal: Safety*

NRC endeavors to protect the public health and safety and the environment through the regulation of the 104 operating nuclear power plants in the United States. The *Energy Reorganization Act of 1974, as amended, Section 206, Noncompliance*,<sup>9</sup> provides the statutory basis for NRC guidance and regulations that pertain to reporting component defects<sup>10</sup> in operating reactors. Specifically, Section 206 requires licensees that operate nuclear power plants to notify NRC

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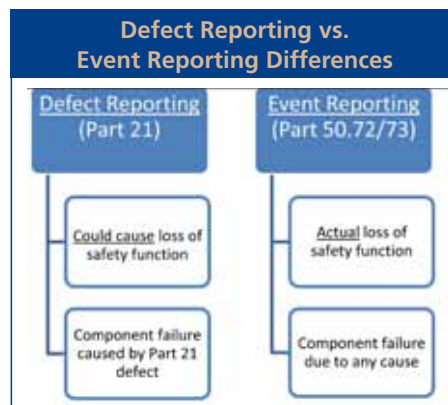
<sup>9</sup> For the purposes of this report, *Energy Reorganization Act of 1974, as amended, Section 206, Noncompliance* is referred to as Section 206.

of defects in basic components<sup>11</sup> that could cause a substantial safety hazard.<sup>12</sup>

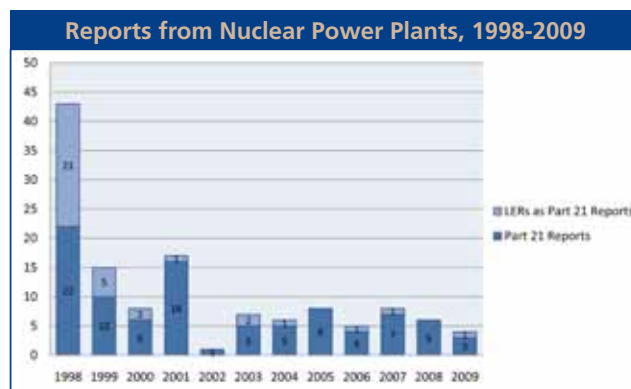
NRC uses Title 10, CFR, Part 21, *Reporting of Defects and Noncompliance* (Part 21) to implement the provisions of Section 206. Part 21 requires that licensees inform NRC if they obtain information that indicates that basic components fail to comply with regulatory requirements relating to substantial safety hazards or contain defects that could create a substantial safety hazard. NRC revised Part 21 in 1991. Among other things, the revision was intended to reduce duplicative licensee reporting requirements, and allow for reporting of defects under NRC event reporting regulations. These NRC event reporting regulations are contained in Title 10, Code of Federal Regulations, Part 50.72 and Part 50.73 (Part 50 Sections 72/73).

There are differences between Part 21 and Part 50 Sections 72/73 reporting requirements. One difference is that Part 21 concerns itself with component defect reporting, whereas Part 50 Sections 72/73 describe event reporting. Consequently, the thresholds for reporting a component defect under Part 21 are different than those for Part 50 Sections 72/73. Another difference is that Part 21 defect reporting requires an evaluation and report if the defect could cause a loss of safety function, whereas Part 50 Sections 72/73 events require reporting of only actual losses of safety function. In addition, Part 21 defect reporting requirements include individual component failures if the failures are caused by a defect. Part 50 Sections 72/73 would not require reporting of an individual component failure unless the failure caused a loss of safety function.

To illustrate the difference, two nuclear power plants could experience the same basic component failure due to a defect that did not cause an event. Some licensees interpret this as reportable under Part 21, whereas others do not, since



Source: OIG analysis of NRC Data



Source: OIG analysis of NRC Data

<sup>10</sup> A defect is a deviation in a basic component delivered to a purchaser for use in operating nuclear power plants if, on the basis of an evaluation, the deviation could create a substantial safety hazard.

<sup>11</sup> A basic component is a structure, system, or component that assures the integrity of the reactor coolant pressure boundary; the capability to shut down the reactor and maintain it in a safe shutdown condition; or the capability to prevent or mitigate the consequences of accidents. It is, essentially, a safety-related component.

<sup>12</sup> A substantial safety hazard is the loss of safety function to the extent that there is a major reduction in the degree of protection provided to public health and safety. Safety functions are necessary to ensure the integrity of the reactor coolant pressure boundary, the capability to shut down the reactor and maintain it in a safe shutdown condition, or the capability to prevent or mitigate the consequences of accidents that could result in certain potential offsite exposures.

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an event did not occur based on Part 50 Sections 72/73. However, Section 206 (which provides the statutory basis for Part 21) requires reporting of component defects that could cause a loss of safety function as well as those that did cause an actual loss of safety function.<sup>13</sup>

The audit objective was to determine if NRC's implementation of Federal regulations requiring reactor licensees to report defects contained in installed equipment is meeting the intent of the *Energy Reorganization Act of 1974, as amended, Section 206, Noncompliance*.

### *Audit Results:*

NRC staff has initiated action to better align NRC's defect reporting guidance with Section 206 of the *Energy Reorganization Act*. However, NRC will need to take further action so that NRC's implementation of Part 21 fully meets the intent of Section 206.

Despite Section 206 requirements for licensees that operate nuclear power plants to notify NRC of defects in basic components that could cause a substantial safety hazard, NRC staff have noted Part 21 reporting issues, and OIG analysis of industry data indicate that there are apparent unreported Part 21 defects. For example, an NRC staff analysis of Part 50 Sections 72/73 event reports of events with potential Part 21 implications during the period December 2009 through September 2010 identified 24 instances of events that had not been reported under Part 21 despite implications that such reporting may have been warranted. OIG independently analyzed Part 50 Sections 72/73 event reports and found 11 that contained apparent Part 21 reportable defects where the licensee had not indicated that it conducted a Part 21 evaluation or provided a Part 21 report.

These reporting issues exist because NRC regulations and guidance for implementing Section 206 are contradictory and unclear, and the NRC Baseline Inspection Program does not include requirements to inspect licensee reporting of Part 21 defects. Incomplete implementation of Section 206 could reduce the margin of safety for operating nuclear power reactors as NRC may remain unaware of component failures that have resulted from manufacturing defects. Unless NRC takes action to fully implement Section 206, staff and stakeholders may not be notified of component defects. Additionally, NRC inspectors face difficulties in enforcing defect reporting given the lack of clarity in Part 21 and related guidance.

*(Addresses Management and Performance Challenges #1 and #3)*

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<sup>13</sup> *Part 50 Sections 72/73 require power reactor licensees to notify NRC of any event or condition that at the time of discovery could have prevented the fulfillment of the safety function of structures or systems that are needed to (A) shut down the reactor and maintain it in a safe shutdown condition, (B) remove residual heat, (C) control the release of radioactive material, or (D) mitigate the consequences of an accident. Furthermore, Part 50 Sections 72/73 state that events required to be reported under Part 50 Sections 72/73 may include one or more procedural errors; equipment failures; and/or discovery of design, analysis, fabrication, construction, and/or procedural inadequacies. However, individual component failures need not be reported under Part 50 Sections 72/73 if redundant equipment in the same system was operable and available to perform the required safety function.*

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## Audit of NRC's Implementation of HSPD-12 Phase 2

### *OIG Strategic Goal: Security*

Homeland Security Presidential Directive 12 (HSPD-12) is a Presidential directive issued in August 2004. HSPD-12 states that it is national policy to “enhance security, increase E-Government efficiency, reduce identity fraud, and protect personal privacy” by establishing common identification standards for all Federal Government employees and contractors.<sup>14</sup> Further, HSPD-12 directs executive branch agencies to use standardized identification to gain physical access to Federal facilities and logical access to Federal information systems. As a Federal executive branch agency,<sup>15</sup> NRC is required to comply with HSPD-12 requirements.

OMB is responsible for issuing implementation guidance and ensuring Federal agencies' compliance with this guidance. OMB is also responsible for ensuring agency compliance with technical standards issued by the Secretary of Commerce. The National Institute of Standards and Technology—an organization within the Department of Commerce—established basic technical standards in Federal Information Processing Standards Publication 201 (FIPS 201).<sup>16</sup>

FIPS 201 prescribes standards for verifying the identities of Federal employees and contractors,<sup>17</sup> issuing identification cards known as Personal Identity Verification (PIV) cards,<sup>18</sup> and managing data systems to support use of PIV cards.

Use of PIV cards is a basic element of a broader Federal Government initiative called Identity, Credential, and Access Management (ICAM), which aims to carry out specific provisions as well as the full intent of HSPD-12. ICAM programs have two main areas of operations: physical access control systems (PACS), which provide physical security at Federal facilities, and logical access control systems (LACS), which address the security of Federal computer networks.

NRC's Office of Administration (ADM) has primary responsibility for PACS implementation, including installation and maintenance of PIV card readers that control access at doors and other entry points at NRC facilities. At the end of this audit, NRC had completed installation of PIV card readers and the supporting data system within headquarters buildings. However, ADM staff told auditors that PACS deployment at NRC regional offices was ongoing and would likely continue through the first half of calendar year 2011.

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<sup>14</sup> *Homeland Security Presidential Directive 12, Policy for a Common Identification Standard for Federal Employees and Contractors, August 27, 2004.*

<sup>15</sup> *Title 5 U.S. Code §105.*

<sup>16</sup> *Federal Information Processing Standards Publication 201-1, Personal Identity Verification (PIV) of Federal Employees and Contractors, National Institute of Standards and Technology, March 2006.*

<sup>17</sup> *FIPS 201 refers to this process as identity proofing.*

<sup>18</sup> *Specifically, FIPS 201 describes PIV card elements, system interfaces, and security controls required to securely store, process, and retrieve identity credentials from the PIV card. Physical card characteristics, storage media, and data elements that make up identity credentials are specified in this standard.*

#### HSPD-12 Badge and reader



Source: NRC

NRC's Office of Information Services (OIS) provides information technology support for PACS, and has primary responsibility for forthcoming efforts to implement LACS at employees' computer workstations. To implement LACS, NRC will equip employee workstations with PIV card readers, and the cards will authenticate users to NRC's network in lieu of multiple currently required application-specific passwords. OIS has started a pilot LACS program and expects to begin implementing the technology agencywide by the end of calendar year 2011.<sup>19</sup>

The audit objective was to assess whether NRC has effectively implemented its ICAM programs.

#### *Audit Results:*

NRC completed implementation of the PACS portion of its ICAM program at headquarters facilities during calendar year 2010, and expects to conclude this work at regional offices during the first half of calendar year 2011. All NRC staff and contractors eligible for the new PIV identification cards required by HSPD-12 have obtained these cards, and NRC continues to integrate PIV card technology with physical security upgrades at its facilities. Further, NRC has begun piloting the use of LACS at employees' computer workstations to enhance network security and simplify the log-in process.

Based on NRC's experience in transitioning to the new PACS technology, OIG identified opportunities to facilitate the NRC's LACS implementation through improved employee outreach and training. For example, NRC conducted limited outreach activities and no formal user training in preparation for PACS implementation. While this had relatively minor effects on employee attitudes toward and understanding of PACS use, NRC's forthcoming LACS implementation will significantly impact policies and procedures for accessing NRC computer networks. Consequently, NRC employees must have a clear understanding of these policies and procedures to avoid disruptions that could adversely affect employee productivity.

*(Addresses Management and Performance Challenges #5)*

### ***Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing NRC***

#### *OIG Strategic Goal: Corporate Management*

The *Reports Consolidation Act of 2000* requires the Inspector General (IG) of each Federal agency to summarize annually what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges.

<sup>19</sup> Two NRC computer applications—the National Source Tracking System and the Safeguards Information Local Area Network and Electronic Safe—already employ LACS technology.



In accordance with the act, the IG at the NRC updated what he considered to be the most serious management and performance challenges facing NRC as of October 1, 2010. The IG evaluated the overall work of the OIG, the OIG staff's general knowledge of agency operations, and other relevant information to develop and update his list of management and performance challenges. As part of the evaluation, OIG staff sought input from NRC's Chairman, Commissioners, and management to obtain their views on what challenges the agency is facing and what efforts the agency has taken to address previously identified management challenges.

*Audit Results:*

The IG identified seven challenges that he considered the most serious management and performance challenges facing NRC as of October 1, 2010. The challenges identify critical areas or difficult tasks that warrant high-level management attention.

The 2010 list of challenges reflects one change from the 2009 list. Prior Challenge 6, *Administration of all aspects of financial management*, was reworded to include a reference to procurement. The new wording, *Administration of all aspects of financial management and procurement*, is intended to reflect the overarching responsibility that NRC has to manage and exercise stewardship over its resources.

The following chart provides an overview of the seven most serious management and performance challenges as of October 1, 2010.

<b>Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission *</b> <b>as of October 1, 2010</b> <i>(as identified by the Inspector General)</i>	
Challenge 1	Protection of nuclear material used for civilian purposes.
Challenge 2	Managing information to balance security with openness and accountability.
Challenge 3	Ability to modify regulatory processes to meet a changing environment, to include the licensing of new nuclear facilities.
Challenge 4	Oversight of radiological waste.
Challenge 5	Implementation of information technology and information security measures.
Challenge 6	Administration of all aspects of financial management and procurement.
Challenge 7	Managing human capital.

*\*The most serious management and performance challenges are not ranked in any order of importance.*

*(Addresses All Management and Performance Challenges)*

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## AUDITS IN PROGRESS

### ***Audit of the NRC's Shared Drives***

#### *OIG Strategic Goal: Security*

NRC employees save documents on various drives on the agency's networks. Most drives limit access to individual employees, offices, or other organizational units. However, some drives on the network allow NRC employees to read or edit documents stored on shared drives regardless of employees' organizational affiliations or need to access the documents. These shared drives facilitate collaboration among NRC employees by enabling them to exchange information across organizational lines.

NRC directs that shared drives be used to process non-sensitive information only. Sensitive non-safeguards information requires a higher level of control than is easily possible on shared drives; consequently, sensitive non-safeguards information is not supposed to be processed on shared drives.

Following recommendations from a 2006 OIG audit, NRC scans networks on an annual basis to determine whether one type of sensitive non-safeguards information – personally identifiable information, or “PII”—is stored on agency drives. If the automated scans detect documents containing PII on the agency's network, NRC contacts document owners, who are then responsible for determining the proper solution for managing the documents in question. In some cases, the documents may be expunged; in other cases, the documents may continue to be stored on NRC's network.

Despite NRC's procedures for PII scanning, and despite periodic announcements reminding NRC employees of their responsibilities for safeguarding PII and other forms of sensitive non-safeguards information, NRC staff have expressed concerns to OIG that agency policies and procedures are not consistently implemented.

The audit objective is to assess whether NRC effectively safeguards personally identifiable information and other sensitive information on the agency's shared drives.

*(Addresses Management and Performance Challenge #5)*

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## **Evaluation of the Contract Award Process**

### *OIG Strategic Goal: Corporate Management*

It is NRC's policy that acquisitions of supplies and services support the agency's mission; are planned, awarded, and administered efficiently and effectively; and are accomplished in accordance with applicable Federal statutes and procurement regulations. NRC acquisitions must adhere to the Federal Acquisition Regulation (FAR) and the NRC Acquisition Regulation (NRCAR). The Federal acquisition process is intended, among other objectives, to satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service. The vision for the Federal acquisition process is to deliver on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives.

The Division of Contracts obligated approximately \$17.2 million and \$6.6 million during FY 2009 and FY 2010 (as of June 25, 2010), respectively, for new contract awards.

The evaluation objectives are to obtain an understanding of the NRC's contract award process and perform sufficient work to report on the agency's (1) compliance with applicable requirements (e.g., FAR and NRCAR requirements), and (2) identify any opportunities to improve the efficiency and effectiveness of the contract award process to include timeliness and internal controls.

*(Addresses Management and Performance Challenge #6)*

## **Audit of NRC's Purchase Card Program**

### *OIG Strategic Goal: Corporate Management*

NRC employees use purchase cards for purchases of supplies and services that do not exceed \$3,000. During FY 2009, there were approximately 10,000 purchase card transactions conducted by 124 NRC employees that totaled more than \$6,000,000.

NRC's Purchase Card Program guidance states the procedures that need to be followed for the usage of purchase cards by NRC employees and the responsibilities of the staff managing the program.

Recent audits conducted by other Federal agencies on their respective purchase card programs have found significant internal control deficiencies that have led to the improper usage of Government issued purchase cards.

The audit objective is to determine whether NRC has established and implemented an effective system of internal control over the use of Federal purchase cards.

*(Addresses Management and Performance Challenge #6)*

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## ***Audit of the NRC's iLearn Learning Management System***

### *OIG Strategic Goal: Corporate Management*

iLearn is NRC's learning management system that was developed to serve as the central point for all training activities across the agency and to provide detailed training information for all NRC employees.

The system was developed by a contractor under an interagency agreement with the Office of Personnel Management. Its purpose is to provide access to online courses from courseware libraries as well as custom courses developed by NRC, allow staff to register for courses and submit training requests online, complete training evaluations, and generate training reports.

Since its April 2008 deployment, the system has experienced problems. For example, an attempt was made to move all agency online training from NRC's server onto iLearn. This would permit employees to launch all online training from one application and have course completion information automatically added to their learning history. However, many of the online training courses are not working correctly due to technical problems that cause them to launch incorrectly or not launch at all. Consequently, many of the online courses were removed from iLearn and placed back on the NRC server.

The audit objective is to determine the effectiveness of the iLearn Learning Management System to meet the agency's current and future training needs.

*(Addresses Management and Performance Challenge #7)*

## ***Audit of NRC's Shuttle Service***

### *OIG Strategic Goal: Corporate Management*

The ongoing expansion of the NRC headquarters White Flint Complex has required that some employees be temporarily relocated to several buildings outside of the main complex. Relocated employees are currently working from the Gateway Building in Bethesda, and the Executive Boulevard, Twinbrook, and Church Street Buildings in Rockville. NRC has implemented a shuttle service to transport employees and contractors between the White Flint Complex and the temporary locations to conduct official agency business. The temporary locations were intended to be located within walking distance of public transportation.

The agency has a 2.5-year, \$2.7-million contract with Blue Ridge Limousine and Tour Service, Inc., for shuttle services. The shuttle service currently operates six buses: one bus runs round trip between the White Flint Complex and the

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Executive Boulevard Building 35 times per day; two buses run round trip between the White Flint Complex and Church Street 34 times per day; one bus runs round trip between the White Flint Complex and Twinbrook 23 times per day; and two buses run between the White Flint Complex and the Gateway building 22 times per day. There are no buses that run from one interim location to another.

The audit objective is to determine the effectiveness, efficiency, and economy of the shuttle services versus public transportation.

*(Addresses Management and Performance Challenge #6)*

## ***Audit of NRC's FY 2011 Financial Statements***

### *OIG Strategic Goal: Corporate Management*

Under the Chief Financial Officers Act and the E-Government Management and Reform Act, the 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, 2011. In addition, OIG will issue reports on:

- Special Purpose Financial Statements.
- Implementation of the Federal Managers' Financial Integrity Act.
- Condensed Financial Statements.

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 the NRC's computer systems that are significant to the financial statements.
- Assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, *Management's Responsibility for Internal Control*.

*(Addresses Management and Performance Challenge #6)*

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## ***Audit of NRC's Management of Licensee Commitments***

### *OIG Strategic Goal: Safety*

Nuclear power plant and materials licensees make commitments to NRC to perform certain functions to gain NRC's approval on technical issues with regard to a licensing action. Commitments may or may not be legally binding requirements, depending on how they are developed and agreed upon by NRC and the licensees. The type of commitment may dictate the enforcement options available to NRC. There are widespread opinions among agency officials as to whether commitments are enforceable, can be voluntarily withdrawn by the licensee, and are important for tracking.

The audit objective is to determine how NRC manages licensee commitments, including tracking, auditing, trending, monitoring, and enforcing.

*(Addresses Management and Performance Challenge #3)*

## ***Audit of NRC's Oversight of Master Materials Licensees***

### *OIG Strategic Goal: Safety*

The Office of Federal and State Materials and Environmental Management Programs has, among other activities, the responsibility to provide program oversight for the master materials license program. Master materials licenses are issued by NRC to provide designated organizations with regulatory authority for the receipt, possession, distribution, use, transportation, transfer, and disposal of radioactive material. As of August 2010, there were three master materials licensees: the Departments of Air Force, Navy, and Veterans Affairs (VA).

The public and Government officials have recently questioned the effectiveness of NRC oversight in the aftermath of the reported misadministration of treatments to 97 patients at a VA hospital in Pennsylvania. Congressional and public interest remains high where nuclear materials are involved and there remains public concern with respect to the use of radioactive material at other VA hospitals and other organizations to which NRC has delegated master materials licenses.

The audit objective is to determine the extent to which NRC is providing effective oversight of master materials licensees.

*(Addresses Management and Performance Challenge #1)*



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## ***Audit of NRC's Oversight of Independent Spent Fuel Storage Installations Safety***

### *OIG Strategic Goal: Safety*

The need for alternative spent fuel storage began to grow in the late 1970s/early 1980s as spent fuel pools at many nuclear reactors began to fill up with stored fuel. NRC authorizes licensees to store spent nuclear fuel at independent spent fuel storage installations (ISFSIs), generally consisting of casks on a concrete pad located onsite. A site-specific ISFSI is licensed for 20 years from the date of approval.

Thus, until a high-level waste repository is made available, spent nuclear fuel at ISFSIs across the Nation will continue to accumulate.

The audit objective is to determine if NRC has the requisite processes in place for reviewing ISFSIs safety.

*(Addresses Management and Performance Challenge #4)*

## ***Audit of NRC's Oversight of Independent Spent Fuel Storage Installations Security***

### *OIG Strategic Goal: Security*

An ISFSI is a storage facility for spent nuclear fuel. Under the *Atomic Energy Act of 1954*, as amended, NRC has the responsibility to establish rules, regulations, orders, and policies to ensure that source material, byproduct material, and special nuclear material are stored in a manner to adequately protect public health and safety, the common defense and security, and the environment.

Following the terrorist events of September 11, 2001, NRC issued security orders (in October 2002) to all ISFSI licensees to ensure that a consistent overall protective strategy was in place. On December 18, 2007, the Commission directed Office of Nuclear Security and Incident Response (NSIR) staff to develop risk-informed and performance-based regulations to enhance security requirements. The Commission also directed NSIR staff to undertake a rulemaking to update the security requirements. NRC staff have received public comment on the proposed security rules. Public stakeholders have raised concerns that the proposed rules do not sufficiently emphasize anti-terrorism capabilities.

The audit objective is to determine the adequacy of NRC's oversight of ISFSI security.

*(Addresses Management and Performance Challenge #4)*

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# INVESTIGATIONS

*During this reporting period, OIG received 123 allegations, initiated 32 investigations, and closed 12 cases. In addition, the OIG made 25 referrals to NRC management and six to the Department of Justice.*

## INVESTIGATIVE CASE SUMMARIES

### ***NRC Actions Concerning Licensee Statements Regarding Adequacy of Decommissioning Trust Fund Balances***

#### *OIG Strategic Goal: Corporate Management*

OIG conducted an investigation based on an allegation submitted by a private citizen to NRC under Title 10 Code of Federal Regulations (CFR) Section 2.206, which permits any person to file a petition requesting that the NRC Commission take enforcement-related action, i.e., to modify, suspend, or revoke a license or to take other appropriate action. The 2.206 petition must be in writing and provide the grounds for taking the proposed action.

According to the petition filed by the private citizen, NRC knowingly allowed Entergy to lie about the amount of money in its decommissioning trust fund for three of its utilities, Vermont Yankee, River Bend, and Indian Point nuclear power plants. The citizen also alleged that he was personally lied to by NRC staff in a letter dated December 17, 2009, which stated, “only the decommissioning trust funds for Entergy’s Vermont Yankee and River Bend nuclear power plants do not currently meet the funding levels of 10 CFR 50.75.” The person alleged that Indian Point Unit 2 also had a funding shortfall; thus, the letter he received was inaccurate.

Title 10 CFR 50.75 requires a licensee to provide every 2 years a report on the state of its decommissioning trust fund. The purpose of the fund is to provide reasonable assurance that a licensee has sufficient funds to pay for the cleanup and removal of all nuclear and radiological material from the site. Regardless, of the amount of money in the fund, a licensee is considered compliant as long as the report is filed.

OIG found no evidence to substantiate the claim that Entergy lied about the state of its decommissioning trust fund, and no evidence that NRC staff knowingly allowed the company to lie. OIG also found that NRC’s letter, dated December 17, 2009, accurately reflected the state of Entergy’s decommissioning trust fund.

*(Addresses Management and Performance Challenge #7)*

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## ***National Fire Protection Association Standard 805 Concerns at Shearon Harris Nuclear Power Plant***

### *OIG Strategic Goal: Safety*

OIG conducted an investigation based on an allegation from several stakeholders. The stakeholders alleged that in implementing a pilot program concerning a performance-based regulatory standard for fire protection in accordance with 10 CFR 50.48(c) at Shearon Harris nuclear power plant the NRC is directing licensees to use fire models that have not been validated and verified as required by National Fire Protection Association (NFPA) Standard 805. They further alleged that a former NRC employee was wrongfully terminated for speaking out against the performance-based standard for fire protection.



*Shearon Harris Nuclear Power Plant.*  
Photo Courtesy Progress Energy

10 CFR 50.48(c) authorizes licensees to use NFPA 805 as a risk-informed, performance-based fire protection program as an alternative to the prescriptive regulatory standard known as Appendix R, referenced in 10 CFR.48(b). NFPA specifies the minimum fire protection requirements during all phases of plant operation, including shutdown, degraded conditions, and decommissioning.

OIG reviewed NUREG-1824, *Verification and Validation of Selected Fire Models for Nuclear Power Plant Applications*, and found that, in conjunction with the Electric Power Research Institute, the NRC had conducted research that validated and verified five separate fire models which licensees may use to implement NFPA 805 in nuclear power plants. Although the allegers claimed that NUREG-1824 states that the models had been found unacceptable for use in nuclear power plants, a review of Section 3.1 of NUREG-1824, revealed that all five models were found acceptable for use in nuclear power plant applications. In addition, licensees are not required to use these specific fire models, but may use any model that has been validated and verified and appropriately applied within their limitations. OIG also found that the NRC employee was terminated for reasons not related to his opinions regarding fire protection regulation.

*(Addresses Management and Performance Challenge #3)*

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## ***Improper Billing on the Safeguards Information Local Area Network Contract And Contract Mismanagement***

### *OIG Strategic Goal: Corporate Management*

OIG conducted an investigation based on an allegation by an NRC subcontractor, Danastar Professional Services (Danastar), that (a) the NRC project manager for two of NRC's three Safeguards Information Local Area Network and Electronic Safe System (SLES) contracts was requesting out-of-scope records management work from one of the SLES contractors, (b) the NRC SLES project manager directed contractor staff to enter inaccurate information into SLES database fields, (c) two senior NRC managers were given SLES Smart cards without completing the required paperwork and training, and (d) the NRC SLES project manager had a personal relationship with the contractor CEO.

The SLES provides secure wireless access to NRC's official recordkeeping system for safeguards information. OIG learned that the two contracts include records management work and that there is overlap between the two contracts but it is performed for different purposes in accordance with contract requirements.

OIG did not substantiate contract mismanagement with regard to NRC's SLES contracts, or that the NRC SLES project manager directed that incorrect records be entered into SLES. OIG found that the two senior managers were not given a Smart card and that there was no inappropriate relationship between the NRC SLES contract project manager and the contractor CEO.

*(Addresses Management and Performance Challenge #6)*

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## ***Possible Compromise of Government BlackBerry Devices***

### *OIG Strategic Goal: Security*

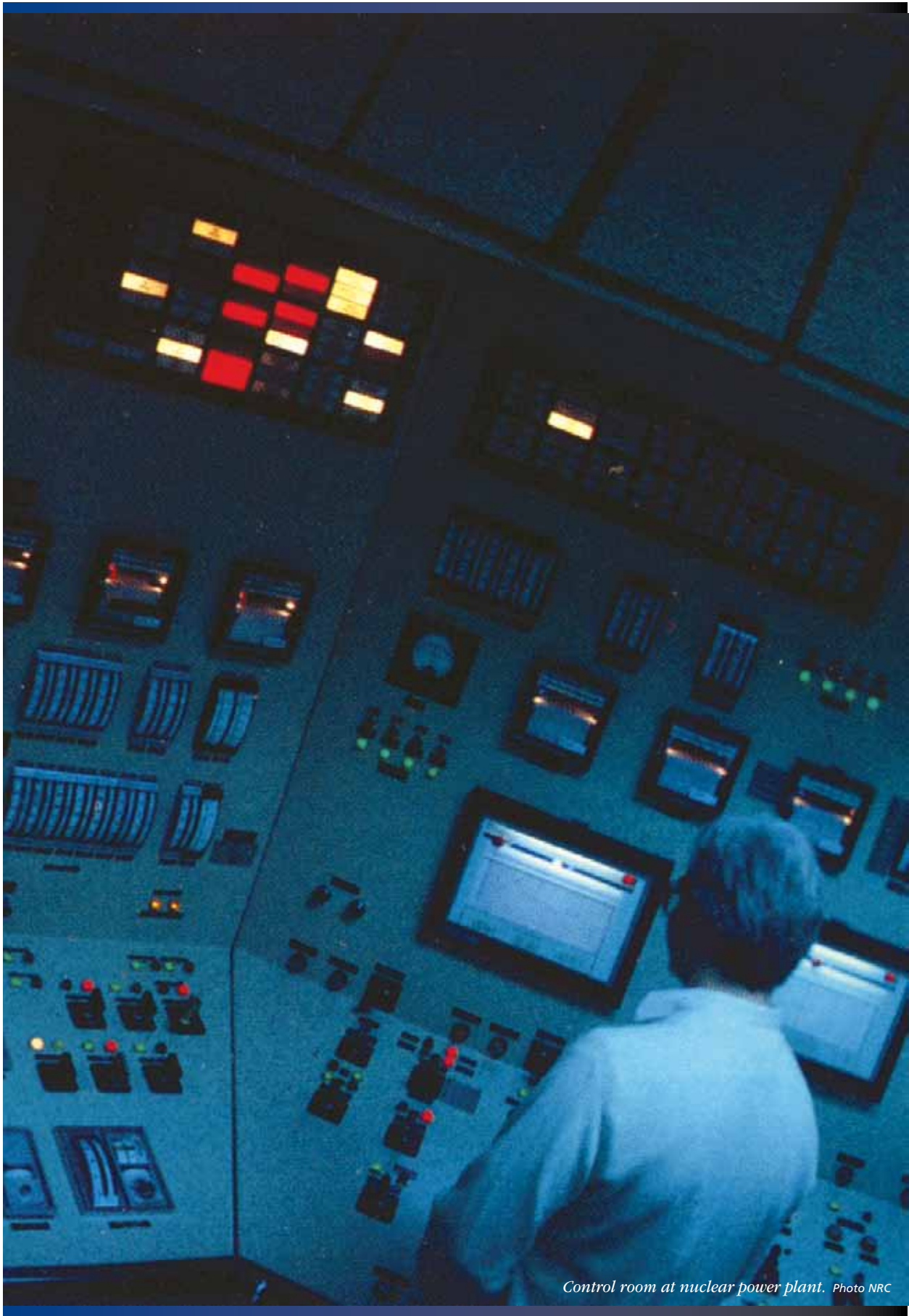
OIG conducted an investigation to determine whether two NRC BlackBerry devices were compromised during an official trip by two senior NRC staff members to a foreign country. The two senior staff members reported that they left their BlackBerry devices unattended in their hotel rooms for more than 8 hours during their trip.

A forensic analysis by the NRC OIG Cyber Crime Unit did not find any traces of malicious software loaded on the BlackBerry mobile devices or any discrepancies in the security settings to indicate these devices were altered in any way.



*Photo Source: Shutterstock*

*(Addresses Management and Performance Challenge #5)*



*Control room at nuclear power plant. Photo NRC*



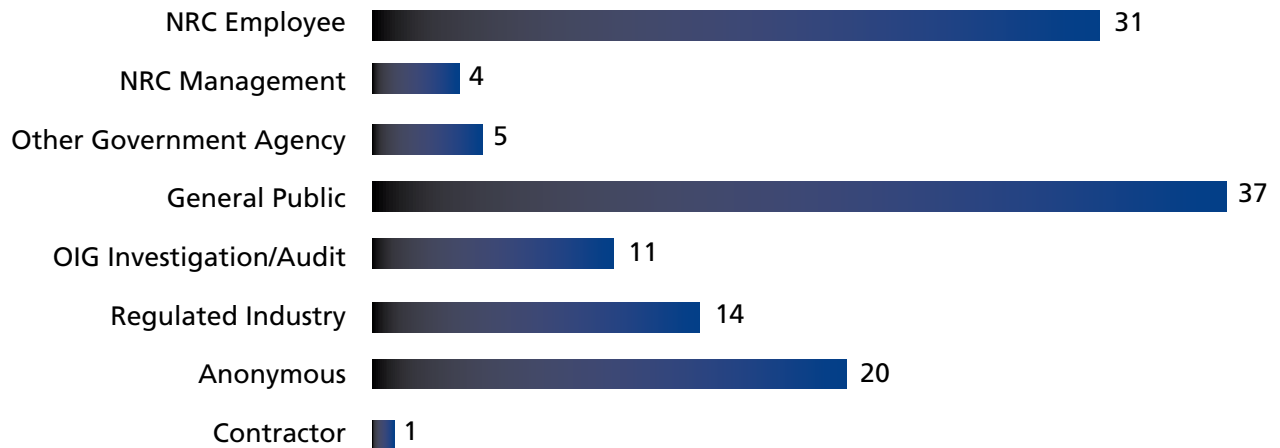
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# SUMMARY OF OIG ACCOMPLISHMENTS

October 1, 2010, through March 31, 2011

## INVESTIGATIVE STATISTICS

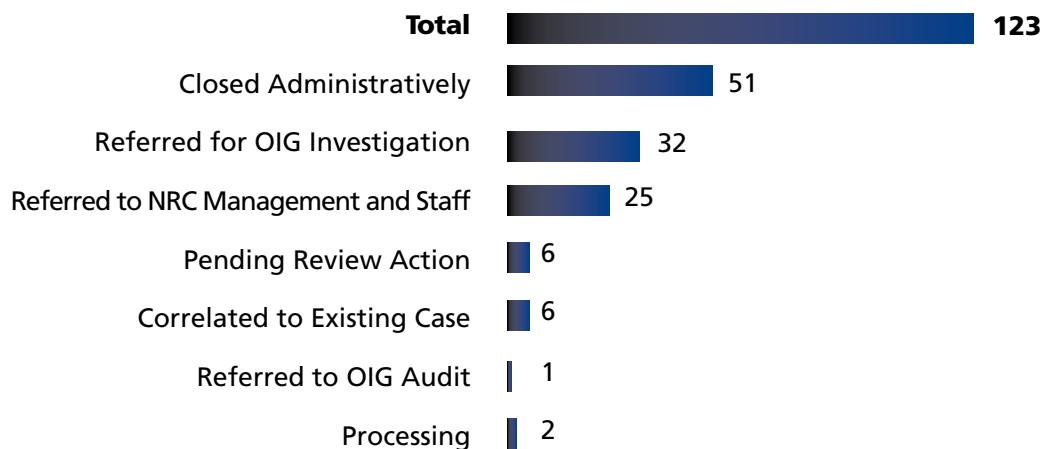
### Source of Allegations



Allegations resulting from Hotline calls: 50

**Total 123**

### Disposition of Allegations



## Status of Investigations

DOJ Acceptance . . . . .	0
DOJ Referrals . . . . .	6
DOJ Pending . . . . .	0
DOJ Declinations . . . . .	6
Sentencing . . . . .	0
NRC Administrative Actions:	
Terminations and Resignations . . . . .	1
Suspensions and Demotions . . . . .	1
Counseling . . . . .	2
Recoveries . . . . .	0
State Referrals . . . . .	0
State Accepted . . . . .	0
PFCRA Referral . . . . .	0
PFCRA Acceptance . . . . .	0
PFCRA Recovery . . . . .	0

## Summary of Investigations

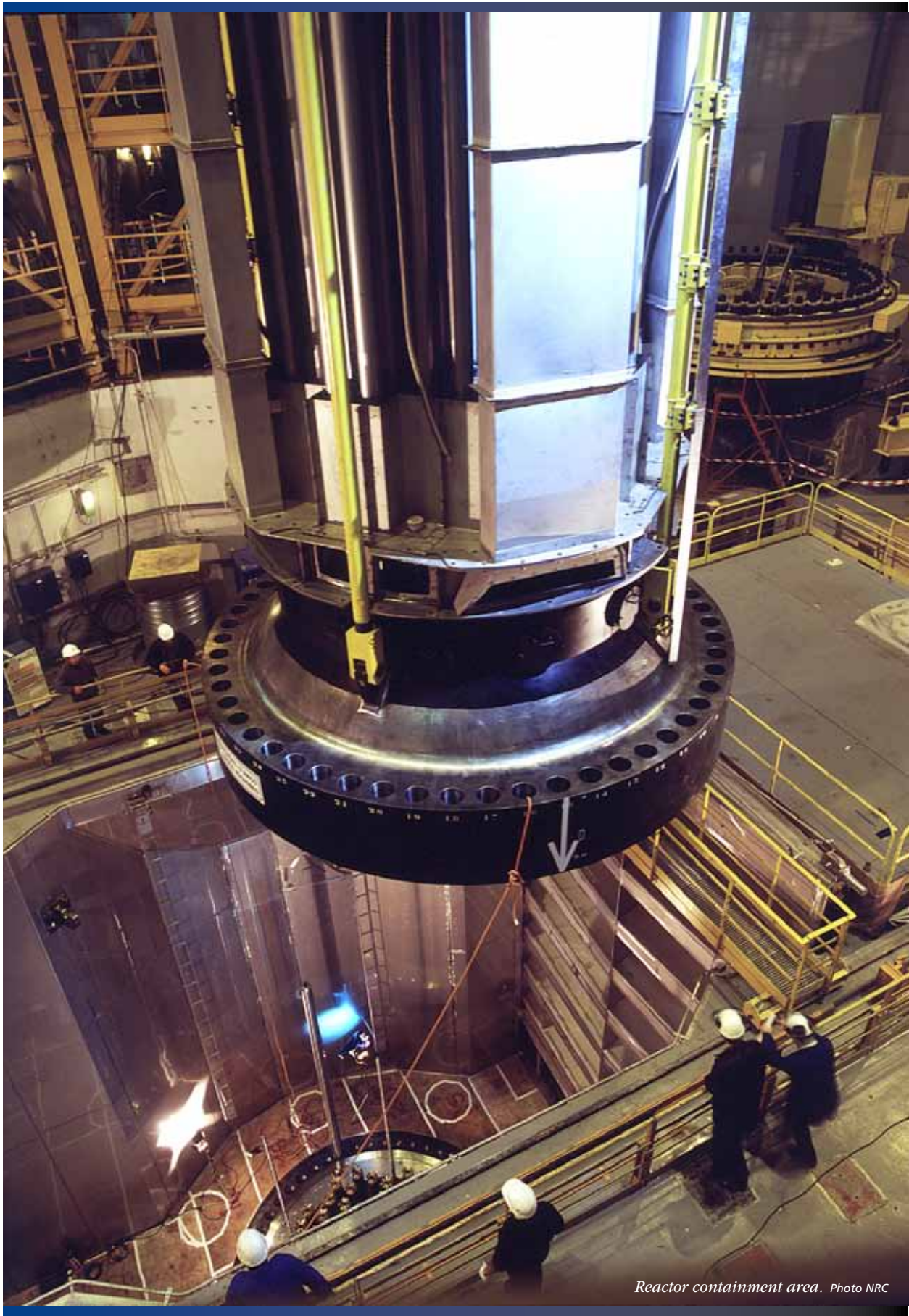
Classification of Investigations	Carryover	Opened Cases	Closed Cases	Cases In Progress
Bribery	0	0	0	0
Conflict of Interest	1	0	0	1
External Fraud	5	3	2	6
False Statements	2	0	0	2
Misuse of Government Property	0	0	0	0
Employee Misconduct	11	22	7	26
Management Misconduct	1	1	0	3
Mishandling of Technical Allegations	0	0	0	0
Whistleblower Reprisal	0	0	0	0
Miscellaneous	1	3	2	2
Technical Allegations	1	1	1	1
Management Implication Report	0	0	0	0
Event Inquiries	3	0	0	3
Theft	0	1	0	1
<b>Total Investigations</b>	<b>25</b>	<b>32</b>	<b>12</b>	<b>45</b>
<b>Other</b>				
Projects and Proactive Initiatives	0	10	0	0

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## AUDIT LISTINGS

### *Internal Program Audit and Evaluation Reports*

<b>Date</b>	<b>Title</b>	<b>Audit Number</b>
10/01/2010	Inspector General Assessment of the Most Serious Management and Performance Challenges Facing NRC	OIG-11-A-01
10/07/2010	Audit of NRC's Non-Concurrence Process	OIG-11-A-02
11/09/2010	Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act for Fiscal Year 2010	OIG-11-A-03
11/09/2010	Results of the Audit of the United States Nuclear Regulatory Commission's Financial Statements for Fiscal Years 2010 and 2009	OIG-11-A-04
11/16/2010	Independent Auditor's Report on the U.S. Nuclear Regulatory Commission's Special Purpose Financial Statements as of September 30, 2010 and 2009, and for Years Then Ended	OIG-11-A-05
02/04/2011	Transmittal of the Independent Auditor's Report on the Condensed Financial Statements	OIG-11-A-06
02/14/2011	Memorandum Report: Review of NRC's Implementation of the Federal Managers' Financial Integrity Act for Fiscal Year 2010	OIG-11-A-07
03/23/2011	Audit of NRC's Implementation of 10 CFR Part 21, Reporting of Defects and Noncompliance	OIG-11-A-08
03/30/2011	Audit of NRC's Implementation of HSPD-12 Phase 2	OIG-11-A-09



*Reactor containment area. Photo NRC*

# AUDIT RESOLUTION ACTIVITIES

TABLE I

## OIG Reports Containing Questioned Costs<sup>20</sup>

Reports	Number of Reports	Questioned Costs (Dollars)	Unsupported Costs (Dollars)
A. For which no management decision had been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
<i>Subtotal (A + B)</i>	0	0	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by the end of the reporting period	0	0	0
E. For which no management decision was made within 6 months of issuance	0	0	0

<sup>20</sup> Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

TABLE II

***OIG Reports Issued with Recommendations That Funds Be Put to Better Use<sup>21</sup>***

<b>Reports</b>	<b>Number of Reports</b>	<b>Dollar Value of Funds</b>
A. For which no management decision had been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period	0	0
E. For which no management decision was made within 6 months of issuance	0	0

<sup>21</sup> A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if NRC management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements; or any other savings which are specifically identified.



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### TABLE III

#### ***Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed***

<b>Date</b>	<b>Report Title</b>	<b>Number</b>
05/26/2003	<p>Audit of NRC's Regulatory Oversight of Special Nuclear Materials</p> <p>Recommendation 1: Conduct periodic inspections to verify that material licensees comply with material control and accountability (MC&amp;A) requirements, including, but not limited to, visual inspections of licensees' special nuclear material (SNM) inventories and validation of reported information.</p>	OIG-03-A-15
9/26/2008	<p>Audit of NRC's Enforcement Program</p> <p>Recommendation 2: Define systematic data collection requirements for non-escalated enforcement actions.</p> <p>Recommendation 3: Develop and implement a quality assurance process that ensures that collected enforcement data is accurate and complete.</p>	OIG-08-A-17

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## TABLE IV

### *Summary of Audit Reports Without Management Decision for More Than Six Months*

Date	Report Title	Number
9/28/10	Audit of the Nuclear Regulatory Commission's Vendor Inspection Program	OIG-10-A-20

**Summary:** OIG made nine recommendations to the Executive Director for Operations (EDO) of which two are unresolved.

**Recommendation 1:** Recommended that the Executive Director for Operations develop a Vendor Inspection Program planning document that: (a) Articulates a clear purpose for the Vendor Inspection Program and (b) Establishes metrics to evaluate the success of the Vendor Inspection Program.

**Reason Unresolved:** The NRC staff agreed with the essence of Recommendation 1 and pointed to eight broad program objectives that are mentioned in an inspection manual. However, the purpose of an inspection manual is to guide inspections, not to set goals and metrics for a program. OIG believes that program-level metrics are better when co-located in a program planning document. In this way, Vendor Inspection Program stakeholders can observe the linkage between the program goals and objectives and the desired outcomes as measured by program-level metrics. As a result, this recommendation remains unresolved. OIG expects to receive an updated response from NRC by May 27, 2011.

**Recommendation 9:** Recommended that the Executive Director for Operations develop guidance that clarifies the requirements for vendors on how to approve accredited commercial-grade calibration laboratories for safety-related applications.

**Reason Unresolved:** NRC staff acknowledged that clear regulatory guidance is necessary, but did not take steps to issue guidance clarifications. Instead, the staff plans to issue a Commission paper with suggestions to clarify the applicable regulations through a rulemaking; however, the process established to approve accredited commercial-grade calibration laboratories is entirely created by guidance documents and is an alternative to the practice outlined in regulation. Starting rulemaking with a Commission paper will not clarify the current guidance-based requirements for approving accredited commercial-grade calibration laboratories. As a result, this recommendation remains unresolved. OIG expects to receive an updated response from NRC by May 27, 2011.

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# ABBREVIATIONS AND ACRONYMS

ADAMS	Agencywide Documents Access and Management System
ADM	Office of Administration (NRC)
CFR	Code of Federal Regulations
FAR	Federal Acquisition Regulation
FIPS	Federal Information Processing Standards
FISMA	Federal Information Security Management Act
FSME	Office of Federal and State Materials and Environmental Management Programs (NRC)
FY	Fiscal Year
HSPD-12	Homeland Security Presidential Directive 12
IAM	Issue Area Monitor
ICAM	Identity, Credential, and Access Management
IG	Inspector General
ISFSI	independent spent fuel storage installations
LACS	logical access control systems
LEP	limited English proficiency
MD	Management Directive
NFPA	National Fire Protection Association
NRC	U.S. Nuclear Regulatory Commission
NRCAR	NRC Acquisition Regulation
NSIR	Office of Nuclear Security and Incident Response (NRC)
OGC	Office of the General Counsel (NRC)
OIG	Office of the Inspector General (NRC)
OIS	Office of Information Services (NRC)
OMB	Office of Management and Budget
PACS	physical access control systems
PII	personally identifiable information
PIV	personal identity verification
POA&M	Plan of Action and Milestones
VA	Department of Veterans Affairs

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# REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended (1988), specifies reporting requirements for semiannual reports. This index cross-references those requirements to the applicable pages where they are fulfilled in this report.

<b>Citation</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of Legislation and Regulations	6-9
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	12-21, 28-31
Section 5(a)(2)	Recommendations for Corrective Action	12-21
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed	39
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	33
Section 5(a)(5)	Information or Assistance Refused	None
Section 5(a)(6)	Listing of Audit Reports	34
Section 5(a)(7)	Summary of Significant Reports	12-21, 28-31
Section 5(a)(8)	Audit Reports — Questioned Costs	35
Section 5(a)(9)	Audit Reports — Funds Put to Better Use	36
Section 5(a)(10)	Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made	40
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions With Which the OIG Disagreed	None
Public Law 111-203, the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires IGs to include their peer review results as an appendix to each <i>Semiannual Report to Congress</i> .		
Section 989C	Peer Review Information	43

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# APPENDIX

## Peer Review Information

The OIG Audit and Investigative programs are peer reviewed every 3 years.

### Audits

The NRC OIG Audit program was peer reviewed most recently by the U.S. Small Business Administration Office of Inspector General. The peer review final report, dated August 24, 2009, reflected that NRC OIG received a peer review rating of pass. This is the highest rating possible based on the available options of pass, pass with deficiencies, or fail.

### Investigations

The NRC OIG Investigative program was peer reviewed most recently by the U.S. Department of State Office of Inspector General. The peer review final report, dated July 6, 2010, reflected that the NRC OIG is in compliance with the quality standards established by the President's Council on Integrity and Efficiency/Executive Council on Integrity and Efficiency and the Attorney General guidelines.





## **NRC OIG's STRATEGIC GOALS**

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



## The NRC OIG Hotline

The Hotline Program provides NRC employees, other Government employees, licensee/utility employees, contractors and the public with a confidential means of reporting suspicious activity concerning fraud, waste, abuse, and employee or management misconduct. Mismanagement of agency programs or danger to public health and safety may also be reported. We do not attempt to identify persons contacting the Hotline.

### What should be reported:

- Contract and Procurement Irregularities
- Conflicts of Interest
- Theft and Misuse of Property
- Travel Fraud
- Misconduct
- Abuse of Authority
- Misuse of Government Credit Card
- Time and Attendance Abuse
- Misuse of Information Technology Resources
- Program Mismanagement

## Ways to Contact the OIG



**Call:**  
**OIG Hotline**  
**1-800-233-3497**  
**TDD: 1-800-270-2787**  
7:00 a.m. – 4:00 p.m. (EST)  
After hours, please leave a message



**Submit:**  
On-Line Form  
[www.nrc.gov](http://www.nrc.gov)  
Click on Inspector General  
Click on OIG Hotline



**Write:**  
U.S. Nuclear Regulatory Commission  
Office of the Inspector General  
Hotline Program, MS 05 E13  
11555 Rockville Pike  
Rockville, MD 20852-2738