



# *Office of the Inspector General*

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*U.S. Nuclear Regulatory Commission*



*Oconee Nuclear Station*

## *Semiannual Report*

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*April 1, 1998– September 30, 1998*





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# MEMORANDUM TO THE CHAIRMAN

On behalf of the Office of the Inspector General (OIG) for the U.S. Nuclear Regulatory Commission (NRC), I am pleased to submit this *Semiannual Report* to the U.S. Congress. This report summarizes significant OIG activities during the period from April 1, 1998, through September 30, 1998, in compliance with Sections 4 and 5 of the Inspector General Act of 1978, as amended.

During this reporting period, our office completed six performance and financial audits, as well as two special evaluations of the NRC's programs and operations. This work led the OIG to make several recommendations to the NRC for program improvement. In addition, the OIG completed 49 investigations and 1 Event Inquiry, and made 36 referrals to NRC management. Finally, the OIG analyzed 20 contract audit reports issued by the Defense Contract Audit Agency. Overall, these analyses caused the OIG to question \$88,038 in costs, and enabled our office to identify \$30,769 that could be put to better use.

As detailed later in this report, the audit and investigative activities carried out during this period, together with other initiatives that are still in progress, have specifically addressed 5 of the 10 management challenges facing the NRC, which the OIG has previously identified to Congress.

We look forward to continuing to work creatively to assist you and the entire NRC staff in ensuring the highest levels of program efficiency, effectiveness, and integrity in the NRC's operations.

Sincerely,



Hubert T. Bell  
Inspector General

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# REPORTING REQUIREMENTS INDEX

*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)	<i>Review of Legislation and Regulations</i> .....	23-24
Section 5(a)(1)	<i>Significant Problems, Abuses, and Deficiencies</i> .....	7-11, 15-17
Section 5(a)(2)	<i>Significant Recommendations for Corrective Action</i> .....	7-11
Section 5(a)(3)	<i>Prior Significant Recommendations Not Yet Completed</i> .....	12, 13
Section 5(a)(4)	<i>Matters Referred to Prosecutive Authorities</i> .....	None
Section 5(a)(5)	<i>Information or Assistance Refused</i> .....	None
Section 5(a)(6)	<i>Listing of Audit Reports</i> .....	26-28
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Section 5(a)(8)	<i>Audit Reports—Questioned Costs</i> .....	29
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Section 5(a)(10)	<i>Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made</i> .....	None
Section 5(a)(11)	<i>Significant Revised Management Decisions</i> .....	None
Section 5(a)(12)	<i>Significant Management Decisions With Which the OIG Disagreed</i> .....	None



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# EXECUTIVE SUMMARY

*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

- With the assistance of an outside organization, the Office of the Inspector General (OIG) surveyed all employees of the U.S. Nuclear Regulatory Commission (NRC) about their attitudes regarding the agency's safety culture and climate. More than 56 percent of the NRC's workforce participated in the survey. Details regarding this body of work are provided in the Special Feature beginning on page 21.
- In June 1997, the OIG conducted a Special Evaluation to assess the NRC's progress on the Year 2000 (Y2K) issue. This evaluation identified several actions that the agency could take to improve its Y2K program. In a recent update, the OIG focused on the NRC's efforts to ensure that its licensees address safety-related Y2K issues. In particular, the OIG stressed that the NRC should attempt to assist its licensees. The OIG also provided feedback on efforts underway in the NRC's Office of Nuclear Reactor Regulation (NRR) and Office of Nuclear Material Safety and Safeguards (NMSS). Finally, the OIG discussed with senior managers the nature and extent of our future involvement with NRC offices regarding the Y2K issue.
- The NRR established a Project Manager (PM) position to assist in licensing and monitoring the Nation's commercial nuclear power plants. The OIG reviewed the role of PMs, factors that affect their work, and management processes used to oversee this important agency function. The OIG found a lack of consensus about management's expectations of the PMs' role, inadequate management oversight regarding PM training, and impediments to processing certain types of technical reviews.
- Consistent with the NRC's rebaselining and direction-setting efforts in 1995 and 1996, the Commission tasked the Office of Nuclear Regulatory Research (RES) to develop a set of core research capabilities. The OIG conducted a special evaluation to assess RES progress in developing these capabilities and to determine their uses. The OIG reported that RES preselected core research areas, and did not use Commission-approved criteria. Additionally, without proper weighting, limited value was gained by using the core capabilities criteria and associated metrics. It was also not clear how or if the criteria would be used to identify and close out projects. Finally, the NRC staff did not know how the Commission plans to use the core research capability results in the future. The value of this analysis may be less than expected unless the Commission establishes specific objectives regarding its ultimate use.
- The OIG conducted a followup review of the NRC's policy and procedures for issuing Notices of Enforcement Discretion (NOEDs). The OIG's objective was to evaluate if the agency had implemented recommendations

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from a 1994 audit in this same area and continued to comply with its NOED procedural requirements. The OIG found that NRC generally remains in compliance with its procedures for granting NOEDs, although the OIG identified some shortcomings in the NRC's administration of the NOED program. During this review, NRC management implemented corrective actions to address these shortcomings.

## INVESTIGATIONS

- The OIG conducted an Event Inquiry after a newspaper article reported that the NRC Chairman and two Commissioners had met privately with a consultant for an NRC licensee. Members of the public complained to the OIG that such a meeting violated the Government in the Sunshine Act, as well as the NRC rules regarding ex parte communications. The OIG inquiry disclosed that the Sunshine Act did not apply and the rules regarding ex parte communications were not relevant.

During this inquiry, the OIG learned of a series of other non-public meetings between the Commissioners and management officials for a troubled licensee. The frequency of such meetings, coupled with the virtual absence of similar meetings with members of the public, appeared to run counter to the NRC's promulgated Principles of Good Regulation Regarding Independence and Openness. Those principles require the NRC to transact nuclear regulation publicly and candidly, and to openly seek and consider the public's input during the regulatory process.

- The OIG conducted an investigation in response to an anonymous allegation that an NRC Commissioner misused the NRC's vehicle/driver service. The OIG investigation

revealed that the NRC Commissioner inappropriately used a Government vehicle and driver for personal travel to and from airports in the Washington, DC, metropolitan area on 24 occasions.

- The OIG conducted an investigation regarding an NRC employee who obtained personal software through the Internet and installed it on three Government computers in the NRC Operations Center. The NRC employee ran the software on the Government computers while he was both on- and off-duty. The contractor assigned to provide technical computer support to the Operations Center concluded that the unauthorized personal software contributed to degraded computer performance. The unauthorized software was removed from the computer, and performance subsequently improved.
- The OIG conducted an investigation regarding a male NRC employee who allegedly made unwanted sexual advances toward a subordinate female co-worker while on an official NRC business trip. When the OIG interviewed the male employee, he maintained that the female employee responded to his advances. The OIG found, however, that the female worker complained to two co-workers about the unwanted advances shortly after the incident. Moreover, when the co-workers confronted the male employee about the incident, he admitted to them that what he did was wrong.
- The OIG conducted an investigation involving an NRC employee who failed to make timely payments for charges made on his Government American Express (AmEx) credit card in connection with expenses in the amount of \$22,375.15 during a change-of-station move. The OIG found that, despite receiving cash advances from the NRC in excess of \$25,000.00, the employee did not make timely payments to AmEx.



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# THE U.S. NUCLEAR REGULATORY COMMISSION

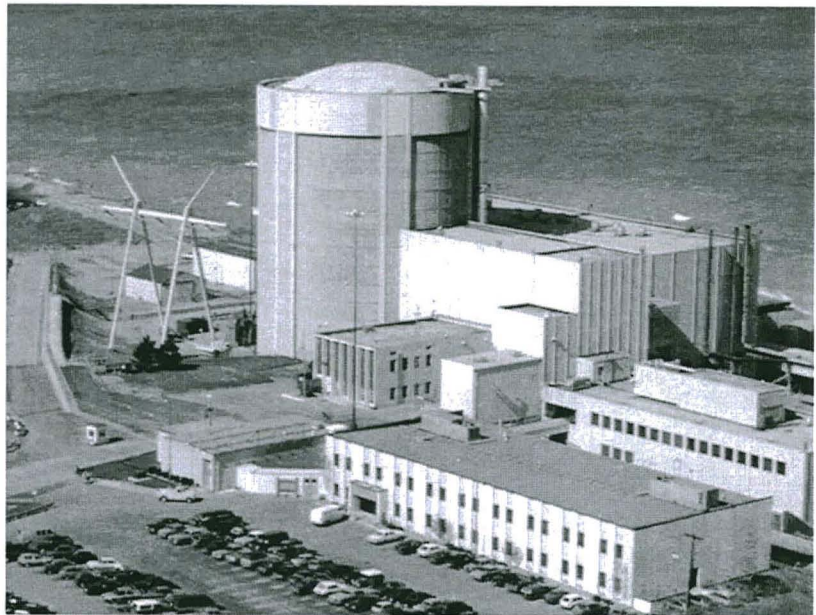
In 1974, the U.S. Congress established the U.S. Nuclear Regulatory Commission (NRC) as an independent Federal agency responsible for regulating the Nation's civilian uses of byproduct, source, and special nuclear materials. In fulfilling this responsibility, the NRC's primary mission is to ensure that civilian uses of nuclear materials in the United States are carried out in a manner that adequately protects the health and safety of the public, as well as the environment, while promoting the Nation's common defense and security. This mission is defined by the Energy Reorganization Act of 1974, as amended, along with the Atomic Energy Act of 1954, as amended, which provide the framework for regulating the Nation's civilian uses of nuclear materials.

In particular, the NRC carries out its mission through activities surrounding the following responsibilities:

- License and regulate the construction and operation of nuclear power plants; research, test, and training reactors; and fuel cycle facilities.
- License the siting, design, construction, operation, and closure of low-level radioactive waste disposal sites under NRC jurisdiction, as well as the construction, operation, and closure of geologic repositories for high-level radioactive waste.
- License the operators of nuclear power and nonpower test and research reactors.

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*Palisades Nuclear  
Generating Plant*



- Inspect licensed facilities and activities.
- License the possession, use, processing, handling, storage, transport, and exportation of nuclear materials for medical, academic, and industrial purposes.
- Protect nuclear materials from theft or sabotage, and combat the proliferation of nuclear weapons materials worldwide.
- Conduct research to gain independent expertise and information for use in making timely regulatory judgments and anticipating problems of potential safety significance.
- Develop and implement rules and regulations that govern licensed nuclear activities.
- Collect, analyze, and disseminate information about the operational safety of commercial nuclear power reactors and certain nonreactor activities.

The NRC and its licensees share a common responsibility to protect public health and safety. For its part, the NRC accomplishes its statutorily

mandated mission by issuing rules and standards, inspecting facilities and operations, and imposing any required enforcement actions. Federal regulations and the NRC's regulatory programs are important elements in protecting the public. However, NRC licensees have the primary responsibility for the safe use of nuclear materials.

For Fiscal Year 1998 (FY 98), the NRC's total budget authority is approximately \$473 million, which includes an appropriation of \$4.8 million for the Office of the Inspector General (OIG). The NRC is relatively unique among Federal agencies because it is required by the Omnibus Budget Reconciliation Act of 1990 to assess fees in order to recover 100 percent of its budget authority, less the amounts appropriated from the Nuclear Waste Fund for high-level waste activities, and from the General Fund for regulatory reviews and other assistance provided by the U.S. Department of Energy (DOE). Therefore, the NRC must employ sound financial practices to fully comply with its legislative mandates. The OIG's financial audits help the NRC to meet these objectives.



# THE OFFICE OF THE INSPECTOR GENERAL

In passing the Inspector General Act of 1978, the U.S. Congress sought to ensure integrity and efficiency within the Federal Government and its programs. To achieve that objective, each Inspector General (IG) has a dual reporting responsibility to the Congress and the head of the respective agency. Each IG submits semiannual reports to the agency head and Congress regarding their findings, conclusions, and recommendations for corrective actions. The IGs may also issue immediate reports on particularly serious or flagrant problems they discover. Indeed, IGs are required to keep the agency head and Congress fully and currently informed about problems and deficiencies related to the administration of programs in their agencies through these reports and other mechanisms, including in-person meetings and testimony at hearings.

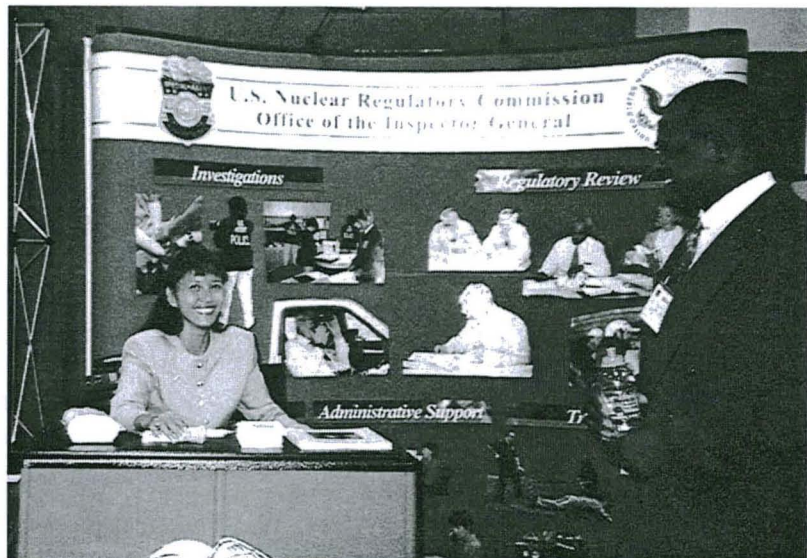
The existence of the IGs also relieves agency program managers and executives from being solely responsible for gathering objective data and evidence in circumstances

where wrongdoing is suspected and where intense scrutiny and controversy exist. In this capacity, IGs consolidate responsibility for performing audits and investigations within the agency.

Established as permanent, independent, nonpartisan, and objective overseers, the IGs are tasked with combating waste, fraud, and abuse. In order to accomplish this broad mandate, IGs have been granted a substantial amount of independence and authority. Within this broad purview, the IGs are authorized to conduct audits and investigations of agency programs; have direct access to agency records and materials; issue subpoenas for all necessary information, data, reports, and other documentary evidence; hire their own staffs; and request assistance from other Federal, State, and local government agencies. Consequently, IGs may

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*Victoria G. Francis, an OIG Investigative Analyst, greets visitors at the OIG Information booth at the Annual Conference of the National Organization of Black Law Enforcement Executives (NOBLE).*





perform services at the request of the agency head and may serve as technical advisors in such areas as financial management systems and internal controls. In such instances, the IGs and management pursue the same ultimate objective—efficient and effective program operation and delivery of services. Thus, the IGs should be viewed as a key element in any effective management program.

To accomplish their mission, IGs may work in cooperation with State or local authorities, private entities, or other organizations. Agency program managers provide ideas for the IG's workplans. Anyone may request that an IG conduct a specific audit, investigation, or study with assurance that the identity of the requester will not be revealed. As the need arises, the IGs also work together through the President's Council on Integrity and Efficiency to examine issues of major significance.

In the case of the NRC, Congress established an independent Office of the Inspector General (OIG) through the 1988 amendment to the Inspector General Act. Today, the OIG's primary mission is to assist the NRC by identifying ways to improve the agency's programs and operations by preventing and detecting fraud, waste, and abuse. The OIG accomplishes this mission by performing audits, special evaluations, investigations, and event inquiries.

The OIG's audit staff conducts performance and financial audits, as well as special evaluations. In performance audits, the OIG focuses on the NRC's administrative and programmatic operations. Through financial audits, the OIG examines the NRC's internal control systems, transaction processing, and financial systems. In special evaluations, the OIG considers the implications of NRC programs that affect national issues.

The OIG's investigative staff conducts investigations and event inquiries. The staff investigates violations of law or misconduct by NRC employees and contractors, as well as allegations of fraud, waste, or abuse affecting NRC programs and operations. An event inquiry is an investigative report documenting the examination of events or agency actions that do not focus specifically on *individual* misconduct. Instead, these reports identify *institutional* weaknesses that led to or allowed the occurrence of a problem.

The OIG's Counsel reviews existing and proposed legislation, regulations, and policies. The resulting commentary documents an objective analysis of regulatory vulnerabilities created within NRC programs and operations. The intent of these reviews is to assist the agency in prospectively identifying and preventing potential problems.

The OIG shares in the NRC's responsibility to assure the public that its health and safety are adequately protected in the commercial use of nuclear materials and in the operation of nuclear facilities. The OIG assists the agency by assessing and reporting on the NRC's efforts to ensure that its safety-related programs are operating effectively.

In response to a Congressional request in January 1998, the OIG identified the following 10 management challenges facing the NRC:

- (1) - Defining and Implementing a Risk-Informed, Performance-Based Approach to Regulatory Oversight Versus Traditional Compliance Based Approach
- (2) - Review and Licensing of the DOE's Anticipated License Application to Operate a High-Level Waste Facility

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(3) - Information Management Systems Development

(4) - The Impact of Industry De-Regulation and Licensees Related Trend to Decommission Rather Than Renew Licenses

(5) - The Resident Inspector Program

(6) - NRC's Pilot Test Relative to Possible Oversight of DOE Facilities

(7) - The Ability to Anticipate and Respond to Issues in the Nuclear Materials Area, Particularly the Medical Area

(8) - The Ability to Assess Performance, Both Internal and External, of Agency Programs

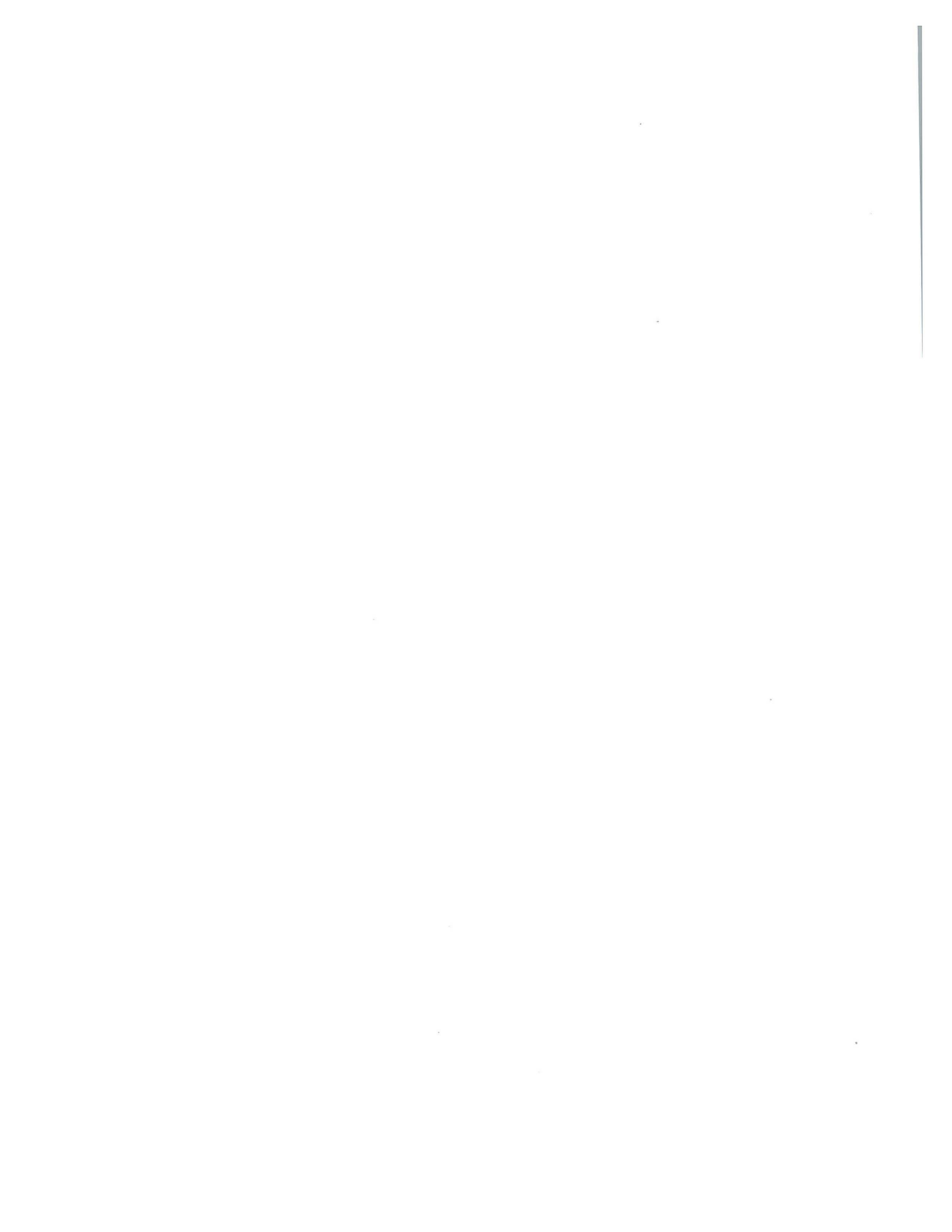
(9) - Administration and Oversight of Agency Procurement Under New Government Contracting Rules

(10) - The Ability to Effectively Communicate with the Public and Industry

OIG's audit and investigative activities conducted during this period, together with other initiatives that are still in progress, have specifically addressed challenges 3, 4, 8, 9, and 10.

Of additional importance is the NRC's responsibility to ensure that individuals do not suffer adverse job actions as a result of identifying and reporting safety concerns regarding the use of nuclear materials. The OIG continually evaluates the NRC's efforts to combat this type of unlawful discrimination.





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# THE AUDIT PROGRAM

*To help the agency improve its effectiveness, during this period, the OIG completed six performance and financial audits, as well as two special evaluations, which resulted in five recommendations and suggestions to NRC management. In addition, the OIG analyzed 20 contract audit reports issued by the Defense Contract Audit Agency (DCAA). Overall, these analyses caused the OIG to question \$88,038 in costs, and enabled the office to identify \$30,769 that could be put to better use.*

## AUDIT SUMMARIES

### *NRC Safety Culture and Climate Survey*

In October 1997, the OIG began the process of surveying all NRC employees to gain a thorough understanding of the agency's organizational safety culture and climate as perceived by its employees. An outside organization assisted the OIG in this effort. The survey was distributed to employees in late February 1998, and completed forms were returned in March. More than 56 percent of the NRC's workforce participated in the survey. (Details regarding this body of work are provided in the Special Feature beginning on page 21.) The OIG is currently reviewing the information learned from the survey and developing plans for future work that will benefit the agency.

### *NRC's Efforts with Licensees on the Year 2000 Issue*

In June 1997, the OIG issued a Special Evaluation report regarding the NRC's progress on the Year 2000 (Y2K) issue. In that report, the OIG identified several actions that the agency could take to improve its Y2K program. In response, the NRC initiated actions related to each of the OIG's suggestions, made other changes, and substantially improved its program. However, the issue continues to garner



significant attention from Congress, the Office of Management and Budget (OMB), the U.S. General Accounting Office (GAO), the Executive

Office of the President, and others. As a result, the OIG initiated a followup survey concerning the NRC's progress on the issue to help ensure that the agency will continue to meet its established goals. Through this survey, the OIG focused on the NRC's efforts to ensure that its licensees address safety-related Y2K issues.

The time left to complete Y2K programs is rapidly diminishing. As a result, the OIG worked closely with agency officials to ensure that licensees' efforts are adequate to protect public health and safety. In particular, the OIG focused on providing information and suggestions to agency officials as quickly as possible through meetings, rather than completing the work before reporting to management through a formal document. Specifically, the OIG's work included (1) interviewing a wide variety of sources, (2) reviewing and commenting on NRC and other documents related to Y2K programs, and (3) sharing information to facilitate quick implementation of improvements and to promote awareness through the OIG's office.

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Working closely with NRC managers, the OIG shared information and the managers acted quickly to implement improvements. Consistent with a Presidential Executive Order directing Executive Branch agencies to cooperate with the private sector operators of critical national and local systems in addressing the Y2K problem, the OIG stressed that the NRC should attempt to assist its licensees. The OIG also provided feedback on efforts currently underway in the NRC's Office of Nuclear Reactor Regulation (NRR) and Office of Nuclear Material Safety and Safeguards (NMSS). It is expected that IGs will closely monitor their agencies' progress in addressing Y2K responsibilities. As a result, the OIG discussed with senior NRC managers the nature and extent of OIG's future involvement with their offices. The OIG will continue to monitor the NRC's progress and/or participate in the agency's efforts to some degree. (*Addresses Management Challenge #3*)

### ***Review of the Project Manager Position in the Office of Nuclear Reactor Regulation***

The NRR established a Headquarters-based Project Manager (PM) position to assist in licensing and monitoring the Nation's commercial nuclear power plants. Over time, the PM's role has expanded significantly into a multi-purpose position, which has made PMs responsible for a wide range of duties. As a result, the OIG reviewed the role of PMs, factors that affect their work, and management processes used to oversee this important agency function.

The OIG found a lack of consensus between Headquarters and Regional Office staff, as well as among individual NRR offices, regarding management's expectations of the PM's role. The OIG also found that the NRC has not provided adequate management oversight to ensure that PMs are sufficiently trained to perform their jobs. In addition, in examining the timeliness of processing certain types

of technical reviews, we found that the primary impediment that PMs face in improving the process is the recurring need for additional information from licensees and Regional Office staff.

The NRC recently took steps to assess factors affecting the PM function, but the scope and outcomes of these efforts are unclear at this time. While the OIG supported the NRC's efforts in this regard, we recommended that any initiatives be targeted to ensure that the agency (1) re-evaluates and clearly defines the expectations of the PMs' job and communicates the expectations to Headquarters and Regional Office staff, and (2) ensures that PMs receive the necessary training to meet these expectations. The OIG plans to monitor the NRC's progress in correcting the weaknesses identified in this important agency function.

### ***Review of the NRC's Development of Core Research Capabilities***

Consistent with the NRC's rebaselining and direction-setting efforts in 1995 and 1996, the Commission tasked the Office of Nuclear Regulatory Research (RES) with developing a set of core research capabilities. It was the Commission's belief that the NRC's research program should focus on areas with the highest safety and regulatory significance, while maintaining the necessary technical capability. The NRC's research efforts were envisioned to reflect a reduced program augmented by other resources that would be available as needed.

During this reporting period, the OIG conducted a Special Evaluation to assess NRC's progress in identifying core research capabilities, and to determine what uses are being made of this effort.

The evaluation revealed that RES preselected its core research areas, and did not



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use Commission-approved criteria as intended. As a result, RES did not use objective evaluations to select core areas, and the selection was so broad that it included all research areas. Left unchecked, this process could continue in subsequent core reviews. The OIG also found limited value in the core capabilities criteria and associated metrics unless they are properly weighted. In a related matter, it was unclear how or if RES would use the criteria to determine when “sun setting” conditions are reached and projects closed out. Finally, the NRC staff did not know how the Commission plans to use the core research capability results. The value of further core research capability analysis, as well as a broader core capability study for other offices, may be less than expected unless the Commission establishes specific objectives regarding its ultimate use. Because this work was performed as a special evaluation, the OIG did not make any recommendations. (*Addresses Management Challenge #8*)

#### ***Followup Review of the NRC’s Process for Issuing and Tracking Notices of Enforcement Discretion (NOED)***

The OIG conducted a followup review of the NRC’s policy and procedures for issuing Notices of Enforcement Discretion (NOEDs). The OIG’s objective was to evaluate if the agency had implemented recommendations from a 1994 audit in this same area and continued to comply with its NOED procedural requirements.

NOEDs result from the exercise of discretion with regard to limiting conditions for operation in power reactor Technical Specifications or other license conditions for an operating facility. This enforcement discretion may only be exercised if the NRC staff is clearly satisfied that the action is consistent with protecting the public health and safety. The action is requested by the licensee and must be temporary and nonrecurring, and it must involve minimal or no safety

impact. In addition, the NRC is expected to take enforcement action for any root cause violation that led to the request for the NOED.

The OIG found that the NRC generally remains in compliance with its procedures for granting NOEDs; however, the OIG also identified some shortcomings in the NRC’s administration of the NOED program. During this review, NRC management implemented corrective actions to address these shortcomings. As a result, the OIG made no recommendations. (*Addresses Management Challenge #8*)

#### ***Procurement Streamlining Measures Implemented: Improvements Can Be Made***

In 1993, as a result of Vice President Gore’s National Performance Review (NPR), the NRC was designated as a “procurement reinvention laboratory.” The NRC used this NPR laboratory status to streamline its procurement process in an effort to reduce procurement lead times and remove some of the burdensome aspects of the contracting process.

During this reporting period, the OIG conducted a review to assess the efficiency and effectiveness of the NRC’s procurement streamlining process. This review showed that streamlining appears to have had a positive effect on the NRC’s procurement process. For almost all NRC procurements in FY 97, the staff used one or more streamlining measures. In addition, the NRC Contract Tracking System showed that procurement lead times were reduced when the NRC applied streamlining measures. The OIG also found that the agency could take additional steps to improve the streamlining data it tracks. The NRC primarily accounts for the time saved in using streamlining measures by applying estimated savings criteria that were established in 1994. However, the OIG found that the NRC

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has not reassessed these savings since that time, and the agency should periodically reassess its estimated savings to ensure that the reported benefits are accurate and that tracking them remains worthwhile. (*Addresses Management Challenge #9*)

### ***Review of NRC's Contracting Activities***

In 1995, at the request of the NRC's Executive Director for Operations (EDO), the OIG initiated a review of the number and significance of cost overruns on commercial contracts at the NRC. At that time, the NRC did not have the reliable summary data needed to identify cost overruns and other contract price increases. The Division of Contracts and Property Management (DCPM) advised the OIG that they were developing a new, automated system from which such summary data could be obtained. The OIG ended that review with the intent of revisiting the area after the agency implemented its new Contracts and Payments System (CAPS).

In late 1997, the OIG initiated a followup review to determine the nature, extent, and controls of NRC contract price increases, on the basis of information contained in CAPS. However, CAPS contained inaccurate and unreliable data concerning the nature and extent of contract price increases. This prevented the OIG from examining controls over those price increases to the extent believed necessary. At that time, the DCPM informed the OIG that a new contract information system was being developed and that the NRC would merge CAPS into this new system. The OIG also found that the NRC needed to assess whether the information in CAPS is unnecessarily duplicative of that in another NRC system. Senior managers outside of the DCPM also told the OIG that they were interested in receiving contract information which CAPS, or its successor system, may be capable of providing. The OIG shared these

findings with NRC senior management and provided several suggestions for consideration as the DCPM continues with the design and implementation of its new, consolidated information system. (*Addresses Management Challenge #9*)

### ***Survey of the NRC's Assistance Programs Under the Foreign Assistance Act for the New Independent States of the Former Soviet Union***

The OIG completed a survey of the U.S. Agency for International Development (AID) funded assistance activities for four countries in the former Soviet Union (FSU), including Russia, the Ukraine, Armenia, and Kazakhstan. In conducting this survey, the OIG's objectives were to identify the various assistance activities and associated expenditures for potential review and to evaluate the related management controls.

The Foreign Assistance Act (FAA) of 1961, as amended, provides the funding authority to conduct nuclear regulatory assistance in the FSU. The objective of this assistance is to increase the capacity and stature of each country's regulatory body to ensure operational safety of the Soviet-designed reactors located in each country. Through the end of FY 1997, the NRC had received \$25,650,000 in funding from the AID for assistance programs in the FSU. Formal nuclear safety assistance programs for Russia and the Ukraine were established in 1992, and the NRC has funded these programs with \$24,220,000 of the AID funds. Additionally, since FY 95, the NRC has provided \$1,430,000 in AID funding for the Armenian and Kazakhstan programs.

On the basis of the survey, the OIG was satisfied that the NRC has adequate management controls over the use of the AID funds. However, the OIG identified two issues that affected program efficiencies. One dealt with the integration or consolidation of AID assistance



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efforts, while the second addressed the AID funding method. Because the agency was attempting to resolve these issues, the OIG shared our observations with senior management and performed no further work.

## **AUDITS IN PROGRESS**

### ***Review of NRC's Controls Over Work Performed Under CISSCO***

In 1996, the U.S. Congress enacted the Clinger-Cohen Act (formerly called the Information Technology Management Reform Act) to reform the guidance regarding Government acquisition of information systems. The NRC's primary vehicle for acquiring information systems is called the Comprehensive Information Support Systems Contract (CISSCO).

During this reporting period, the OIG conducted a survey of the CISSCO project with regard to Clinger-Cohen requirements. The survey produced questions about the adequacy of related management controls. In light of those questions, the OIG initiated a full review to determine whether (1) the NRC has adequate controls over the use of CISSCO resources and (2) quality assurance measures are effective. (*Addresses Management Challenge #3*)

### ***Review of NRC Controls to Prevent the Unauthorized Release of Sensitive Information***

Some NRC offices have released sensitive information without the authority to do so. Therefore, the NRC Chairman requested that the OIG conduct an agency-wide audit to determine if the NRC has adequate controls in place to prevent the unauthorized release of sensitive information, and whether those controls are consistently implemented throughout the agency. (*Addresses Management Challenges #3 and #9*)

### ***Survey of the NRC's Continued Progress on the Year 2000 Issue Relating to Internal Programs***

As previously discussed, in June 1997, the OIG issued a Special Evaluation report regarding the NRC's progress on the Y2K issue. In that report, the OIG identified several actions that the agency could take to improve its Y2K program. In response, the NRC initiated actions related to each of the OIG's suggestions, and substantially improved its program. The OIG subsequently initiated and reported on a followup survey, which focused on the NRC's efforts to ensure that its licensees address safety-related Y2K issues. The OIG's current survey is focusing on the agency's internal programs to ensure the adequacy and accuracy of the NRC's progress reporting and contingency planning for mission-critical and other systems. (*Addresses Management Challenge #3*)

### ***Review of the NRC's Management Control Program***

To assist the NRC, the OIG conducts an annual review of the agency's management control program. In 1995, the NRC redesigned and streamlined its program in accordance with OMB Circular A-123, *Management Controls*. The objective of the current OIG review is to determine if the program is achieving its goals as established by the NRC's implementing guidance. (*Addresses Management Challenge #8*)

### ***Review of the NRC's Performance Goals***

Pursuant to audit requirements under the Chief Financial Officers Act of 1990, the OIG is currently reviewing selected performance goals established in the agency's strategic and performance plans. The primary objective of this

*(continued on next page)*



review is to assess the reliability of the systems and processes that produce performance information. (*Addresses Management Challenge #8*)

### ***Review of the NRC's Representation Fund***

In the past, Congress appropriated \$20,000 for official representation expenses. The NRC uses this representation fund primarily for international cooperation activities and NRC-sponsored protocol functions. NRC guidance specifies that monies may be expended if (1) the representation is sponsored in the name of the NRC and can be defended as official Commission business, and (2) the underlying purpose is to attain NRC objectives. The OIG is currently conducting an audit to review and assess the adequacy of the NRC's internal controls over the expenditure of the representation fund.

### ***Review of the NRC's Controls Over the PC Refresh Program***

Under this program, the NRC's Office of the Chief Information Officer acquires, configures, installs, and maintains new personal computers (PCs). The PC Refresh program calls for upgrading approximately 93 percent of the NRC's PCs with Pentium-class systems. In auditing this program, the OIG's objectives are to identify the management controls associated with the PC Refresh program and to determine if those controls are effective. (*Addresses Management Challenge #3*)

### ***Audit of the NRC's FY 98 Financial Statements***

The Chief Financial Officers Act of 1990 requires the NRC to issue audited financial statements annually. In auditing this program, the OIG's objective is to render an opinion on (1) whether the FY 98 financial statements fairly present the agency's financial position,

(2) management's assertion about the effectiveness of internal controls, and (3) the NRC's compliance with applicable laws and regulations.

### ***Review of the NRC's License Renewal Process***

The NRR has primary responsibility for implementing the license renewal program for commercial nuclear reactors. The OIG initiated a review of this program in response to industry, public, and Congressional interest. The objectives of this review are to determine (1) the amount of time required for the NRC to process and decide on a renewal request, and (2) whether licensees believe the agency provided clear and reasonable guidance on what should be submitted to support a license renewal application. (*Addresses Management Challenge #4*)

## **SIGNIFICANT RECOMMENDATIONS NOT YET COMPLETED**

The Nuclear Waste Policy Act of 1982 requires that the NRC approve or disapprove the construction of a high-level waste repository within 3 to 4 years of receiving a DOE construction license application. To meet this deadline, the NRC enacted a rule requiring the development of an electronic information management system (known as the Licensing Support System) to reduce the time needed for discovery during the license hearing process. The rule requires that the DOE design and develop the system, and that the NRC operate and maintain it.

In March 1995, the OIG issued a report entitled, "NRC Needs to Provide Strong Direction for the Licensing Support System (LSS)," which stated that the program had stalled over the past 5 years. The report attributed many delays to an inadequate system definition and disagreement between the DOE and the NRC regarding the roles and responsibilities of each



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agency. As a result, the OIG recommended that the NRC obtain a formal commitment from the DOE in an interagency agreement or Memorandum of Understanding (MOU) on key aspects of the LSS. In response, the Executive Director for Operations (EDO) appointed a Senior Management Team (SMT) to reevaluate the purpose and need for the LSS and to address the issues raised by the OIG audit.

In status reports issued in 1996, the EDO advised the Commission that the SMT would develop an action plan addressing the issues affecting the LSS program. However, because of Congressional budget action related to the DOE's high-level nuclear waste program, there was no resumption of any LSS activities and the DOE's LSS-related activities remained stalled, including the finalization of an MOU with the NRC.

The EDO also provided an SMT action plan to address outstanding LSS issues. The plan was subsequently revised to reevaluate the need for an LSS as originally envisioned. This reevaluation has been ongoing since November 1996. The SMT has recommended to the Commission an option which it believes "provides the best solution for maintaining the basic functionality of the LSS conceptual design, while most flexibly accommodating current and future technological developments."

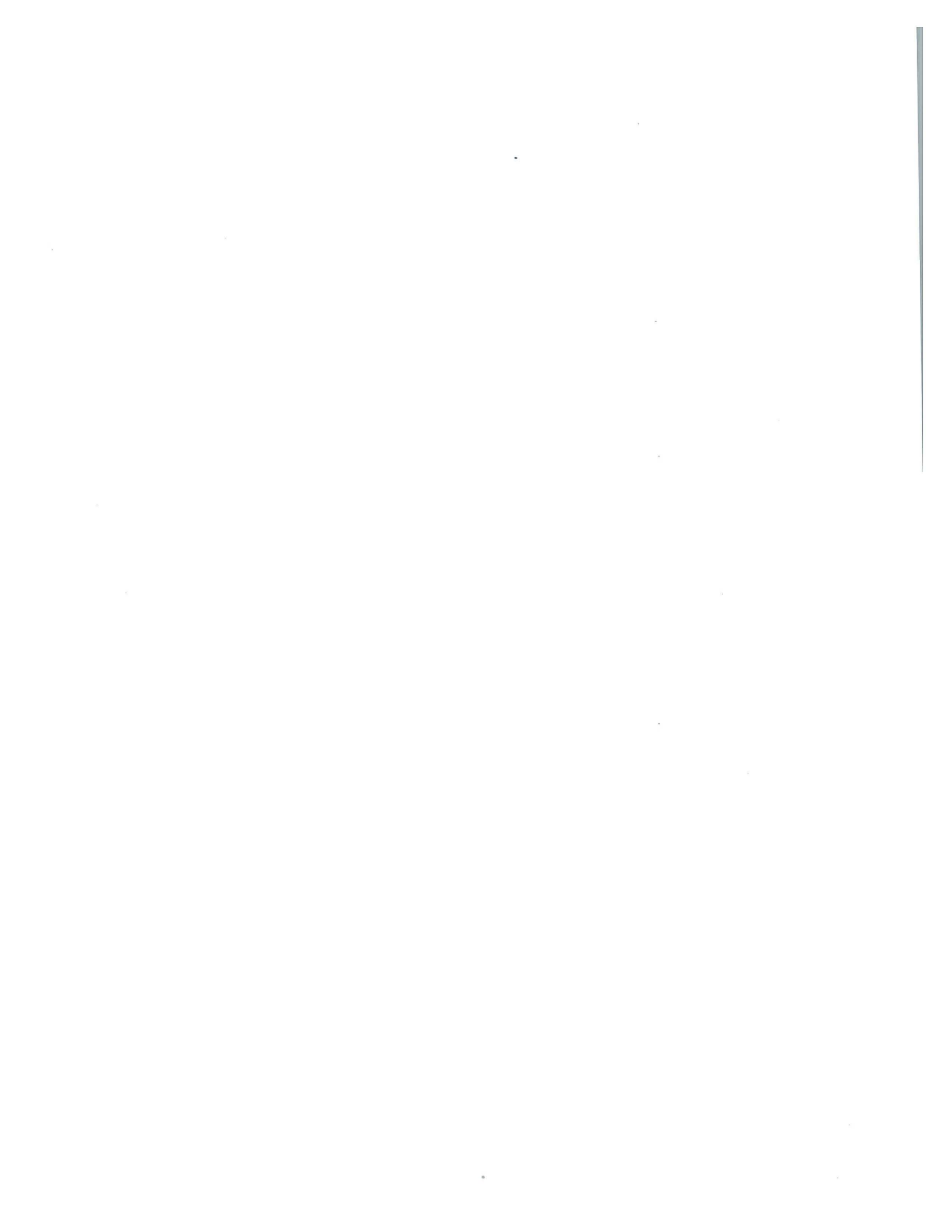
To bring about the SMT's recommended changes to the LSS, a revised rule is required. Consequently, in July 1997, the SMT provided a proposed revised rule for approval by the

Commission. The proposed revised rule eliminated the current prescriptive requirements for a centralized LSS administered by the NRC. As such, it also eliminated the requirement for an LSS Administrator. The proposed rule also required that all potential parties, including the NRC and the DOE, must make their documentary material available in electronic form to all other participants beginning in the pre-application phase.

In September 1997, the Commission approved the revised rule with comments. The NRC incorporated those comments and published the proposed rule in the *Federal Register* in November 1997. The comment period on the proposed rule was to end in January 1998, but the NRC extended the deadline until March 30, 1998. During that period, the Commission received six letters commenting on the proposed rule, one from the DOE and five from other entities represented on an LSS Advisory Review Panel.

In response to the comment letters, the NRC revised the proposed rule before circulating it within the agency for final review in August 1998. On September 16, 1998, the Office of the General Counsel requested that all NRC staff involved in the final review process provide their comments by September 18, 1998. As of the preparation of this semiannual report, the Commission had not yet voted on the final rule. As a result, the OIG will continue to monitor these events.





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# THE INVESTIGATIVE PROGRAM

*During this reporting period, the OIG received 140 allegations, initiated 33 investigations and 1 Event Inquiry, and closed 49 cases and 1 Event Inquiry. In addition, the OIG made 36 referrals to NRC management.*

## INVESTIGATIVE CASE SUMMARIES

### ***Allegation of Sunshine Act and Ex Parte Communication Violations by NRC Commissioners***

The OIG conducted an Event Inquiry after a newspaper article reported that the NRC Chairman and two Commissioners had met privately with a consultant for an NRC licensee. Members of the public complained to the OIG that such a meeting violated the Government in the Sunshine Act (Title 5, U.S. Code, Section 552b) as well as the NRC rules regarding ex parte communications (Title 10, Part 9.100, of the *Code of Federal Regulations*). The OIG inquiry disclosed that the consultant met with the Commissioners individually, rather than as a group comprising a quorum; therefore, the requirements of the Sunshine Act did not apply. Further, since there was no NRC adjudicatory proceeding in existence at the time of the meetings, the rules regarding ex parte communications were not relevant.

However, during this inquiry, the OIG learned of a series of other non-public meetings

between the Commissioners and management officials for a troubled licensee. The frequency of such meetings, coupled with the virtual absence of similar meetings with members of the public, appeared to run counter to the NRC's promulgated Principles of Good Regulation regarding Independence and Openness. Those principles require the NRC to transact nuclear regulation publicly and candidly, and to openly seek and consider the public's input during the regulatory process. (*Addresses Management Challenge #10*)

### ***Misuse of Government Vehicles/Drivers by an NRC Commissioner***

The OIG conducted an investigation in response to an anonymous allegation that an NRC Commissioner used a Government vehicle and driver for transport to airports in the Washington, DC, metropolitan area for personal trips. The allegor indicated that such infractions had occurred since the beginning of the Commissioner's appointment.

The OIG investigation revealed that the NRC Commissioner improperly used a Government vehicle and driver for personal travel to and from airports in the Washington, DC, metropolitan area on 24 occasions. In an interview with OIG, the Commissioner claimed that NRC officials had advised that such use of

*(continued on next page)*



the vehicle was permitted. However, the investigators were unable to verify this point. As a result of the OIG investigation, the Commissioner reimbursed the agency in the amount of \$2,100.62, which was the cost to the Government for the services in question.

### ***Misuse of Government Computers in the NRC Operations Center***

The NRC maintains an Operations Center, which is continuously staffed by a Headquarters Operations Officer trained to receive, evaluate, and respond to all types of events. The Operations Center serves as the focal point for NRC communications with licensees, State agencies, and other Federal agencies regarding events that occur in the commercial nuclear sector. Depending upon the nature and severity of the reported event, the response by the Operations Officer may range from making computer and log entries, followed by appropriate notifications, to establishing emergency conference calls among the licensees and senior NRC Regional and Headquarters staff.

The OIG conducted an investigation regarding an NRC employee who obtained personal software through the Internet and installed it on three Government computers in the NRC Operations Center. The NRC employee then ran the software on the Government computers while he was both on- and off-duty. The software was designed to decipher encrypted computer codes, and the employee used the software in an attempt to decipher a code in order to win a contest advertised on the Internet.

Operations Center employees reported that they experienced recurring performance problems on the Operations Center computers that the employee used. However, the OIG did not determine whether the unauthorized software

was responsible for causing or aggravating the reported computer problems. Nevertheless, in the opinion of the contractor assigned to provide technical computer support to the Operations Center, the unauthorized personal software contributed to the degraded computer performance. The unauthorized software was removed from the computer, and performance subsequently improved.

### ***Unwanted Sexual Advance by NRC Employee***

The OIG conducted an investigation in response to allegations that a male NRC employee made unwanted sexual advances toward a subordinate female co-worker while on an official NRC business trip.

When the OIG interviewed the male employee, he maintained that the female employee responded to his advances. The OIG found, however, that the female worker complained to two co-workers about the unwanted advances shortly after the incident. Moreover, when the co-workers confronted the male employee about the incident, he admitted to them that what he did was wrong.

### ***Alleged Failure to Pay Just Debt Associated With Government American Express Card***

The OIG conducted an investigation involving an NRC employee who failed to make timely payments for charges on his Government American Express (AmEx) credit card in connection with expenses incurred during a change-of-station move. Specifically, the employee charged \$22,375.15 to his Government AmEx credit card between March and September 1997. Despite receiving cash advances from the NRC in excess of \$25,000.00, the employee failed to make timely payments to AmEx.

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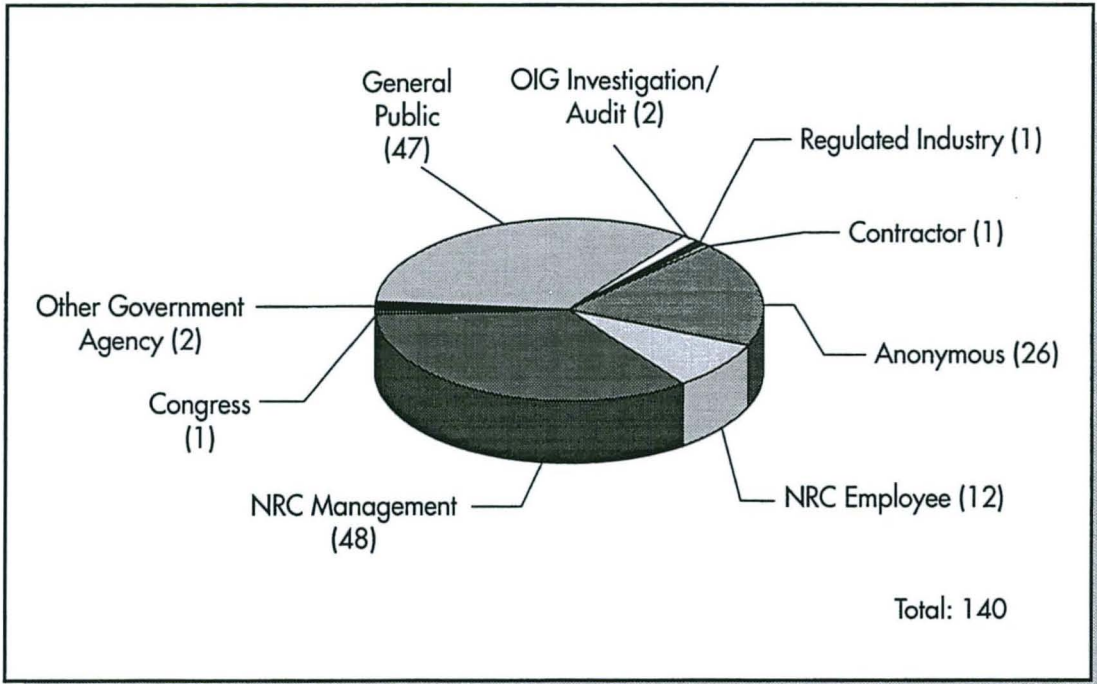
AmEx suspended the employee's Government credit card account for insufficient payment in June 1997 and later in September 1997. The OIG determined that in September 1997, the employee misled AmEx by implying that he had not received funds from the NRC to cover

the charges. In addition, the OIG found that, instead of making payments to AMEX, the employee used the NRC cash advances to cover expenses associated with the purchase of a new home.

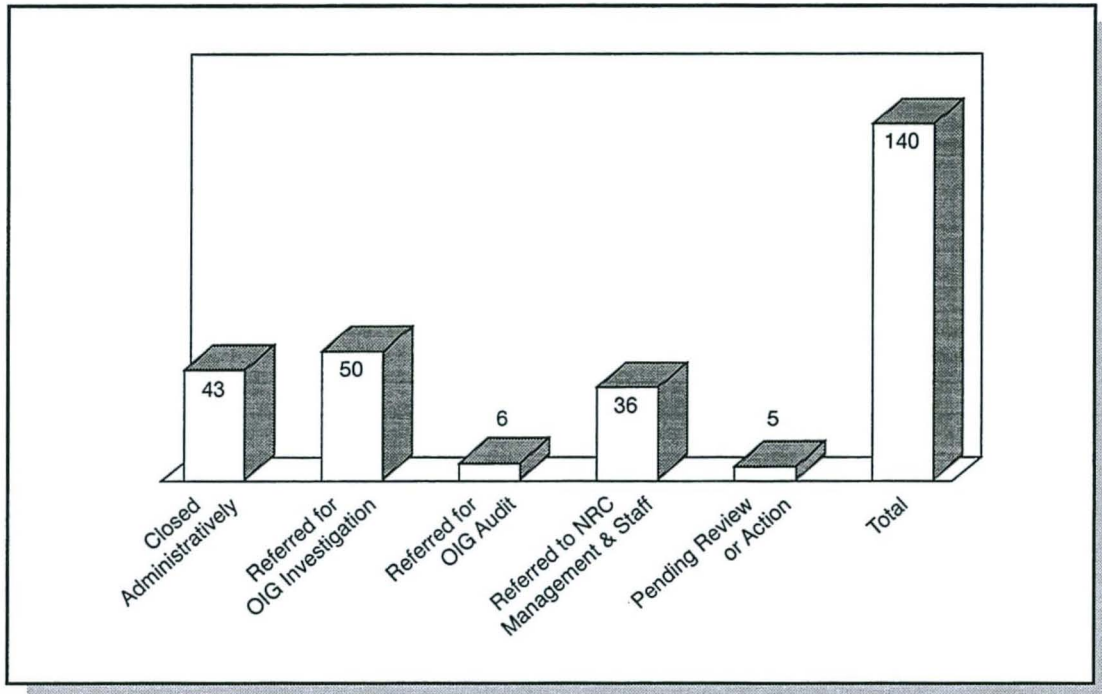


## INVESTIGATIVE STATISTICS

### Source of Allegations – April 1, 1998 through September 30, 1998



### Disposition of Allegations – April 1, 1998 through September 30, 1998



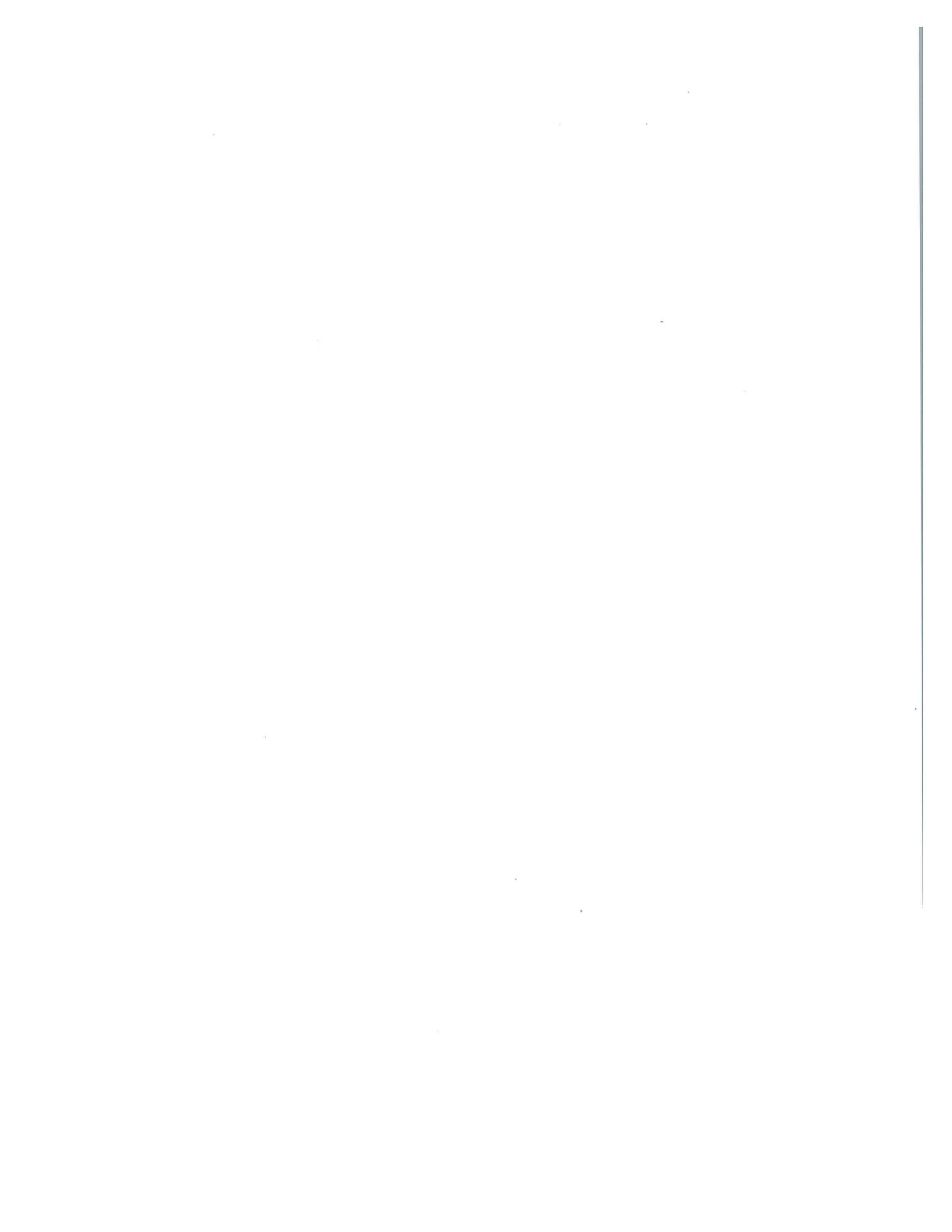
## Status of Investigations

DOJ Referrals	7
DOJ Declinations	7
Pending DOJ Action	0
Indictments and Arrests	0
Convictions	0
PFCRA Referrals	0
PFCRA Recoveries	0
Other Recoveries	\$2,844
NRC Administrative Actions:	
Terminations and Resignations	0
Suspensions and Demotions	2
Other Administrative Actions	6
Counseling	1

## Summary of Investigations

<i>Classification of Investigations</i>	<i>Carryover</i>	<i>Opened Cases</i>	<i>Closed Cases</i>	<i>Cases In Progress</i>
A - Conflict of Interest	6	2	5	3
B - Internal Fraud	2	1	1	2
C - External Fraud	18	5	8	15
D - False Statements	3	2	3	2
E - Theft	2	1	3	0
F - Misuse of Government Property	3	2	3	2
G - Employee Misconduct	14	6	12	8
H - Management Misconduct	8	10	4	14
I - Technical Allegations - Other	11	3	9	5
J - Whistleblower Reprisal	3	0	1	2
<b>Total Investigations</b>	<b>70</b>	<b>32</b>	<b>49</b>	<b>53</b>
<b>Total Event Inquiries</b>	<b>3</b>	<b>1</b>	<b>1</b>	<b>3</b>





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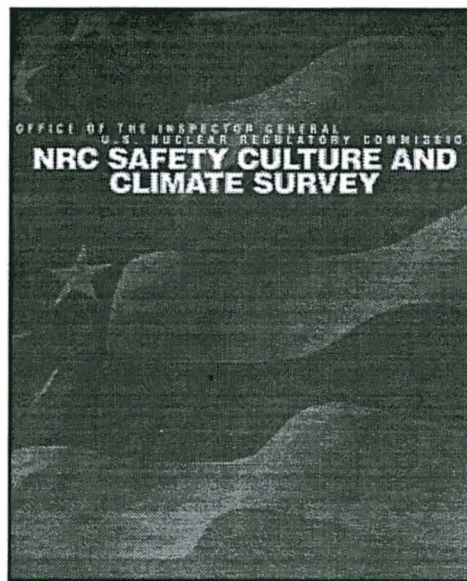
# SPECIAL FEATURE: THE NRC'S SAFETY CULTURE AND CLIMATE SURVEY

*In October 1997, the OIG began the process of surveying all NRC employees about their attitudes regarding the agency's safety culture and climate. The OIG's overall objective for the survey was to gain a thorough understanding of the NRC's organizational safety culture and climate as perceived by its employees. More than 56 percent of the agency's workforce completed and returned the survey questionnaires. The OIG shared survey results with the entire agency in June 1998. In addition, on the basis of information learned from the survey, the OIG is currently reprogramming some of its resources and planning reviews that will benefit the agency.*

The NRC is facing a rapidly changing environment as it prepares to enter the 21<sup>st</sup> century. Industry economic changes, Federal deficit reductions and downsizing, continued high public interest in the NRC's mission, and technological and societal trends all effect the agency's safety culture and climate. In accordance with the Government Performance and Results Act, the NRC has developed a strategic plan to serve as the agency's guide for the next several years. Additionally, the agency is moving to a more risk-informed, performance-based approach to regulation. These are major changes for the NRC.

The OIG is committed to using audits, investigations, special evaluations, and event inquiries to enhance the integrity of the NRC's mission, with particular emphasis on employees' responsibilities in that role. In keeping with that commitment, the Inspector General (IG) announced the initiation

of a special evaluation to help the office assess the current organizational safety culture and climate of the NRC's workforce. A better understanding of the agency's current safety culture and climate will help the OIG assess the evolution of the NRC. In turn, this will allow the OIG to better determine which areas and programs require greater focus. The survey established an overall baseline against which the OIG can reevaluate the NRC's safety culture and climate. In later years, the OIG plans to re-survey the agency and compare those results with the benchmark created from this year's survey.



To help with the assessment of the NRC's safety culture and climate, the OIG competitively selected International Survey Research (ISR), a global survey firm. ISR's expertise lies in the collection and

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analysis of vital organizational, operational, and strategic intelligence through the use of tailored survey instruments. Most importantly, the company has thoroughly developed and tested the process used to conduct surveys and provide feedback concerning the results.

The survey's scope included the NRC's entire workforce. ISR began the survey process by reviewing any available existing research on the safety culture and climate. Next, ISR conducted the qualitative design component of the survey. This included focus group and one-on-one interviews with a cross-section of NRC employees and managers in Headquarters and Regions I and III. The information learned in these first two steps served as the basis for designing the survey instrument.

The survey questionnaire included both selected items from ISR's normative databases and items tailored to address the unique topic of the NRC's safety culture and climate. The draft survey instrument was pretested using a random sampling of NRC employees and managers in Regions II and IV, and again in Headquarters.

The OIG's NRC Safety Culture and Climate Survey was distributed to all agency employees and managers (3,013 total employees) from February 27 through March 31, 1998. Of those, 1,696 completed valid surveys for an overall return rate of more than 56 percent. This return has a precision of +/- 1.6 percent and is more than sufficient to provide a reliable and valid measure of the current attitudes and perceptions of NRC employees and managers.

*Subsequent to the OIG's release of the NRC's Safety Culture and Climate results, the EDO tasked his staff to review the survey results and recommend actions to address the identified issues. An interim briefing by the staff is planned for completion by October 31, 1998, and final recommendations are due to the EDO by December 31, 1998.*

The OIG and ISR presented the results of the NRC's Safety Culture and Climate Survey to the agency in an open briefing on June 25, 1998. According to ISR's executive summary,

"...several themes emerged from the overall results of the survey. The NRC safety culture appears to be bending but not breaking. ...The cause for concern is that NRC employees have indicated they need more from their leaders, and they may not be patient much longer. Based on the results as a whole, without significant and meaningful improvement in management leadership, employee involvement, and communication, the NRC's current climate could eventually erode the employees' outlook, and eventually their commitment to doing their job. The good news is that employees seem ready and willing to offer their insight and constructive ideas on how to improve their area within the NRC. Ultimately, the challenge may lie in harnessing and integrating the tremendous output of such intense intellectual scrutiny."

Viewgraphs used during the agency briefing, a transcript of the presentation, and ISR's executive summary of the survey results were posted on the NRC's external Web page in order to ensure that all agency employees had access to the survey results. Additionally, a guide to the contents of the 63 volumes of statistical data that supported the briefing and executive summary was also posted on the Web site. The statistical volumes are available through the NRC's Public Document Room, Headquarters Library, and regional offices.



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# OTHER ACTIVITIES

## **REGULATORY REVIEW**

The Inspector General Act, 5 U.S.C. App. 3, Section 4(a)(2), requires the OIG to review existing and proposed legislation and regulations and to make recommendations concerning the impact of such legislation or regulations on the economy and efficiency of programs and operations administered by the agency.

From April 1, 1998, through September 30, 1998, the OIG reviewed more than 240 agency documents, including approximately 160 documents issued by the Office of the Secretary (SECYs) and 57 *Federal Register* notices, regulatory actions, and statutes. Upon completing this review, the OIG provided regulatory commentaries, which addressed issues related to the OIG's mission requirement to assist in preventing fraud, waste, and abuse. The OIG also provided guidance to sensitize agency managers to the importance of considering aspects of agency policy and procedures that impact the OIG's functions. In addition, the OIG initiated discussions with the agency on policy concerns, and cooperative efforts resulted in improved guidance to the agency staff. This section summarizes the commentaries that raised the most significant issues.

Two commentaries written during this reporting period reflected the OIG's concern regarding a recurring issue, namely the importance of the Designated Agency Ethics Official (DAEO). The Ethics in Government Act, 5 U.S.C. App. 5, is implemented in Title 5 of the *Code of Federal Regulations* (CFR). This statute and its implementing regulations direct the oversight of ethics regulations in the Executive Branch. In particular,

5 CFR 2635.203 describes the role and duties of the DAEO within the agency. Specifically, the DAEO's responsibilities focus on managing and coordinating the agency's ethics program, and include such duties as reviewing financial disclosure reports, initiating and maintaining ethical education and training programs, and monitoring administrative actions and sanctions. The most critical aspect of this function is the development and provision of counseling as part of a program of formal advice available to all agency employees on issues concerning ethics and standards of conduct. Imparting consistent advice to employees, and making known the availability of this guidance is essential to ensure compliance with ethics statutes and regulations.

The NRC's Ethics Program has been highly rated in audits, and recognized with awards from the Office of Government Ethics. However, in two recent Management Directives, the guidance to employees failed to identify the DAEO as the appropriate source of advice:

- (1) Management Directive 13.4, "Transportation Management," provides important and relevant instruction regarding the limitations applicable to the authorized use of Government vehicles. The initial draft of this directive omitted reference to the DAEO as the proper office from which to seek advice on issues concerning standards of conduct—a recurrent problem in this area.
- (2) In the draft version of Management Directive 3.23, "Mail Management," employees were erroneously directed to turn to their supervisors for advice regarding the often

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complex question of permissible uses of penalty mail for outside professional activities. The OIG commentary urged revision of the directive to ensure that employees are aware of the availability of the DAEO as the proper authority to determine whether an outside activity qualifies as professionally related and entitled to support by use of penalty mail.

Another commentary demonstrated the importance of the OIG's review of agency directives for two separate reasons. First, such reviews ensure that the agency consistently recognizes the office's authority under the IG Act. Second, such reviews allow the OIG to achieve its primary function under the statute—preventing fraud, waste, and abuse. Review of draft Management Directive 11.1, "NRC Acquisition of Supplies and Services," revealed omissions in both areas.

The initial part of the OIG commentary suggested that the Management Directive should include additional information concerning the IG's contracting authority. Citing Section 6(a)(9) of the Inspector General Act, which states that the IG is authorized to enter into contracts and other arrangements...with public agencies and private persons and to make payments as may be necessary to carry out the provisions of the Act, the commentary suggested that the IG should be added as a position authorized to contract and enter into interagency agreements.

Consistent with the OIG's obligation to prevent fraud, waste, and abuse, the commentary also provided language identifying the IG as the entity responsible for investigating alleged fraud in the procurement process. In addition, the commentary identified for inclusion in the directive related verbiage and

references to the IG Act, Standards of Conduct, and bribery and fraud statutes.

## **OIG INFORMATION AND PLANNING CONFERENCE**

The OIG held its annual Information and Planning Conference on September 22, 1998. The theme for this year's conference was "OIG & NRC: Partnering to Achieve Regulatory Effectiveness in a Changing Environment." The conference consisted of a keynote speaker and three panels, and was open to the public.

Mr. Hubert T. Bell, Inspector General for the NRC, opened the conference with welcoming remarks. He then introduced the keynote speaker, Mr. Ralph Beedle, Senior Vice President and Chief Nuclear Officer at the Nuclear Energy Institute (NEI). Mr. Beedle addressed current issues facing the nuclear industry. He then presented his ideas on how the OIG, NRC, and NEI can assist each other in improving activities and relationships between the agency and the nuclear industry.

The conference's first panel spoke about "Improving Regulatory Effectiveness at the NRC." The panel consisted of Hugh Thompson, Deputy Executive Director for Regulatory Programs; Ashok Thadani, Director, Office of Nuclear Regulatory Research; and Mary Ann Kruslicky, Assistant Director for the Energy, Resources, and Science Issues Area at the U.S. General Accounting Office (GAO).

The second panel presented issues related to "Fraud Awareness." This panel included Joseph McMillan, Deputy Director for Technical Services at the Defense Criminal Investigative Service; Thomas Swanson, Chief of the

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Investigative Support Division in the DCAA's Mid-Atlantic Region; and Maryann Grodin, OIG Counsel.

The last panel for the day involved Dr. Rona Stillman, GAO's Chief Scientist for Computers and Telecommunications; John Stephenson, a member of Senator Bennett's Special Committee on the Y2K issue; and Anthony Galante, the NRC's Chief Information Officer. This panel presented current issues related to "The Year 2000 and Beyond."

At the conclusion of Mr. Beedle's keynote address and each of the panel presentations, members of the audience asked questions of the participants. The questions generally sought clarification of points made by the participants, or elicited opinions regarding matters related to the topics presented. The thought-provoking information generated by this year's conference will be factored into developing the OIG's FY 99 Annual Plan.



*Inspector General Hubert T. Bell introduces Ralph Beedle (center), keynote speaker at the Annual OIG Information and Planning conference, while William McDowell, Audit Team Leader, looks on.*



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# APPENDICES

## AUDIT LISTINGS

### *Internal Program Audit and Special Evaluation Reports*

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<b>Date</b>	<b>Title</b>	<b>Audit Number</b>
6/25/98	<i>NRC Safety Culture and Climate Survey</i>	OIG/97A-16
8/14/98	<i>NRC's Efforts with Licensees on the Year 2000 Issue</i>	OIG/98A-10
7/13/98	<i>Review of the Project Manager Position in the Office of Nuclear Reactor Regulation</i>	OIG/97A-21
8/6/98	<i>Review of the NRC's Development of Core Research Capabilities</i>	OIG/98E-12
7/30/98	<i>Followup Review of the NRC's Process for Issuing and Tracking Notices of Enforcement Discretion (NOED)</i>	OIG/98A-06
6/10/98	<i>Procurement Streamlining Measures Implemented: Improvements Can Be Made</i>	OIG/98A-03
5/18/98	<i>Review of NRC's Contracting Activities</i>	OIG/98A-02
4/24/98	<i>Survey of NRC's Assistance Programs Under the Foreign Assistance Act for the New Independent States of the Former Soviet Union</i>	OIG/98A-01

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**Contract Audit Reports**

<b>OIG Issue Date</b>	<b>Contractor/ Contract Number</b>	<b>Questioned Costs</b>	<b>Funds Put to Better Use</b>
4/13/98	SoHar, Incorporated NRC-04-94-046 NRC-04-95-081	0 0	0 0
4/20/98	JAI Corporation RS-NMS-98-006	0	0
4/24/98	Parameter, Inc. NRC-03-93-026	0	0
4/28/98	Beckman and Associates, Inc. RS-NRR-98-021	0	\$30,769
4/29/98	Applied Management Systems, Inc. NRC-33-92-203	0	0
5/4/98	Westinghouse Electric Corporation NRC-04-91-049	\$2,349	0
5/8/98	21 <sup>st</sup> Century Industries, Incorporated RS-NMS-98-006	0	0
5/15/98	Raytheon Engineers & Constructors, Inc. NRC-04-90-099 NRC-04-90-100	\$126 \$284	0 0
6/3/98	Battelle Memorial Institute NRC-04-92-047	0	0
6/3/98	Pal Consultants, Inc. NRC-03-89-033	\$2,147	0
6/3/98	The MITRE Corporation NRC-04-87-399	\$83,079	0



**Contract Audit Reports (continued)**

<b>OIG Issue Date</b>	<b>Contractor/ Contract Number</b>	<b>Questioned Costs</b>	<b>Funds Put to Better Use</b>
6/11/98	Science & Engineering Associates, Inc. (SEA) NRC-04-91-071	0	0
7/7/98	Ebasco Services, Incorporated NRC-03-87-119	0	0
7/7/98	Ebasco Services, Incorporated NRC-03-87-119	0	0
7/7/98	Ebasco Services, Incorporated NRC-03-87-119 NRC-04-90-100	0 0	0 0
8/7/98	Sciencetech, Inc. NRC-04-93-064 NRC-04-94-047	0 0	0 0
8/7/98	Sciencetech, Inc. NRC-04-93-064 NRC-04-94-047 NRC-04-96-041	0 0 0	0 0 0
9/8/98	Halliburton NUS - Brown and Root Environmental NRC-26-87-420	0	0
9/10/98	SoHar, Incorporated NRC-04-94-046 NRC-04-95-081	0 \$53	0 0
9/11/98	Hummer Associates NRC-38-94-286	0	0

## AUDIT TABLES

During this reporting period, the OIG analyzed 20 contract audit reports issued by the DCAA. The following tables depict the cost savings from this work.

**Table I. – Post Award Findings**

<b>OIG Reports Containing Questioned Costs April 1, 1998 – September 30, 1998</b>			
<b>Reports</b>	<b>Number of Reports</b>	<b>Questioned Costs (Dollars)</b>	<b>Unsupported Costs (Dollars)</b>
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	5	\$88,038	0
<i>Subtotal (A + B)</i>	5	\$88,038	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	5	\$88,038	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



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**Table II. – Pre Award Findings**

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**OIG Reports Issued with Recommendations  
That Funds Be Put to Better Use  
April 1, 1998 – September 30, 1998**

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<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	3*	\$30,769
<i>Subtotal (A + B)</i>	3	\$30,769
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	3	\$30,769
(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

\* *Two pre-award reports indicated that zero funds were available for better use or that no contract was awarded.*

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## **ABBREVIATIONS**

AID	U.S. Agency for International Development
AMEX	American Express
CAPS	Contracts and Payments System
CFR	Code of Federal Regulations
CISSCO	Comprehensive Information Support Systems Contract
DAEO	Designated Agency Ethics Official
DCAA	U.S. Defense Contract Audit Agency
DCPM	Division of Contracts and Property Management (NRC)
DOE	U.S. Department of Energy
EDO	Executive Director for Operations
FAA	Foreign Assistance Act
FMFIA	Federal Managers' Financial Integrity Act
FSU	Former Soviet Union
FY	Fiscal Year
GAO	U.S. General Accounting Office
IG	Inspector General
ISR	International Survey Research
LSS	Licensing Support System
MOU	Memorandum of Understanding
NEI	Nuclear Energy Institute
NMSS	Nuclear Material Safety and Safeguards, Office of (NRC)
NOED	Notices of Enforcement Discretions
NPR	National Performance Review



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NRC	U.S. Nuclear Regulatory Commission
NRR	Nuclear Reactor Regulation, Office of (NRC)
OIG	Office of the Inspector General (NRC)
OMB	Office of Management and Budget
PC	Personal Computer
PM	Project Manager
RES	Nuclear Regulatory Research, Office of (NRC)
SMT	Senior Management Team
Y2K	Year 2000

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## **GLOSSARY**

### *Event Inquiry*

The event inquiry is an investigative product documenting examination of events or agency actions that do not specifically focus on individual misconduct. These reports identify institutional weaknesses that led to or allowed a problem to occur. This type of investigative effort was previously referred to as an inspection.

### *Financial Audit*

A financial audit assesses the effectiveness of internal control systems, transaction processing, financial systems, and contracts.

### *Funds Put to Better Use*

Funds identified in audit recommendations that could be used more efficiently by avoiding unnecessary expenses.

### *Hotline*

A toll-free telephone number (1-800-233-3497) available to anyone for reporting incidents of possible fraud, waste, and abuse to the NRC's Office of the Inspector General.

### *Management Decision*

A final decision founded on management's response to audit recommendations and findings.

### *Special Evaluation*

An OIG audit report that documents the results of short-term, limited assessments. It provides an initial, quick response to a question or issue, and data to determine whether an in-depth independent audit should be planned.

### *Questioned Cost*

A cost questioned as a result of an alleged violation of law, regulation, contract, or agreement governing the expenditure of funds (costs unsupported by adequate documentation or funds for a particular purpose that are unnecessary or unreasonable.)





# ***THE NRC OIG HOTLINE***

The OIG established a toll-free number (1-800-233-3497) to provide NRC employees, contractors, and others with direct access to the OIG's Hotline Program. Hotline procedures and guidelines were carefully developed to ensure the confidentiality (unless totally unavoidable) of NRC employees wishing to report incidents of possible fraud, waste, and abuse within the NRC. Trained OIG staff are available to answer calls Monday through Friday, between 10 AM and 4 PM (eastern standard time).



**HOTLINE:  
1-800-233-3497**

Individuals may also provide information to hotline personnel by writing to the following address:

**U.S. Nuclear Regulatory Commission  
Office of the Inspector General  
Hotline Program  
Mail Stop T-5 D28  
Washington, DC 20555-0001**



