



Office of the Inspector General

U.S. Nuclear Regulatory Commission



Clinton Nuclear Power Station

Semiannual Report

April 1, 2000 – September 30, 2000

NRC OIG VISION STATEMENT

We are agents of positive change striving for continuous improvement in our agency's management and program operations and in our own office.

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, 2000, through September 30, 2000, in compliance with Sections 4 and 5 of the Inspector General Act of 1978, as amended.

During this reporting period, our office completed 7 performance and financial audits and 3 special evaluations of the NRC's programs and operations. This work led the OIG to make several recommendations and suggestions to the NRC for program improvement. In addition, the OIG completed 23 investigations and 2 Event Inquiries, and made 38 referrals to NRC management for their action. Finally, the OIG analyzed 14 contract audit reports issued by the Defense Contract Audit Agency.

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 all 10 of the most serious management challenges facing the NRC, which the OIG identified to Congress in December 1999.

I want to take this opportunity to thank you, the Commissioners, NRC's senior managers, and the Congress for the support that the OIG has received during this reporting period. I also want to express my appreciation for the accomplishments of all OIG employees, and commend them for their continued professionalism, dedication, and willingness to accept new challenges.

Sincerely,



Hubert T. Bell
Inspector General

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EXECUTIVE SUMMARY

The following two sections highlight selected audits, special evaluations, investigations and event inquiries completed during this reporting period. More detailed summaries appear in subsequent sections of this report.

AUDITS

■ During this reporting period, the Office of the Inspector General (OIG) for the U.S. Nuclear Regulatory Commission (NRC) conducted its third audit of the agency's Comprehensive Information Systems Support Consolidation (CISSCO) program. CISSCO is the NRC's primary vehicle for agency-wide information systems development and related operations support. The two previous audits conducted over the past 2 years recommended that the agency improve controls over the management and funding of the CISSCO program and any future CISSCO-like programs. The latest audit focused on the basis for CISSCO's structure, and identified three principal weaknesses:

- (1) The NRC lacks assurance regarding the reasonableness of costs for work performed.
- (2) The NRC did not take full advantage of the multiple award contract administered by the U.S. General Services Administration/Federal Systems Integration and Management Center (GSA/FEDSIM) when selecting a single contractor.
- (3) The task order that GSA/FEDSIM placed with the CISSCO contractor did not fully comply with the Federal

Acquisition Regulations (FAR) or NRC's management directives (MD).

The OIG concluded that the observed weaknesses in the CISSCO program occurred because the agency's contracting, legal, and financial components were not adequately involved in the development of the CISSCO task order. Moreover, this lack of involvement increases the agency's risk of violating contractual, legal, and financial requirements.

- In early 1997, the NRC began planning for the Standard Financial and Integrated Resource Enterprise (STARFIRE) system, with a vision that the system would serve as the single, authoritative source of financial and resource information for the NRC. According to STARFIRE planning documents, the system would consist of 10 modules, which would be operational by October 1999, and would cost approximately \$6.9 million to implement. However, the recent OIG audit revealed that the implementation of STARFIRE, as envisioned, is uncertain. Additionally, STARFIRE managers have not identified the overall cost to the NRC or updated key planning documents.
- Audit follow-up is the system that Federal agencies use to resolve audit recommendations, to implement and track corrective actions, and to fulfill reporting

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requirements. Overall, the NRC's audit follow-up system is adequate and generally compliant with external and internal guidance. However, as the NRC modernizes its agency-wide tracking system, it should ensure that the new system includes a unique field for tracking audit resolution dates. In addition, the agency should identify trends and system-wide problems that present opportunities to save resources.

- The Executive Director for Operations (EDO), the Chief Financial Officer (CFO), and the Chief Information Officer (CIO) comprise the NRC's Executive Council (EC), which was established in January 1997. The EC, as a body, and its three individual members report directly to the Chairman. In conducting this recent Special Evaluation, the OIG found that the Council is not operating in accordance with internal agency guidance or meeting its original expectations. In particular, the structure of the EC impairs its ability to facilitate the agency's mission, and the organizational alignment of the EC members impedes the EDO's ability to carry out his mandated responsibilities with optimum efficiency and effectiveness. This is because two major support organizations, namely the Offices of the CIO and CFO, are not accountable to the EDO.
- NRC employees are encouraged to express their best professional judgements, even when they differ from a prevailing staff view, disagree with a management decision or policy position, or take issue with proposed or established agency practices. To foster this policy, the agency has in place the Differing Professional View (DPV) and Differing Professional Opinion (DPO) program. Nonetheless, a recent OIG audit revealed that the agency has not resolved employees' DPVs and DPOs in a timely

manner, and significant time has elapsed before the agency communicated the status of issues to filers. Additionally, agency staff have a strong perception that filing a DPV or a DPO will harm their career, and they perceive many management actions as retaliations for filing DPVs or DPOs.

INVESTIGATIONS

- The OIG conducted an Event Inquiry (EI) into the NRC's response to an incident at the Indian Point Unit 2 Power Plant (IP2), which occurred on February 15, 2000. In that incident, IP2, a pressurized water nuclear reactor plant, experienced a steam generator tube rupture in one of its four steam generators. The OIG's inquiry following the incident primarily addressed the adequacy of the NRC staff's handling of issues associated with the IP2 steam generator tube rupture, as well as the NRC's handling of shortcomings identified in the IP2 Emergency Preparedness Plan.

During this inquiry, the OIG determined that the NRC and the nuclear industry had long-standing concerns about the loss of integrity of steam generator tubes used in pressurized water reactors. Particular attention focused on the degradation found in the Westinghouse Model 44 steam generator, such as those in use at IP2. Because of the degradation, all plants with this model had replaced their steam generators except IP2. The OIG found that the last inspection of the steam generators at IP2 was conducted in 1997, and the results were provided to the NRC. However, the NRC did not conduct a technical review of that steam generator inspection report. The OIG concluded that, had the NRC staff or contractors with technical expertise evaluated the 1997 IP2 inspection report, the NRC could have

identified the flaw that caused the steam generator tube rupture on February 15, 2000. The OIG also found that, in 1999, the NRC granted a license amendment to IP2 to extend the steam generator inspection interval, but the NRC staff conducted an inadequate review of the amendment request.

During the EI, the OIG also found that the NRC considered IP2 to be a plant that had struggled with various challenges in the area of emergency preparedness. The OIG learned that recurring weaknesses that had gone uncorrected contributed to a poor emergency response performance by IP2 during the incident on February 15, 2000.

- The OIGs from the NRC and the U.S. Environmental Protection Agency (EPA) jointly investigated ICF Kaiser Group International, Inc. (ICF), Fairfax, VA, for potential violations of 18 U.S.C. 287, “False Claims,” and 18 U.S.C. 1001, “False Statements.” The joint investigation developed information that ICF overbilled the Government on its computer center charges on cost-type contracts from 1986–1996. ICF while denying undertaking any actions designed to defraud the United States entered into a settlement agreement with the U.S. Attorney’s Office, Eastern District of Virginia, Alexandria, VA. Simultaneously, ICF filed for bankruptcy; however, ICF agreed to keep the settlement agreement separate from its bankruptcy proceedings. The settlement requires ICF to make a payment to the U.S. Treasury, and allows all Federal agencies that have ICF contracts where the work has been completed and final payments are pending to waive those final payments and close out their contracts.
- The OIG conducted an investigation into a false claim filed by a former NRC contractor. The investigation revealed that the contractor had attempted to use incorrect figures that were contained in a U.S. Defense Contract Audit Agency (DCAA) audit to avoid returning excess monies to the NRC.
- The OIG conducted an investigation regarding the misadministration of the NRC’s janitorial services contract at NRC Headquarters. The investigation revealed that the Project Officer (PO) for the contract required the contractor to provide products that were beyond the scope of the contract and in violation of the EPA guidelines. The OIG also determined that the PO improperly gave daily direction to the contractor, assigned tasks beyond the scope of the contract, and inappropriately gave direction regarding the contractor’s management of its employees.
- The OIG conducted a joint investigation with the Montgomery County (Maryland) Police Department in response to the theft of two NRC computers, which were being reconfigured at a contractor’s office in Rockville, MD. The investigation culminated with the arrest of a suspect for 2nd-degree burglary and theft over \$300.
- The OIG conducted an investigation based on a report that a Region III reactor inspector had engaged in improper conduct while participating in an inspection at a licensee’s nuclear power reactor. The OIG investigation disclosed that the inspector had engaged in multiple acts of improper conduct with the licensee’s female employees, and had a history of improper conduct at the licensee’s facility.
- The OIG conducted an investigation regarding an employee of an NRC contractor, who received harassing and threatening electronic mail messages over the NRC’s email system from an unknown

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subject using an alias. The subject used the alias to establish an email account with a free email service on the World Wide Web, and then sent the harassing and threatening email messages under that alias. The OIG investigation established that the email messages originated from both a private residence and a law firm in Washington, DC. The OIG determined that the private residence was that of a former acquaintance of the NRC contractor's employee.

The unknown subject was identified and prosecuted in a Maryland District Court, and was found guilty of electronic mail harassment. The subject was sentenced to 6 months in jail (suspended) and 12 months of probation, was fined \$250, and was ordered to undergo psychiatric evaluation and perform 20 hours of community service. The subject was also terminated from his employment at the law firm.

THE OFFICE OF THE INSPECTOR GENERAL

In passing the Inspector General (IG) Act of 1978, the U.S. Congress sought to ensure a level of integrity and efficiency that fulfills the American people's expectation for excellence and accountability in the Federal Government and its programs. In the 22 years since the Act was passed, the IG concept has proven to be of significant benefit to the Federal Government. Each year, billions of dollars are returned to the Government, or are better spent, as a result of recommendations from IG reports. Because of this success, the IG concept has gradually been expanded to most of the Federal agencies. In Fiscal Year (FY) 2000, 57 Offices of the Inspector General provided oversight to 59 Federal agencies and entities.

To accomplish their broad mandate, the IGs have substantial independence and authority to conduct audits and investigations of agency programs. They have direct access to agency records and materials; have ready access to agency heads; issue subpoenas for all necessary information, data, reports, and other documentary evidence; administer oaths for taking testimony; hire their own staffs; and request assistance from other Federal, State, and local Government agencies. They also act as independent fact gatherers, often undertaking initiatives at the request of the agency head, and provide assessments in such areas as financial management systems and internal controls. In such instances, the IGs and agency management

pursue the same ultimate goal—efficient and effective program operation and service delivery.

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, an IG is the focal point of responsibility for
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NRC Chairman Richard Meserve (left) and Maryann Grodin, General Counsel to the Inspector General (right), look on as Rear Admiral Marianne Drew, United States Naval Reserve (second from right), presents NRC Inspector General Hubert T. Bell with a Certificate of Appreciation on behalf of the men and women of the National Guard and Reserve Forces for distinguished contributions to the national defense from the National Committee for Employer Support of the Guard and Reserve.

conducting audits and investigations related to an agency's programs and operations.

In the case of the U.S. Nuclear Regulatory Commission (NRC), Congress established an independent Office of the Inspector General (OIG) through the 1988 amendment to the IG Act. The OIG's primary mission is to assist the NRC by ensuring integrity, efficiency, excellence, and accountability in the agency's programs to regulate the civilian use of byproduct, source, and special nuclear materials 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. Specifically, the NRC's OIG supports the agency by carrying out its mandate to (1) independently and objectively conduct and supervise audits and investigations related to the NRC's programs and operations; (2) prevent and detect fraud, waste, and abuse; and (3) promote economy, efficiency, and effectiveness in the NRC's programs and operations. The OIG also keeps the NRC Chairman and members of Congress fully and currently informed about problems, recommends corrective actions, and monitors the NRC's progress in implementing such actions. In FY 2000, the NRC's total budget authority is \$470 million, which includes an appropriation of \$5.0 million for the OIG.

WHAT'S NEW IN OIG AUDITS

The Assistant Inspector General for Audits (AIGA) has made a notable improvement in the way it communicates audit findings, problems, and solutions, starting far earlier in the audit process than in years past.

The AIGA staff now provides a "discussion draft" report prior to the exit conference for each audit. This approach allows management to come to the exit conference prepared to

discuss the findings and conclusions, offer suggestions, and have an open and frank discussion of the issues. This approach also diminishes the adversarial quality often associated with audits by breaking down much of the resistance and defensiveness that was experienced in the past. While this results in greater collaboration and discussion between the auditor and NRC management, both parties have found this to be highly beneficial, and it has not compromised the auditors' objectivity or independence.

In the past, when the field work for an audit was completed, the audit team responsible for performing the review would draft an audit report. The report addressed the facts of the review, identified findings, provided overall conclusions, and made recommendations to guide NRC management in correcting the identified deficiencies. An exit briefing would be scheduled either during the final stages of drafting the report, or just after its completion. At the exit briefing, the audit team members would share the overall message of the report with NRC management. After the exit briefing, the audit team would transmit the draft report to responsible NRC managers for their review and comment. NRC managers would be asked to comment on and indicate whether they agreed or disagreed with the facts of the report, as well as the related recommendations. Management's response was also to include what actions the NRC would take to implement the recommendations, as well as the expected completion date for those actions. Management was expected to provide its comments within 30 days of receiving the report. If management agreed with the report and its recommendations, their comments would be added as an appendix to the report, and the report would be issued in its final format. If management disagreed with the report and/or the recommendations, their comments would similarly be added as an appendix to the final report; however, the

responsible auditors would also develop and include an analysis of the management comments. In some instances, final reports could be generated without resolving the differences between the audit staff and NRC management.

In the new report process, the audit field work process remains unchanged. However, after the audit team develops its draft report, a discussion copy of the draft is transmitted to the responsible NRC management. This occurs approximately 1 week before the scheduled exit briefing. This approach enables NRC management to become thoroughly familiar with the report before meeting with the audit team. During the exit briefing, any portion of the report is open to discussion, and any disagreements or clarifications related to the facts, findings, conclusions, or recommendations of the report are thoroughly discussed. This allows all participants to understand each other's position. Any proposed revisions are also discussed. When the exit briefing is completed, the audit team considers all points raised in the discussion with NRC management and revises the draft report, as appropriate.

If NRC management has no exceptions to the discussion draft report during the exit briefing, the audit team offers to issue a final report. In this case, the audit team asks NRC management to provide a written response to the final report indicating their acceptance of any recommendations, together with the corrective actions they intend to implement and their projected completion dates. Conversely, if NRC management has exceptions to the discussion draft report, the audit team sends them a copy of the final draft report with any revisions for written comments. However, NRC management is asked to respond in a time frame that is mutually agreed upon and usually less than

30 days. The response from NRC management should include the same information requested under the former process.

This new report process has enhanced communication between agency management and the audit component of the OIG. By engaging in an open dialogue before issuing a final audit report, all parties to the audit have a better understanding of the issues involved. Disagreements, if any, can be resolved and rectified by issuing a final report that clearly presents the positions of all participants. Even if there is an "agreement to disagree," all participants have the opportunity to be fully heard.

WHAT'S NEW IN OIG INVESTIGATIONS

Regional Liaison Program

Recently, the Assistant Inspector General for Investigations (AIGI) implemented a Regional Liaison Program aimed at increasing the OIG's exposure and accessibility to the NRC's four regional offices. This program has three clear objectives: 1) to increase the OIG's exposure and accessibility to regional staff, and vice versa; 2) to understand the what and why of regional staff activities in order to better assess concerns and allegations that the OIG receives; and 3) to improve communication between the OIG and the regional offices.

Under the new program, the OIG staff attempts to arrange regional visits at a time when All-Hands Meetings or Conferences are scheduled at the regions, to encourage the exchange of information with staff at all levels. At these meetings, the OIG also gains insights on how regional management handles problems.

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At these meetings, the OIG stresses that the major focus of the investigative staff are contract fraud, computer intrusion involving unauthorized access into NRC operating systems, matters related to allegations that NRC failed to adequately perform its public health and safety mission, and significant misconduct involving NRC employees. The OIG staff also provides the regions with generic case examples, as well as lessons learned from the wrongdoing in those cases.

The OIG Fraud Bulletin

The OIG has published two issues of its new *OIG Fraud Bulletin*, as part of an effort to detect contractor fraud. Experience has shown that the overwhelming majority of Government contractors are honest, and conduct their activities in compliance with Federal Procurement Regulations. Nonetheless, the bulletin provides all NRC employees with case examples from across the OIG community on the extent to which unscrupulous individuals and contractors will go to perpetrate fraud against the Government. The majority of the case examples show that the fraud schemes were detected by conscientious Government employees, who displayed a questioning attitude and were willing to look behind the paper.

Through these examples, the *OIG Fraud Bulletin* sensitizes NRC employees to common fraud schemes, and is intended to lead to the detection of contractors committing fraud against the NRC. The NRC OIG also uses this bulletin as a means to alert NRC employees to fraud schemes that employees should be sensitive to in conducting their personal affairs.

This bulletin has provided examples of 1) a Government employee convicted for bribery, 2) theft of Government-owned fuels, 3) false expenses claimed by a Government employee in connection with relocation, and

4) kickback schemes whereby payments were made for favorable treatment in relation to a Government contract. In addition, the bulletin has focused on issues that could affect employees in conducting their personal affairs. The bulletin has included valuable information on techniques for detecting and preventing identity theft, and tips on what to do if you are a victim of identity theft, and outlined some common Internet online fraud tips, as well as helping senior citizens targeted for telemarketing fraud.

10 MANAGEMENT CHALLENGES FACING THE NRC

In response to a Congressional request in August 1998, and consistent with the goal of improving agency programs and operations, the OIG has developed and updated the following list of what it considers to be the most serious management challenges facing the NRC:

- (1) Developing and Implementing a Risk-Informed, Performance-Based Approach to Regulatory Oversight
- (2) Developing Information Management Systems and Being Able to Anticipate and Measure the Benefits to be Gained
- (3) Responding to the Impact of Industry Deregulation and License Transfers
- (4) Administering and Overseeing Agency Procurement Under Government Contracting Rules. Government Contracting Rules Allow the Opportunity for Fraud to Occur.
- (5) Effectively Communicating with the Public and Industry
- (6) Maintaining an Unqualified Financial Statement Opinion in Light of New and Existing CFO Requirements

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- (7) Ensuring that NRC's Processes, such as Spent Fuel Cask Certification and License Renewal, are Responsive to Industry Needs
 - (8) Ensuring that NRC's Enforcement Program has an Appropriate Safety Focus and Reflects Improved Licensee Performance
 - (9) Refocusing NRC's Research Program to Reflect a Mature Industry
 - (10) Responding to External Influences for Changing NRC's Operations. For Example, the Ability to Meet NRC's Mission and Requirements of the Government Performance and Results Act (GPRA), as the Result of a Proposed Agency Reorganization, Poses a Significant Challenge to NRC.

The OIG's audits and investigative activities since April 2000, together with other

initiatives that are still in progress, have specifically addressed all 10 challenges. In a September 1999 letter, Congress asked the Inspector General to update the listing of the agency's most serious management challenges. The request also asked for a description of the problems, previous work by the OIG and the General Accounting Office, and significant open audit recommendations. Further, the request asked the Inspector General to assess the agency's efforts to resolve the issues; compare/contrast this year's listing with those of previous years, with some explanation; and identify programs that "have had questionable success in achieving results." To gather sufficient information to respond to the Congressional request, the NRC OIG is currently conducting a special evaluation of the NRC's most serious management challenges.



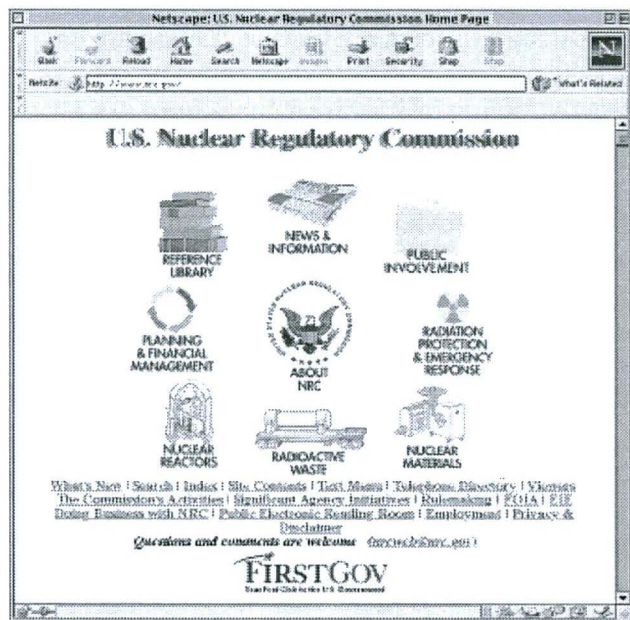
THE AUDIT PROGRAM

To help the agency improve its effectiveness during this period, the OIG completed 7 performance and financial audits and 3 special evaluations, which resulted in several recommendations and suggestions to NRC management. In addition, the OIG analyzed 14 contract audit reports issued by the Defense Contract Audit Agency (DCAA).

AUDIT SUMMARIES

Special Evaluation of the Status of NRC's Website

On March 7, 2000, the Inspector General received a letter from several Congressional members asking him to determine the status of the NRC's website, in coordination with the agency's Chief Information Officer (CIO) and Chief Financial Officer (CFO). Because of the requesters' need for an early response to this inquiry and the collaborative working relationship established with the agency on this body of work, the OIG conducted a short-term, limited assessment instead of a full audit review.



The Acting CIO reported that the agency is employing the newest technologies to make its website more available to the public by using online forms, multimedia technology, and threaded news groups. The agency also uses its public website to disseminate information in a manner that ensures maximum public access, while remaining consistent with the protection of privacy and security. To meet the intent of Section 508 of the Workforce Investment Act of 1998, the NRC currently provides all high-level web pages in a textual format, and is working on redesigning the website. In addition, the agency is using its website as a central repository, with links to more than 20 online comment forms for individual report and programmatic areas. The Acting CIO also believes that the NRC's website is relatively easy to search using its site-wide and topical search engine. As a means of improving the efficiency and effectiveness of its business activities, the agency is also aggressively pursuing e-commerce. The responses provided by the agency adequately demonstrate the NRC's focus with regard to its website and the use of e-commerce. (*Addresses Management Challenges #2 and #5*)

Special Evaluation of Best Practices in Implementing Managerial Cost Accounting

Public demand and budgetary pressures to reduce Federal spending have forced the Government to improve accountability for the

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way it provides goods and services. Managerial cost accounting is one tool that managers need to demonstrate accountability, improve program performance, and reduce program costs.

During FY 1999, the NRC took steps to implement managerial cost accounting. Because of the importance of this project, the OIG initiated an evaluation of best practices in the Federal Government for developing managerial cost accounting. The objectives were to identify and evaluate the best practices used in Government for developing and implementing managerial cost accounting. In addition, the OIG considered lessons learned and negative experiences to be avoided during the implementation process.

Through this evaluation, the OIG identified many best practices that any agency can consider in developing its managerial cost accounting system. While these practices do not “guarantee” success, they provide a sound basis for implementing cost accounting, and help to mitigate the risks involved with such a project. The OIG summarized its observations and best practices into four groupings: (1) Cost Accounting Strategy; (2) Agency Culture, Management Attitudes, and Core Competencies; (3) Project Implementation Practices; and (4) Commitment to the Process. (*Addresses Management Challenges #6 and #10*)

Review of the Basis for the Structure of NRC’s CISSCO Program

The Comprehensive Information Systems Support Consolidation (CISSCO) program is the NRC’s primary vehicle for agency-wide information systems development and related operations support. CISSCO consists of a single contractor, using several subcontractors, to provide a wide range of information technology services. In 1995, the General Services Administration/Federal Systems

Integration and Management Center (GSA/FEDSIM) established the FEDSIM 9600 multiple award contract (MAC), under which it issued task order contracts to eight qualified information technology vendors. In 1996, the NRC contracted with GSA/FEDSIM to procure and manage a contractor for CISSCO work through its FEDSIM 9600 MAC. Subsequently, GSA/FEDSIM competed a single task order, for all CISSCO work, among the contractors in the FEDSIM 9600 MAC. In August 1996, GSA/FEDSIM, with the NRC’s concurrence, selected Computer Sciences Corporation (CSC) as the prime contractor for meeting the needs of CISSCO. The original task order with CSC was for 1 base year, with 4 option years. The third option year was exercised in August 1999. The initial projected cost of the full 5-year contract was \$46.5 million and, as of March 2000, the NRC had expended approximately \$37.7 million on work under CISSCO.

Over the past 2 years, the OIG conducted two reviews of CISSCO, and recommended improvements that the agency should make to reduce the risks associated with the program. During this reporting period, the OIG initiated a third review, which focused on the basis for the structure of the CISSCO program, with specific consideration of whether the use of the MAC and a task assignment control (TAC) package to assign work to the selected contractor are in accordance with regulations. The OIG also reviewed whether justification is required to use a single contractor under a MAC. Additionally, the OIG addressed a previously identified concern involving the agency’s lack of assurance regarding the reasonableness of costs for work performed under CISSCO (OIG/99A-13).

In this latest CISSCO review, the OIG found that, in accordance with regulations, the NRC obtained the benefit of a streamlined procurement process by issuing the single

CISSCO task order through the FEDSIM 9600 MAC. The OIG also found that the Federal Acquisition Regulations (FAR) do not require justification to use a single contractor at the task order level of a procurement. However, by issuing a single task order, the NRC did not take full advantage of the MAC, particularly the ease of competing multiple task orders and the additional cost controls provided by such competition. The OIG further determined that the task order placed with CSC does not fully comply with the FAR or the NRC's management directives (MD). This is because the task order is too broadly stated, and therefore does not provide the specificity required for the agency to obligate funds at the task order level. Instead, the agency incorrectly obligates funds at the TAC level.

The OIG attributed these weaknesses to the lack of involvement of the agency's contracting, legal, and financial components in the development of the CISSCO task order. Had the appropriate officials within the agency reviewed the task order, these weaknesses would have been identified and corrected prior to execution of the task order. A task order issued in compliance with the FAR and the NRC's own requirements would have ensured that the agency could appropriately fund work at the task order level. Also, had the agency issued multiple task orders, it would have been provided with sufficient assurance of the reasonableness of CISSCO costs. Finally, the NRC's policy of delegating senior managers the authority to enter the agency into substantial agreements without the involvement of its contracting, legal, and financial components puts the agency at increased risk of violating



Control Room in a Nuclear Power Plant

contractual, legal, and financial requirements. (Addresses Management Challenges #2 and #4)

Review of NRC's Operator Licensing Program

The NRC carries out its mission through a licensing and regulatory system comprising several activities. One of these activities involves licensing the operators of civilian nuclear reactors. The NRC is responsible for licensing issues and regulatory policy concerning reactor operators, including the initial licensing and re-qualification examinations. *The Code of Federal Regulations* (CFR), Title 10, Part 55, "Operators' Licenses," specifies that applicants for reactor and senior reactor licenses must pass a written examination and an operating test. NRC license examiners have historically prepared initial operator licensing examinations. During 1999, the NRC amended 10 CFR Part 55 by adding a new section that allows facility licensees to develop and submit proposed initial examinations for NRC review and approval. As facility licensees voluntarily take on more responsibility for administering initial operator licensing

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examinations, the NRC will need to exercise continued vigilance in licensing the operators of civilian nuclear reactors.

To ensure the necessary vigilance, the OIG conducted a review to determine whether the NRC effectively exercises its oversight to ensure that facility licensees implement initial operator licensing testing programs in accordance with established standards for power reactors. The OIG found that the NRC has criteria to exercise its discretionary authority to administer examinations, and the agency continues to actively oversee the operator licensing process. The NRC's pilot program examinations and inspections support the decision to allow licensees to voluntarily prepare and administer initial examinations. Also, licenses for power reactor operators were renewed as required in Regions II and IV, and there were no backlogs.

Controlling the security and integrity of the operator licensing examinations is vital to ensure the credibility and reliability of the testing programs. This is evidenced by the requirement that all personnel who receive detailed knowledge of any portion of the NRC licensing examination acknowledge their responsibilities by reading and signing an *Examination Security Agreement*. Because the OIG previously received concerns about examination security, this review included the security comments contained in NRC examination reports, and found that security measures were not consistently addressed. (Addresses Management Challenges #1 and #7)

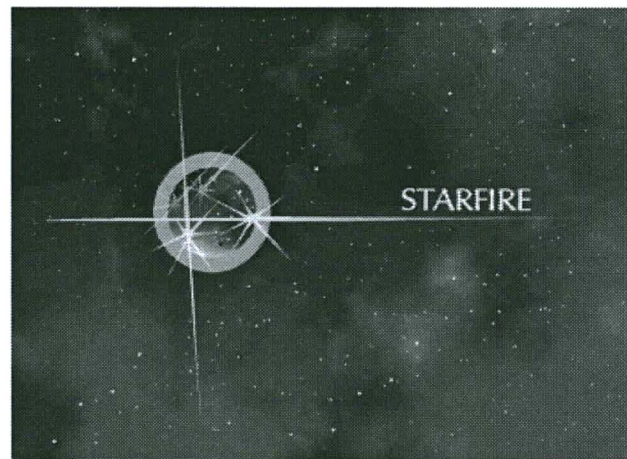
Review of the Development and Implementation of STARFIRE

In early 1997, the NRC began planning for the Standard Financial and Integrated Resource Enterprise (STARFIRE) system, with a vision that the system would serve as the single,

authoritative source of financial and resource information for the NRC. Three offices (the Offices of the Chief Financial Officer (OCFO), the Chief Information Officer (OCIO), and Human Resources) are directly involved in this effort. According to STARFIRE planning documents, the system would consist of 10 modules, which were to be operational by October 1999, and would cost approximately \$6.9 million to implement.

Work on the system's Core Accounting Module (Core), considered the system's "cornerstone", was terminated in July 1999, after the contractor missed several delivery dates. Pursuit of the Core has been delayed until FY 2002 or later. The NRC is currently working on implementing the Basic Human Resources, Payroll, Time and Labor, and Cost Accounting modules. By the end of March 2000, the NRC had spent approximately \$6.7 million on this project, awarded another \$2 million to contractors for work on STARFIRE, and expected to implement three of the modules for parallel testing. (During parallel testing, data is entered into both the new modules and the existing NRC payroll system to determine if both systems produce consistent results.) Parallel testing was actually initiated in early April.

The recent OIG review focused on whether the NRC has a sound methodology in place for



developing and implementing an integrated financial management system that meets expectations, at cost, and within expected time frames. The OIG found that (1) the implementation of STARFIRE, as envisioned, is uncertain, (2) STARFIRE managers have not identified the overall cost to the NRC or updated key planning documents, and (3) the STARFIRE project bears similarities to previous agency information technology development efforts. *(Addresses Management Challenges #2, #4, and #6)*

Review of NRC's Audit Follow-Up System

Audit follow-up is the system that Federal agencies use to resolve audit recommendations resulting from audits of Federal programs and operations; to implement and track corrective actions; and to fulfill reporting requirements. The Office of Management and Budget (OMB) Circular A-50, Revised, provides the policies and procedures for use by Federal agencies when considering reports issued by the IGs, other Executive Branch audit organizations, the General Accounting Office, and non-Federal auditors where follow-up is necessary. In addition, Circular A-50 provides that Federal agency audit follow-up systems are to be evaluated on a periodic basis to determine if they result in efficient, prompt, and proper resolution and corrective action on audit recommendations. The NRC's MD 6.1 and the associated Handbook provide the agency with guidance to implement Circular A-50 requirements.

The OIG objectives for this review were to determine if the NRC's audit follow-up system complies with applicable requirements, and if the system adequately meets the intent of those requirements. Overall, the OIG found that the NRC's audit follow-up system is adequate and, with a few exceptions, generally compliant with external and internal guidance. However, improvements can be made to make the audit

follow-up system more efficient and effective. In particular, the NRC's electronic tracking system uses an old technology, and does not expressly track audit recommendation resolution dates. As the NRC develops a new agency-wide tracking system, which will include audit follow-up tracking, it should ensure that the new system includes a unique field for tracking resolution dates. The agency may also be missing opportunities to save valuable resources by not conducting audit follow-up reviews at a more consistent interval or by not identifying trends and system-wide problems as required by Circular A-50. In addition, the NRC does not consistently provide the OIG with written notification describing the corrective actions taken in response to OIG audit recommendations, as specified by MD 6.1. The OIG also identified practices used by several other Federal agencies, and included a listing of those practices as an appendix to the report. *(Addresses Management Challenge #2)*

Review of NRC's Spent Fuel Pool Inspection Program at Decommissioning Nuclear Power Plants

After a commercial nuclear power plant is retired and fuel is removed from the reactor, the main source of potential risk involves accidents associated with the irradiated spent fuel that was used during operations. The spent fuel has an elevated temperature, and contains some highly radioactive gases. Spent fuel is stored in spent fuel pools (SFPs), which are steel-lined, concrete vaults filled with water. These SFPs act as a shield to reduce the radiation levels to which people working outside the pool may be exposed, and to cool the spent fuel which continues to produce heat for several years after removal from the reactor.

In 1994, an incident at the Dresden Nuclear Power Station Unit 1, in Illinois, raised
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questions about whether the NRC and its licensees exercise adequate oversight of SFPs at decommissioning plants. Partly in response to this incident, the NRC has improved its inspection program by developing an inspection procedure directed at spent fuel pool safety at permanently shutdown reactors. With this background, the OIG initiated an audit to determine whether (1) the NRC's inspection requirements for SFPs at decommissioning nuclear power reactors are being met, (2) there is discernible evidence of deterioration at the SFPs, and, (3) if so, the NRC's initiatives pertaining to SFP-related risks will address the deficiencies.

The OIG found that NRC regulations pertaining to nuclear power reactors are primarily directed toward the safety of facilities that are licensed to operate. As reactors are permanently shut down and enter decommissioning, licensees have had to seek regulatory relief, in the form of exemptions and amendments to their licenses. As a result, after years of ad hoc decisions concerning reactor decommissioning, the NRC staff is developing regulations that account for the different risks posed by decommissioning plants, including updated risk insights with regard to spent fuel pools.

The OIG visited three NRC-licensed nuclear power reactors that are undergoing decommissioning. In touring each facility, including the SFP, the OIG found that NRC Regions I, III, and IV are adequately implementing inspection policy and guidance for SFP safety at permanently shutdown reactors. There are no power reactors being decommissioned in Region II. Additionally, no discernible evidence of SFP deterioration was found at the sites visited. Nonetheless, the OIG identified several related areas where the agency could benefit from examining the practices being used at NRC headquarters and regional offices. The OIG provided this information to

the agency for consideration as it continues to improve the decommissioning program. (*Addresses Management Challenges #1, #3, #7, and #8*)

Special Evaluation of the Role and Structure of NRC's Executive Council

In January 1997, the NRC established an Executive Council (EC), composed of three equal members, namely the Executive Director for Operations (EDO), the CFO, and the CIO. As established, the EC as a body, and its three individual members, report directly to the Chairman. During a previous OIG review, comments were received from senior agency executives regarding their perceptions that the EC is ineffective and inefficient due to its structure. As a result, the OIG conducted this special evaluation to determine whether the EC is operating in accordance with applicable laws, and can effectively and efficiently facilitate the NRC's mission given its current role and structure.

Five statutes are applicable to the EC and its members. Specifically, these include the Energy Reorganization Act of 1974, the Reorganization Plan No. 1 of 1980, the Chief Financial Officers Act of 1990, the Paperwork Reduction Act, and the Clinger-Cohen Act. The first two identify the responsibilities of the Commission as a whole, as well as the individual responsibilities of the Chairman and the EDO. Together, these two statutes can be seen as portraying three different heads of the NRC to fulfill different purposes. While both the Chairman and the EDO are ultimately accountable to the Commission, the Chairman has been designated as the NRC's principal executive officer, and the EDO is charged with the administrative functioning of the agency.

The latter three statutes pertain to the roles and responsibilities of the CIO and CFO.

Implementation of these three laws depends on the interpretation of “agency head.” Guidance issued by the OMB requires agencies covered by these three statutes to report on the alignment of the CIO and CFO within the agency’s organizational structure. These agency submissions, and subsequent revisions, are subject to OMB’s approval and, to date, OMB has allowed various reporting arrangements.

While the current reporting lines for the NRC’s EDO, CIO, and CFO are consistent with applicable laws, no laws require the EC’s existence or direct its operations. The EC operations are therefore directed by internal NRC guidance. However, the EC is not operating in accordance with this guidance, and is not meeting the expectations established by the former NRC Chairman, Shirley Jackson. Specifically, the structure of the EC impairs its ability to facilitate the agency’s mission. Furthermore, the organizational alignment of the EC members impedes the EDO’s ability to carry out his mandated responsibilities with optimum efficiency and effectiveness because two major support organizations, specifically the OCIO and OCFO, are not accountable to the EDO.

In order to identify a more efficient and effective use of agency resources to enable the NRC to meet its mission, the Chairman/Commission should consider alternative management strategies pertaining to the EC’s structure and the alignment of the EDO, CIO, and CFO. This special evaluation identifies eight alternative management strategies (aside from the status quo), and provides four OIG-preferred alternatives.

Review of NRC’s Differing Professional View/ Differing Professional Opinion Program

The NRC encourages employees to express their best professional judgements, even when they differ from a prevailing staff view, disagree

with a management decision or policy position, or take issue with proposed or established agency practices. To foster this policy, and create an atmosphere for an exchange of views of a technical nature, the agency has in place the Differing Professional View (DPV) and Differing Professional Opinion (DPO) program, which is delineated in MD 10.159, “Differing Professional Views or Opinions.”

In 1987, 1989, and 1994, agency staff conducted assessments to reexamine and improve the program. All three assessments found that staff perception has generally not improved because the staff fears reprisals and feels that negative connotations are associated with using the DPV and DPO processes. The groups recommended strengthening the program by more effectively communicating information about the DPV and DPO processes to employees, and revising the methods used to address technical issues. In addition, in 1998, the OIG conducted the *NRC Safety Culture and Climate Survey*, which revealed that the NRC is not fostering an atmosphere in which employees feel comfortable making their views known when they differ from the prevailing view.

Consequently, during this reporting period, the OIG conducted an audit to determine whether the DPV and DPO processes (1) are viable tools to identify and resolve concerns; (2) are timely; and (3) result in retaliation to staff who use these processes. This audit revealed that the following significant, long-standing weaknesses persist in the DPV and DPO processes, and reduce program effectiveness:

- The DPV and DPO processes are not viewed as being effective for resolving professional differences. This perception results from the inconsistent methods used by each of the NRC’s regional and headquarters offices to administer the program.

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- The agency has not resolved employees' DPVs and DPOs in a timely manner, and significant time has elapsed before the agency communicated the status of the issues to the filers. Of the seven offices examined, only one regional office met the DPV milestones suggested by the agency's program guidance. Timeliness was even more problematic for DPOs because they have only two milestones. Therefore, DPO issues can and have gone on for years without closure.
- Agency staff have a strong perception that filing a DPV or a DPO will harm their career, and they perceive many management actions as retaliations for filing DPVs or DPOs. (Addresses Management Challenge #8)

NRC's Efforts to Protect Its Critical Infrastructure: Presidential Decision Directive 63

In May 1998, President Clinton issued *The Clinton Administration's Policy on Critical Infrastructure Protection: Presidential Decision Directive (PDD) 63* to initiate a national effort to ensure the security of the Nation's critical infrastructures. Because of the importance of this effort, the OIG initiated a review of the NRC's efforts to meet the requirements of PDD-63. This review was conducted in conjunction with a national review being performed under the President's Council on Integrity and Efficiency, and the Executive Council on Integrity and Efficiency. The resulting OIG report reflects the conclusion of the first phase of the review, addressing planning and assessment for cyber-based infrastructures.

PDD-63 requires the NRC and other agencies to develop a plan to eliminate any significant vulnerability to both physical and cyber-based attacks on their critical infrastructures. Critical

infrastructures are those physical and cyber-based systems essential to the minimum operations of the economy and government.

While the NRC has made good progress toward meeting the goals of PDD-63, the agency will need to more carefully examine the full scope of the directive's requirements to complete its planning and assessment efforts. Additional senior management support will also help to ensure that the agency's effort to protect the Nation's critical infrastructure is efficiently and effectively planned and implemented. (Addresses Management Challenges #2 and #10)

RESULTS ACT REVIEW PLAN

In 1993, Congress passed the Government Performance and Results Act (GPRA), which mandated that Federal agencies must establish strategic plans and prepare annual performance plans. The first performance plans, due for FY 1999, are to establish measurable goals that define accomplishments expected during the year. The GPRA also requires agencies to submit annual reports to Congress comparing actual performance to the goals expressed in the performance plan. The first of these reports, for FY 1999, was due on March 31, 2000.

The GPRA does not require IGs to audit agency performance information. However, the Chief Financial Officers Act of 1990 requires IGs to annually audit their agency's financial statements. The implementing guidance, OMB Bulletin 98-08, "Audit Requirements for Federal Financial Statements," requires that financial statement audits must include *an examination of performance data* to provide reasonable assurance that "transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management."

The OIG has adopted a two-tiered approach to reviewing the NRC's performance information:

- For financial statement reporting purposes (first tier), the OIG will review and evaluate the data used to support the NRC's **broad outcome goals**. Specifically, OMB Bulletin 98-08 requires the OIG to "obtain an understanding of the components of internal control relating to the existence and completeness of assertions relevant to the performance measures included in the Overview of the Reporting Entity." The Bulletin states that the objective of this work is to report deficiencies in the design of internal controls, rather than to plan the financial statement audit. With this requirement and objective in mind, as part of the Independent Auditors' Report and Principle Statements for the Year Ended September 30, 1999, the OIG examined the control process for several performance measures, and concluded that there were no deficiencies to report.
- To meet the intent and spirit of the GPRA (second tier), the OIG will examine the data supporting the NRC's **output measures** as part of regularly scheduled audit activity. As part of the audit planning process, the OIG will select specific output measures for examination. Most of the data used to measure performance goals comes from the NRC's abnormal occurrence data, which originates from external sources, such as Agreement States and NRC licensees. The NRC has a high degree of confidence regarding the reliability of this data because the information needed from external sources is required to be reported to the NRC by regulations. Additionally, the NRC maintains an aggressive inspection program that, among other activities, audits licensees and evaluates Agreement State programs to

verify that information is being reported as required by the regulations. Finally, there are agency procedures for reviewing and evaluating licensees.

The NRC systems that support these data sources include the Sequence Coding and Search System (SCSS), the Accident Sequence Precursor (ASP) Database, the Nuclear Materials Events Database (NMED), and the Radiation Exposure Information Report System (REIRS). The SCSS and ASP systems support the performance goals in the reactor safety arena, while the NMED system supports performance goals in the nuclear materials safety and the nuclear waste safety arenas, and the REIRS system supports exposure performance goals in the nuclear reactor safety and nuclear materials safety arenas. The NRC has also identified the primary data systems that provide the information necessary to apply the agency's outcome performance measures.

In FY 2000, after the first required annual GPRA report comparing actual agency performance to the goals expressed in the NRC's performance plan was submitted to Congress, the OIG initiated an audit to verify and validate selected output measures. The OIG believes that this approach satisfies the requirements of the Chief Financial Officer Act of 1990, as well as the intent and spirit of the GPRA.

AUDITS IN PROGRESS

Audit of NRC's FY 2000 Financial Statements

On November 15, 1990, the President signed the Chief Financial Officers Act into law, calling for agencies to issue audited financial statements on an annual basis. Under that mandate, the OIG is required to audit the NRC's financial statements or obtain the services of an independent, external audit firm to perform the audit.

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The OIG is auditing the NRC's financial statements in accordance with applicable auditing standards. (*Addresses Management Challenge #6*)

Review of Accountability and Control over Non-Capitalized Government Property

Official NRC personal property records are maintained in an online interactive computer system that functions as the official database for NRC property transactions. The OIG is currently conducting an audit to determine how well the NRC is accounting for and controlling Government property. Specifically, this audit will determine whether (1) the NRC policies governing the accountability and control of non-capitalized agency property adhere to applicable laws and regulations; (2) these policies, as implemented, provide reasonable safeguards to deter and prevent loss through fraud, waste, or misuse; and (3) the official database for NRC property transactions reflects accurate information. (*Addresses Management Challenge #4*)

Review of NRC Processes for Providing Performance Measure Data

On May 10, 2000, Senator Fred Thompson, Chairman, Committee on Governmental Affairs, requested that the NRC Inspector General analyze key aspects of the agency's FY 1999 reported performance data. In response, the OIG is conducting a review to determine (1) if the NRC's processes used to report its FY 1999 performance measures were based on valid and reliable data, and (2) how the FY 2000 strategic and performance plans alter the FY 1999 processes. (*Addresses Management Challenge #10*)

Review of the Accuracy of Information in Official NRC Documents

The NRC relies heavily on information to accomplish its regulatory mission, and the

Commission and Congress base key decisions regarding NRC programs and operations on the information provided in official NRC documents. These decisions are only as good as the information on which they are based.

As a result, the OIG is currently conducting an audit to assess the agency's quality control processes for ensuring the accuracy of the information in its official documents. This audit will involve program and regional offices. Specific objectives of this review are to (1) determine and evaluate the NRC's process(es) for ensuring that official NRC documents contain accurate information; (2) identify and assess the impact of the differences in the concurrence and other quality control processes among NRC offices; and (3) identify and communicate "good" control practices within and external to NRC. (*Addresses Management Challenge #5*)

Special Evaluation of the NRC's Most Serious Management Challenges

In response to Congressional requests, the NRC's IG developed and annually updates a list of what he considers to be the most serious management challenges facing the agency. To do so, the IG evaluates the overall work of the OIG, the OIG staff's general knowledge of agency operations, and other relevant information.

In September 1999, Congressional members (both Senate and House representatives) requested that IGs update the lists of the most serious management challenges facing their agencies. Additionally, they requested that IGs assess their agency's efforts to address the challenges, compare and contrast the new management challenge listings with previous listings, and identify programs that "have had questionable success in achieving results." To respond to the Congressional request, the NRC's IG stated that the OIG would conduct a special evaluation to review, in depth, the areas of Congressional interest and to

determine the extent to which the NRC is addressing its management challenges.

The overall scope and objectives for the special evaluation are to assess the agency's efforts to address its management challenges, and to identify any related agency programs that have had questionable success in achieving results. In addition, this special evaluation will help the OIG update its annual list to Congress of the NRC's most serious management challenges, which is usually due in December. *(Addresses All Management Challenges)*

Survey of NRC's Dry Cask Storage Program

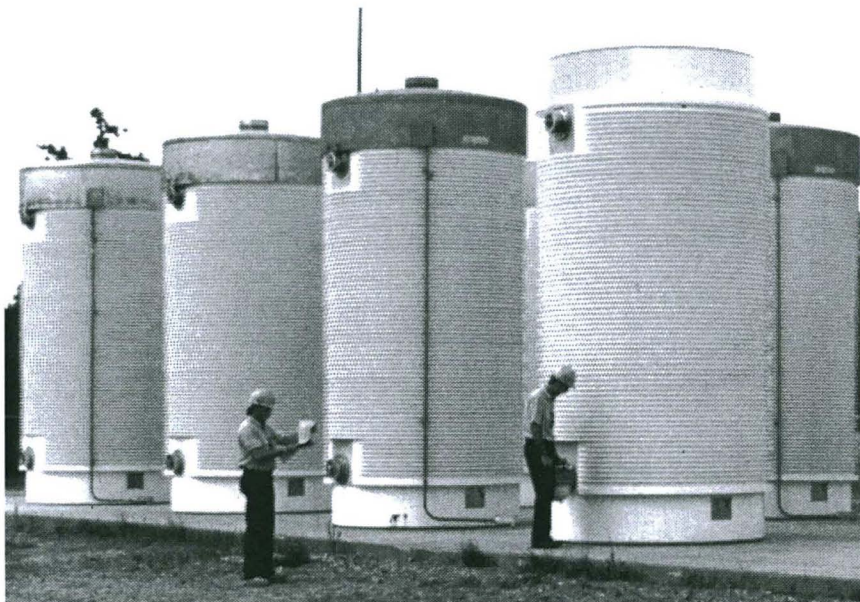
When nuclear fuel can no longer sustain power production for economic or other reasons, the spent fuel is removed from the reactor and placed in a spent fuel pool (SFP). The need for alternative storage space has increased as SFPs reach their capacity. Dry casks, which are heavily shielded containers used to store radioactive material, are currently being used for interim storage, and their use is expected to grow considerably in the near future.

The OIG is conducting a survey due to the increased attention to dry cask storage, changes in the program, and the industry's need for additional dry cask storage facilities. The objective of this survey is to evaluate the regulation and certification of dry cask storage. The survey will not address the licensing of independent spent fuel storage installations. *(Addresses Management Challenges #1, #3, and #7)*

Survey of NRC's Safety Evaluation Process

The NRC regulates the Nation's 103 operating nuclear power plants by establishing regulatory requirements that govern their design, construction, and operation. Licensees follow plant-specific technical specifications to ensure that the plants operate safely within these requirements. Licensees submit approximately 1500 applications per year to amend certain aspects of their operating licenses. NRC staff representing various technical and legal disciplines review these requests and develop Safety Evaluation Reports that provide the agency's basis for approving, modifying, or

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Storage casks at the Surry Nuclear Power Plant in Virginia

rejecting license amendment requests. The review of license amendment applications is one of the primary mechanisms for overseeing changes in the operation of licensees' facilities.

As a result, the OIG is currently conducting a survey to assess the safety evaluation process employed by the NRC's Office of Nuclear Reactor Regulation (NRR). Specifically, this survey will consider the following questions:

- Is the Standard Review Plan used in accordance with NRR guidance to thoroughly assess the information that licensees submit in support of their amendment requests?
- Does the safety evaluation process contain adequate oversight mechanisms to ensure that NRR staff sufficiently address the technical issues associated with each amendment request?
- Does the safety evaluation process ensure that these actions are processed in a timely manner? (*Addresses Management Challenges #1, #3, #7, and #8*)

SIGNIFICANT RECOMMENDATIONS NOT YET COMPLETED

NRC Compliance with The Federal Financial Management Improvement Act of 1996

The Federal Financial Management Improvement Act of 1996 (FFMIA) requires that agencies shall establish a remediation plan

when their financial systems do not comply with the provisions of the Act. The remediation plan is to include resources, remedies, and intermediate target dates to bring the agency's systems into compliance. An agency then has 3 years to implement the plan. Section 804(b) of the FFMIA requires that Inspectors General, who prepare semiannual reports to Congress, report instances and reasons when any agency has not met the intermediate target dates established in the remediation plan.

On March 1, 1999, the OIG reported a substantial noncompliance with FFMIA because the NRC had not implemented a cost accounting process as required by Statement of Federal Financial Accounting Standards Number 4. The NRC's OCFO submitted a remediation plan dated July 19, 1999, and a revised plan dated November 17, 1999. Full implementation of cost accounting was scheduled for May 2001. However, as of September 30, 2000, the NRC has not met key intermediate target dates designed to achieve full implementation by May 2001. The delay is primarily due to problems in implementing the NRC's time and labor system, which is integral to achieving the agency's cost accounting objectives.

The agency is again revising its remediation plan to more accurately reflect the expected implementation date. At this time, the NRC still anticipates meeting the required 3 year implementation window. The OIG will continue to monitor the agency's progress and report, as needed, in future semiannual reports.

THE INVESTIGATIVE PROGRAM

During this reporting period, the OIG received 123 allegations, initiated 23 investigations, and closed 25 cases and Event Inquiries. In addition, the OIG made 38 referrals to NRC management for their action.

INVESTIGATIVE CASE SUMMARIES

Indian Point Unit 2 Power Plant

The OIG conducted an Event Inquiry (EI) to address concerns raised by the public and Congress as a result of an incident at the Indian Point Unit 2 Power Plant (IP2) which occurred on February 15, 2000. In that incident, IP2, a pressurized water nuclear reactor plant, experienced a steam generator tube rupture in one of its four steam generators. The OIG's inquiry primarily addressed the adequacy of the NRC staff's handling of issues associated with the IP2 steam generator tube rupture, as well as the NRC's handling of shortcomings identified in the IP2 Emergency Preparedness Plan.

During this inquiry, the OIG determined that the NRC and the nuclear industry had long-standing concerns about a variety of degradation mechanisms that compromise the integrity of the steam generator tubes used in pressurized water reactors. Particular attention focused on the degradation problems unique to Westinghouse Model 44 steam generators (such as those in use at IP2). Because of this degradation, all plants with this model replaced their steam generators except IP2.

The OIG found that the last steam generator inspection conducted by IP2 took place in 1997, and the results were provided to the NRC staff. However, the OIG learned that the NRC staff did not conduct a technical

review of that steam generator inspection report when IP2 submitted it in 1997. The OIG concluded that, had the NRC staff or contractors with technical expertise evaluated the 1997 IP2 inspection report, the NRC could have identified the flaw in the U-bend of row 2, column 5, in steam generator number 24, that was indicated during the inspection. This flaw, which was recently determined to be nearly 100 percent through the tube wall in 1997, was the cause of the IP2 steam generator tube rupture on February 15, 2000.

Also, the OIG found that, in 1999, the NRC granted a license amendment to IP2 to extend their steam generator inspection interval, but the NRC staff conducted an inadequate review of the license amendment request.

During the EI, the OIG also found that the NRC considered IP2 to be a plant that struggled with various challenges in the area of emergency preparedness. The OIG learned that recurring weaknesses that had gone uncorrected appeared to play a role in the poor emergency response performance of IP2 during the incident on February 15, 2000. The OIG also found that communications between off-site emergency preparedness officials and the NRC was non-existent. Local officials told the OIG that they view the NRC as the only independent source that they have to provide them with credible, objective information. Those officials desire personal interaction with the NRC staff of IP2 to discuss plant activities. (*Addresses Management Challenge #5*)

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***Possible Fraud by ICF, Inc.
Involving NRC Contracts***

The OIGs from the NRC and the U.S. Environmental Protection Agency (EPA) conducted a joint investigation after an EPA-directed audit disclosed that ICF Kaiser Group International, Inc. (ICF), Fairfax, VA, may have overbilled the Government on its computer center charges on cost-type contracts. Specifically, the audit found indicators that ICF may have defectively priced computer center costs for time and materials, labor hour, and fixed price contracts from 1986–1996. Potential violations pertained to 18 U.S.C. 287, “False Claims,” and 18 U.S.C. 1001, “False Statements.”

The joint OIG investigation developed information that ICF never adjusted its provisional rates for computer center usage to true cost. This resulted in excess revenue for operation of the computer center. The joint investigation also determined that ICF then converted the excess revenue to its own use, considering the revenue to be profit. In addition, the joint investigation determined that ICF submitted claims to the NRC indicating that the rate charged for its computer center was the actual cost, when in fact it was not.

ICF entered into a settlement agreement with the U.S. Attorney’s Office, Eastern District of Virginia, Alexandria, VA. Simultaneously, ICF filed for bankruptcy; however, ICF agreed to keep the settlement agreement separate from its bankruptcy proceedings. In the settlement agreement, ICF maintained that no inaccurate or erroneous claims were made, but if they were made they were not made intentionally, knowingly or otherwise designed to defraud the United States. The settlement requires ICF to make a payment to the U.S. Treasury, and allows all Federal agencies that have ICF contracts on which the work has been completed and final payments are pending to waive/

deobligate those final payments and administratively close out their contracts. The NRC will be able to waive/deobligate approximately \$49,000.
(Addresses Management Challenge #4)

False Claim: Pal Consultants, Inc.

The OIG conducted an investigation in response to an allegation that a former NRC contractor had submitted a false claim. The investigation revealed that, in 1997, the NRC began the final process to close out a contract with a small contractor. On behalf of the NRC, the Defense Contract Audit Agency (DCAA) conducted an audit as part of the close-out process, to establish the final indirect cost rates. During the audit process, a DCAA auditor made an error in a report, incorrectly listing a particular cost figure as \$37,150, when the actual figure was approximately \$8,000. The NRC and DCAA recognized this error and the DCAA auditor hand-carried an amended report to the contractor. As a result of the audit, DCAA determined that the NRC had overpaid the contractor by approximately \$10,000, and the NRC submitted a demand for repayment. In response, the contractor submitted a claim for additional monies against the NRC. This subsequent claim by the contractor included the \$37,150 figure that had been quoted in the first DCAA audit report.

The OIG determined that the contractor had billed the NRC for approximately \$8,000 at the time of the contract for the particular cost category in question. The president of the contracting firm admitted to the OIG that he had personally drafted and submitted the claim himself, and based the amounts in the claim solely on the information in the first DCAA audit (the audit containing the error). The president further admitted he had not referred to his records when preparing the claim, despite his insistence that he had been extremely thorough and accurate when filing the initial

bills to the NRC. As a result of the investigation, the NRC is currently pursuing civil penalties against the contractor under the Program Fraud Civil Remedies Act. (*Addresses Management Challenge #4*)

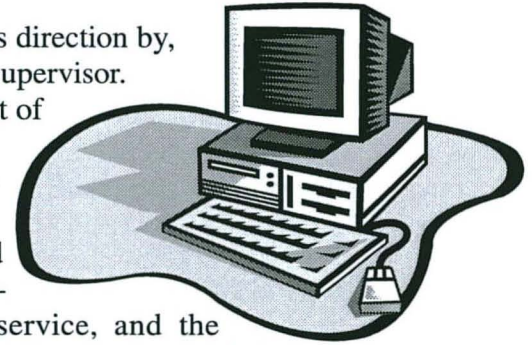
Misadministration of NRC Contract NRC-10-99-151

The OIG conducted an investigation after receiving information that the NRC's janitorial services contractor was being forced by the NRC Project Officer (PO) to provide janitorial products and services that exceeded what was stipulated in the NRC contract. The information also reflected that specific supplies requested by the PO were prohibited under the EPA's Government purchasing guidelines.

The OIG investigation revealed that the PO required the contractor to provide paper products that were not recycled, thereby violating the procurement guidelines set forth in Section 6002 of the EPA's Resource Conservation and Recovery Act, as well as Executive Order 12783, "Federal Acquisition, Recycling and Waste Prevention." By requiring the contractor to provide products that were inconsistent with the NRC contract, the PO made an unauthorized commitment on behalf of the NRC, thereby placing the agency in violation of 48 CFR 2001.602-3, "Ratification of Unauthorized Commitments." The investigation also disclosed that the PO improperly gave constant daily direction to the contractor, assigning tasks that were beyond the scope of the contract and inconsistent with the contract requirements. The PO also inappropriately gave direction regarding the contractor's management of its employees. These actions resulted in an improper personal services relationship between the NRC and the contractor, in violation of 31 U.S.C. 1342, "Limitation on Voluntary Services." In addition, the investigation disclosed that the PO took these actions with the knowledge of, and

sometimes direction by, the PO's supervisor.

As a result of this OIG investigation, the PO retired from Government service, and the PO's supervisor was counseled. (*Addresses Management Challenge #4*)



Theft of NRC Computers from NRC Contractor (Sytel Inc.)

The OIG conducted a joint investigation with the Montgomery County (Maryland) Police Department (MCP) based on a report from the NRC's Division of Facilities and Security, Physical Security Branch, which indicated that two NRC computers had been stolen from an NRC contractor's facility. When a search of the contractor's facility recovered a personal telephone/address book, the OIG coordinated with the Federal Bureau of Investigation Task Force on Stolen U.S. Government Property, and determined that one of the telephone numbers listed in the book belonged to the Virginia State Parole Board. Members of the Virginia State Parole Board reviewed the telephone/address book and identified several surnames listed in the book as possible relatives of a Virginia State parolee who had a history of burglary convictions. Based on this information, the MCP obtained an arrest warrant for the suspect/parolee. On May 25, 2000, the NRC's OIG and the MCP arrested the suspect for 2nd-degree burglary and theft over \$300.

Improper Actions by a Region III Inspector Toward Licensee Employees

The OIG conducted an investigation in response to an allegation that an NRC Region III reactor inspector had engaged in improper
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conduct while on official duty at a nuclear power plant. Specifically, the complaint alleged that the NRC inspector followed a female licensee employee around the plant, and made improper comments to her that made her feel uncomfortable.

The investigation disclosed that the inspector had engaged in inappropriate activity. Specifically, the OIG determined that, as early as 1998, the inspector had engaged a female licensee employee in conversations that were of a personal nature. Without her consent or prior knowledge, he arranged to meet the female after hours, and attempted to engage her in additional personal conversations. In April 2000, while on an inspection at the same facility, the NRC inspector made inappropriate comments to another female licensee employee, and engaged her in multiple improper conversations. The OIG also learned that the inspector's activities were not limited to licensee facilities, and that the inspector had also conducted himself improperly at the NRC regional office. The inspector declined to cooperate with the OIG investigation and subsequently resigned from his position with the NRC after 19 years of service. (*Addresses Management Challenge #5*)

Electronic Mail Harassment

The OIG conducted an investigation regarding an employee of an NRC contractor who received harassing and threatening electronic mail messages over the NRC's email system from an unknown subject. The contractor employee is a single parent with two

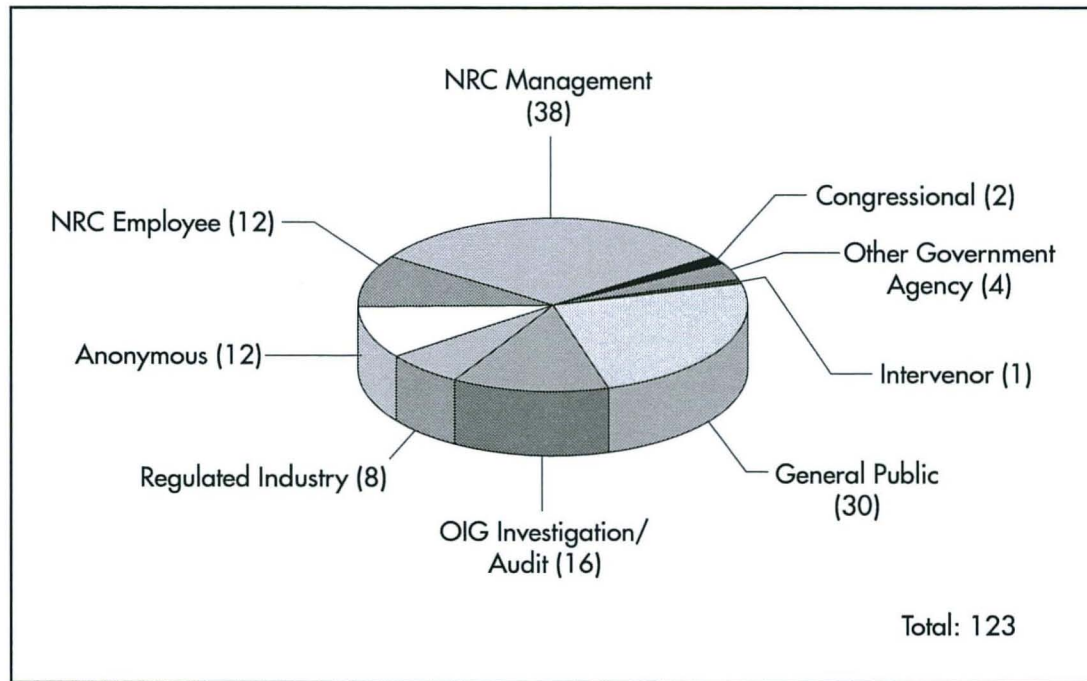
children in her custody. The unknown subject revealed personal information about the contractor employee and her family, leading her to believe that the unknown subject was stalking her. As a result, the OIG coordinated investigative efforts with the State's Attorney for Montgomery County, Maryland, and the police department for Prince George's County, Maryland.

Through this investigation, the OIG determined that the unknown suspect used an alias to establish an email account with a free email service on the World Wide Web, and he then used that account to send the threatening emails to the victim under his alias. The OIG utilized both Grand Jury and IG subpoenas to trace and identify the origin of these threatening emails, and determined that the emails originated from both a private residence and a law firm in Washington, DC. The OIG subsequently identified the unknown subject as a former acquaintance of the NRC contractor's employee, and the subject admitted to the OIG that he was the originator of the subject emails.

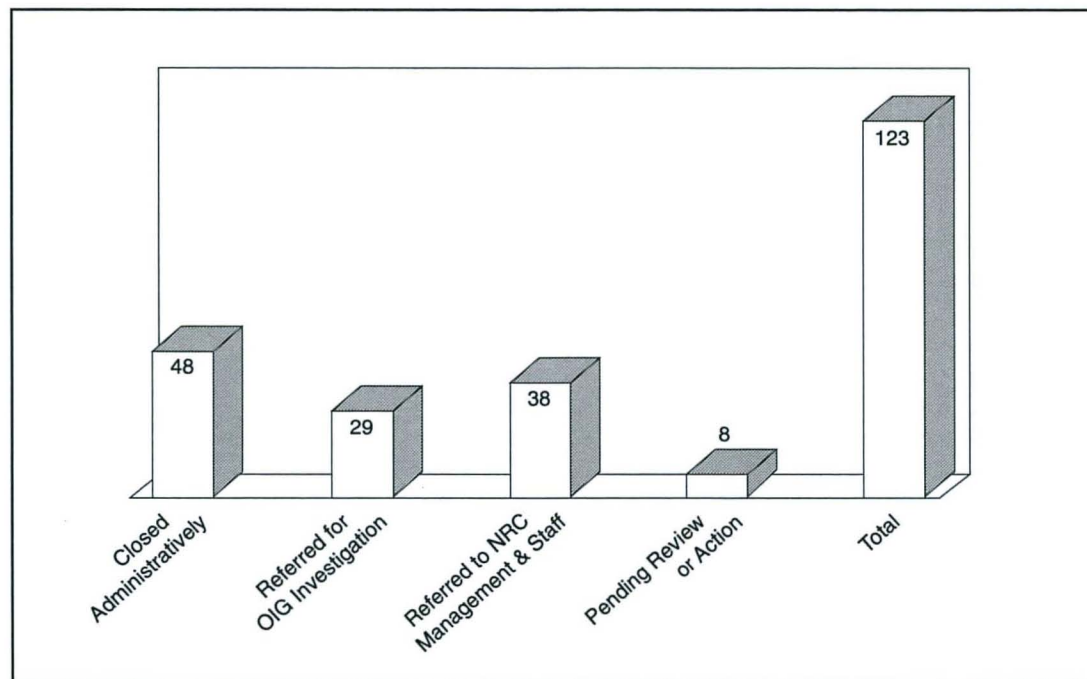
The subject was arrested and prosecuted for electronic mail harassment under Maryland State law. The subject was tried in the District Court for Montgomery County, Maryland, and was found guilty of electronic mail harassment. The subject was sentenced to 6 months in jail (suspended), and 12 months of probation, was fined \$250, and was ordered to undergo psychiatric evaluation and perform 20 hours of community service. The subject was also terminated from his employment at the law firm.

INVESTIGATIVE STATISTICS

Source of Allegations — April 1, 2000 through September 30, 2000



Disposition of Allegations — April 1, 2000 through September 30, 2000



Status of Investigations

DOJ Referrals	6
State/Local Referrals	5
Acceptance for Prosecution	5
Prosecutions Declined	7
Pending DOJ Action	1
Indictments and Arrests	2
Convictions	1
PFCRA Referrals	1
PFCRA Recoveries	0
Other Recoveries (Deobligation)	\$49,000
NRC Administrative Actions:	
Terminations and Resignations	4
Suspensions and Demotions	1
Other Administrative Actions	5
Counseling	5

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	4	1	3	2
B - Internal Fraud	0	1	1	0
C - External Fraud	3	5	2	6
D - False Statements	1	3	2	2
E - Theft	1	0	1	0
F - Misuse of Government Property	2	6	4	4
G - Employee Misconduct	4	3	5	2
H - Management Misconduct	5	2	4	3
I - Technical Allegations—Other	1	2	0	3
J - Whistleblower Reprisal	1	0	1	0
Total Investigations	22	23	23	22
Total Event Inquiries	5	0	2	3
Investigative Initiatives	12	1	7	6

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. The OIG conducts its regulatory reviews by examining agency documents reflecting regulatory, statutory, and policy actions. Proposed actions and revisions are measured against standards to evaluate fraud potential, efficiency, and effectiveness. The review also encompasses issues raised in OIG investigations, audits, and prior regulatory commentaries.

The primary objective of the regulatory review program is to systematically examine agency actions and establish a dialogue to eliminate vulnerability to fraud, waste, and abuse within the agency. It also serves to advise agency managers of the importance of considering aspects of agency policy and procedures that impact the OIG's mission-related functions and responsibilities. In addition, comments are used to address issues related to preserving the independence and integrity of the OIG under its statutory precept. These objectives are met through formal memoranda, as well as discussions.

From April 1, 2000, through September 30, 2000, the OIG reviewed nearly 200 agency documents, including approximately 120 documents issued by the Office of the Secretary (SECYs) and 75 *Federal Register* notices, regulatory actions, and statutes.

The most significant commentaries are summarized below. Two of these comments were addressed to the agency's Office of the General Counsel (OGC).

The first was a follow-up to the OIG's prior comments regarding draft Management Directive (MD) 9.7, "Organization and Functions, Office of the General Counsel." The original OIG remarks related to inconsistent descriptions of the OGC's responsibilities. Specifically, the CFR, the *OGC Operating Manual*, and various MDs identify agency obligations. The most important aspect of these discrepancies is the requirement for attorney review of contracts and other procurement actions that result in the expenditure of agency funds. The OGC's response to the inconsistency in the regulations was to eliminate the provisions for attorney review, except in response to a request from a contracting officer or program official. The OIG still holds the conviction that there is substantial value to be gained from including legal review as part of all contracting processes. Further, the NRC's reliance on agency program officials or contracting officers to identify legal deficiencies provides wholly inadequate safeguards against fraud, waste, and abuse in this most vulnerable area. The OIG has conveyed these serious concerns to the OGC.

The second comment related to the functions of the OGC as the cognizant office for revising the Protocol section of the *EDO Procedures Manual*. The protocol is an agreement reflecting procedures for cooperation between the OIG and designated agency offices in cases involving misconduct and malfeasance.

(continued on next page)

The first version of the protocol was effected in 1996. In the interim, changes have occurred in position titles, as well as the occupants of those positions; more significantly, additional areas to be covered by the agreement have been identified. In ongoing discussions, agreement has been reached with regard to expanding the coverage to contract matters and more precise identification of reporting responsibilities. Remaining areas are under active discussion, and should be complete before the next Semiannual Report to Congress.

Another matter for comment in the *EDO Procedures Manual* is the requirement for all regulatory, legislative, and policy documents to be forwarded to the OIG for review and comment under its Regulatory Review function. This requirement was added so that the manual is now consistent with Management Directive 1.1, "The Management Directive System."

The OIG also provided advice concerning the revised MD 14.1, "Official Duty Travel," regarding fraud preventive measures related to the use of rental vehicles for official travel. The agency agreed to the OIG's suggestions that the agency should clarify personal expense and liability responsibility.

The OIG also reviewed and commented on the draft MD 8.3, "NRC Incident Investigation Program." The focus of the OIG's response was twofold. First, the OIG noted the need for additional clarification regarding thresholds for different levels of actions. Second, the OIG noted that the role and responsibilities of the EDO required greater specificity.

The OIG's comments regarding the draft MD 2.7, "Personal Use of Information Technology," included support for the agency's effort to provide specific and concrete guidance to its employees. In addition, the OIG posed questions with regard to areas where further

detail could aid employees in avoiding inadvertent misuse of Government resources.

The OIG noted that the most recent revision to MD 10.12, "Use of Advisory Committee Members," was responsive to comments provided in the OIG's March 6, 1998, commentary on an earlier draft. Issues remaining in the current edition include the need for a complete list of all committees covered by the directive, as well as the need to avoid referencing requirements beyond the scope of the directive.

The OIG provided extensive comments regarding the draft MD 11.8, "NRC Procedures for Placement and Monitoring of Work with Other Federal Agencies." The most detailed comments focused on technical procurement issues and review requirements. In addition, the OIG offered to give annual fraud awareness training to agency employees involved in procurement activities, and suggested that this training be identified and included in the directive.

An OIG commentary addressed the agency's response to an OMB inquiry concerning the NRC's handling of the Management Challenges identified by the OIG. In a memorandum dated May 19, 2000, the IG noted that the agency did not address Management Challenge 6, "Maintaining an Unqualified Financial Statement Opinion in Light of New and Existing CFO Requirements." The IG expressed continuing interest and concern regarding the adequacy of the NRC's financial systems and associated processes.

JAPANESE FEDERATION OF THE BAR MEETS WITH THE NRC OIG

In the aftermath of the fatal accident at a fuel conversion plant in Tokaimura, Japan,



Representatives from the Japanese Federation of the Bar Association meet with NRC OIG staff members George Mulley, Senior Level Assistant for Investigative Operations (second from left), and William McDowell, Team Leader, Assistant Inspector General for Audits (third from left).

in September 1999, representatives from the Japanese Federation of the Bar Association realized the need to strengthen regulatory oversight of their country's nuclear facilities. Aided by representatives from the Nuclear Information & Resource Service, the group conducted a fact-finding visit to meet with energy leaders in this country to gain insights regarding potential regulatory methods and programs to improve the oversight of Japanese nuclear facilities. Their itinerary included a visit to the Calvert Cliffs nuclear plant in Lusby, Maryland, as well as discussions on a variety of nuclear topics with NRC Commissioner Merrifield, Congressman Jim Gibbons, and staff from the OIG's Audit and Investigative components.

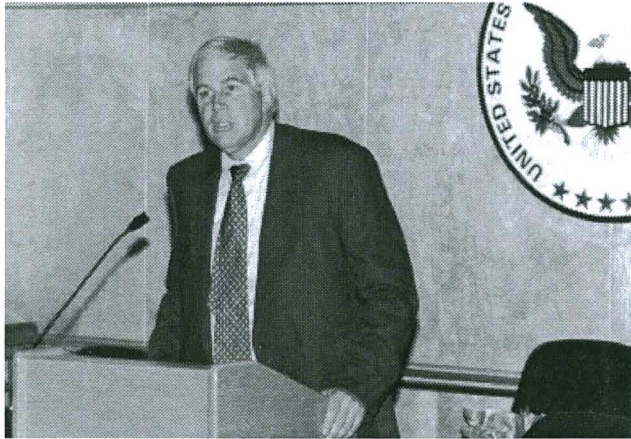
Speaking through an interpreter, the OIG staff provided an overview of the NRC's regional office and headquarters structure and explained how various disciplines in each unit

are designed to provide integrated regulatory oversight. For example, the group was extremely interested in the Resident Inspector program, which provides daily NRC inspection coverage of plant operations. The OIG staff also provided a historical overview of the NRC's oversight programs, and explained how various economic and legislative factors have combined to cause a re-examination of the NRC's regulatory approach. The OIG noted, for example, that the NRC is revising its nuclear plant inspection program, with an increased focus on what is important to maintain safe operations, rather than prescriptive regulatory compliance.

Throughout the discussions, the delegation offered examples of the regulatory structure in Japan. They also asked for the OIG's perspective regarding changes they were contemplating to make their oversight process

(continued on next page)

more responsive to emerging needs. The OIG staff answered many questions about the effectiveness of various regulatory approaches, and drew from current United States experience



NRC Chairman, Richard A. Meserve

to suggest ways of strengthening the Japanese oversight system.

In addition to discussing NRC programs, the OIG staff provided an overview of the audit and investigative techniques used to measure program effectiveness and protect against wasteful practices. The OIG noted, for example, several outreach programs that the OIG has implemented to stay informed of technical and operational developments, and to strengthen working relationships with other Federal agencies to combat fraud, waste, and abuse.

The delegation expressed deep appreciation for the insights that the OIG provided, and noted that this information would be instrumental in helping them evaluate revisions to the regulatory system in Japan.

Paul Blanch,
Energy Consultant



OIG INFORMATION AND PLANNING CONFERENCE

The OIG held its annual Information and Planning Conference on September 12, 2000. The theme for this year's conference was "NRC's

Regulatory Approach." The conference was open to the public, and offered a keynote speaker and two presentations.



Joe F. Colvin, President and CEO,
Nuclear Energy Institute

The conference began with opening remarks by Inspector General Hubert T. Bell, who then introduced the keynote speaker, Chairman Richard A. Meserve. Chairman Meserve discussed the NRC's action in moving from a prescriptive, deterministic regulatory framework to performance-based rules that are informed by assessments of relative risk. The Chairman stressed that the NRC must accomplish this evolution without compromising its fundamental mission of

protecting the health and safety of the public. The Chairman's vision for the final product is a regulatory structure that is more aligned with safety, more internally consistent, and easier for licensees to understand and NRC staff to implement.

Mr. Paul Blanch, an energy consultant, followed with an informative presentation entitled "NRC's Regulatory Approach and How NRC Regulates the Industry." Mr. Blanch's presentation offered three suggestions to improve regulatory effectiveness and perceptions, including (1) create a "win-win" situation between the NRC and whistleblowers, (2) ensure that the NRC's Office of Investigations is truly independent, and (3) ensure that information provided by the NRC is accurate.

The final speaker, Mr. Joe F. Colvin, President and CEO of the Nuclear Energy Institute, provided valuable insight on the licensees' role and their relationship with the NRC.

Question-and-answer sessions were conducted at the conclusion of Chairman Meserve's keynote address, and after each speaker's presentation. Questions asked by the audience sought clarification regarding a variety of issues addressed during the conference. The closing remarks were given by the Inspector General.

The OIG believes that information obtained during the conference was useful in developing the OIG's FY 2001 Annual Plan. The conference and its agenda generated

extensive interest, and was well attended by NRC staff to include many senior management officials.

NEW ASSISTANT INSPECTOR GENERAL FOR AUDITS

On May 22, 2000, Stephen D. Dingbaum became the new Assistant Inspector General for Audits in the NRC's OIG. Mr. Dingbaum has more than 24 years of governmental auditing and management experience. Prior to coming to the NRC, he was the Deputy Assistant Inspector General for Security and Intelligence Oversight at the U.S. Department of State. While at the Department of State, Mr. Dingbaum received several awards, including two superior honor awards and two meritorious honor awards. These awards recognized his successful audit leadership in security, intelligence, information management, communications, contract, acquisition, and financial management. He also served with the OIG for the U.S. Department of Defense.

Mr. Dingbaum is a Certified Public Accountant, as well as a member of the American Institute of Certified Public Accountants. In addition, he is a certified fraud examiner and a member of the Association of Certified Fraud Examiners. He holds undergraduate degrees in accounting and economics from the University of Northern Iowa, a Master of Business Administration from the University of Northern Iowa, and a Master of Arts in National Security and Strategic Studies from the U.S. Naval War College.

APPENDICES

AUDIT LISTINGS

Internal Program Audit and Special Evaluation Reports

Date	Title	Audit Number
04/20/00	<i>Special Evaluation of the Status of NRC's Website</i>	OIG-00-E-08
04/24/00	<i>Special Evaluation of Best Practices in Implementing Managerial Cost Accounting</i>	OIG-00-E-06
06/08/00	<i>Review of the Basis for the Structure of NRC's CISSCO Program</i>	OIG-00-A-03
06/08/00	<i>Review of NRC's Operator Licensing Program</i>	OIG-99-A-15
06/29/00	<i>Review of the Development and Implementation of STARFIRE</i>	OIG-99-A-14
08/14/00	<i>Review of NRC's Audit Follow-Up System</i>	OIG-00-A-05
08/16/00	<i>Review of NRC's Spent Fuel Pool Inspection Program at Decommissioning Nuclear Power Plants</i>	OIG-00-A-01
08/31/00	<i>Special Evaluation of the Role and Structure of NRC's Executive Council</i>	OIG-00-E-09
09/22/00	<i>Review of NRC's Differing Professional View/Differing Professional Opinion Program</i>	OIG-00-A-07
09/29/00	<i>NRC's Efforts to Protect Its Critical Infrastructure: Presidential Decision Directive 63</i>	OIG-00-A-02

Contract Audit Reports

OIG Issue Date	Contractor/ Contract Number	Questioned Costs	Funds Put to Better Use
4/3/00	The International Technology Group NRC-26-91-292	0	0
4/17/00	Athey Consulting, Inc. NRC-26-98-262	0	0
4/18/00	Athey Consulting, Inc. NRC-26-98-262	0	0
4/18/00	Sargent and Lundy, L.L.C. NRC-03-96-028	0	0
4/18/00	Sargent and Lundy, L.L.C. NRC-03-96-028	0	0
7/14/00	ICF, Inc. RS-NMS-00-003	0	0
7/14/00	Mitretek Systems, Inc. NRC-04-92-051	\$160	0
8/22/00	Sonalysts, Inc. RS-NRR-00-002	0	0
8/23/00	The Arora Group, Inc. RS-HR-99-291	0	0
8/25/00	Information Systems Laboratories, Inc. RS-NRR-00-003	0	0
9/26/00	Beckman and Associates, Inc. NRC-03-98-021	0	0

Contract Audit Reports (continued)

OIG Issue Date	Contractor/ Contract Number	Questioned Costs	Funds Put to Better Use
9/27/00	Scientech, Inc. NRC-03-93-031	0	0
	NRC-03-95-026	0	0
	NRC-04-91-068	0	0
	NRC-26-95-261	0	0
9/27/00	Scientech, Inc. NRC-03-93-031	0	0
	NRC-03-95-026	0	0
	NRC-04-91-068	0	0
	NRC-26-95-261	0	0
9/27/00	The IT Group NRC-26-91-292	0	0

AUDIT TABLES

During this reporting period, the OIG analyzed 14 contract audit reports issued by the DCAA, as summarized on the following tables.

Table I. Post-Award Findings

OIG Reports Containing Questioned Costs			
April 1, 2000 – September 30, 2000			
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	1	\$160	0
<i>Subtotal (A + B)</i>	1	\$160	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	1	\$160	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

Table II. Pre-Award Findings

**OIG Reports Issued with Recommendations
That Funds Be Put to Better Use
April 1, 2000 – September 30, 2000**

Reports	Number of Reports	Dollar Value of Funds
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	0
<i>Subtotal (A + B)</i>	3	0
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	3	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

ABBREVIATIONS

AIGA	Assistant Inspector General for Audits
AIGI	Assistant Inspector General for Investigations
ASP	Accident Sequence Precursor
CFO	Chief Financial Officer (NRC)
CFR	<i>Code of Federal Regulations</i>
CIO	Chief Information Officer (NRC)
CISSCO	Comprehensive Information Systems Support Consolidation
CSC	Computer Sciences Corporation
DCAA	U.S. Defense Contract Audit Agency
DPV/DPO	Differing Professional View/Differing Professional Opinion
EC	Executive Council (NRC)
EDO	Executive Director for Operations (NRC)
EI	Event Inquiry
EPA	U.S. Environmental Protection Agency
FAR	Federal Acquisition Regulation(s)
FFMIA	Federal Financial Management Improvement Act
FY	Fiscal Year
GPRA	Government Performance and Results Act
GSA/FEDSIM	U.S. General Services Administration/Federal Systems Integration and Management Center
ICF	ICF Kaiser Group International, Inc.
IG	Inspector General
IP2	Indian Point Unit 2 Power Plant
MAC	multiple award contract

MCP	Montgomery County (Maryland) Police Department
MD	Management Directive(s)
NMED	Nuclear Materials Events Database
NRC	U.S. Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation (NRC)
OCFO	Office of the Chief Financial Officer (NRC)
OCIO	Office of the Chief Information Officer (NRC)
OIG	Office of the Inspector General
OGC	Office of the General Counsel (NRC)
OMB	Office of Management and Budget
PDD	Presidential Decision Directive
PO	Project Officer
REIRS	Radiation Exposure Information Report System
SCSS	Sequence Coding and Search System
SECY	Office of the Secretary of the Commission (NRC)
SFP	spent fuel pools
STARFIRE	Standard Financial and Integrated Resource Enterprise
TAC	task assignment control

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.

CITATION	REPORTING REQUIREMENTS	PAGE
Section 4(a)(2)	Review of Legislation and Regulations	25–26
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	7–14, 19–22
Section 5(a)(2)	Recommendations for Corrective Action	7–14
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed	18
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	20–22
Section 5(a)(5)	Information or Assistance Refused	None
Section 5(a)(6)	Listing of Audit Reports	31–33
Section 5(a)(7)	Summary of Significant Reports	7–14, 19–22
Section 5(a)(8)	Audit Reports — Questioned Costs	34
Section 5(a)(9)	Audit Reports — Funds Put to Better Use	35
Section 5(a)(10)	Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions With Which the OIG Disagreed	None

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 9 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**

