



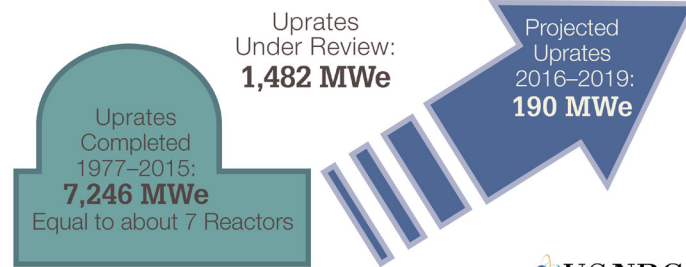
**OFFICE OF THE INSPECTOR GENERAL**  
**U.S. NUCLEAR REGULATORY COMMISSION**  
**DEFENSE NUCLEAR FACILITIES SAFETY BOARD**

# Semiannual Report to Congress

*October 1, 2018 — March 31, 2019*



## Power Upgrades: Past, Current, and Future



As of July 2016



## **OIG VISION**

Advancing nuclear safety and security through audits, evaluations, and investigations.

## **OIG MISSION**

Provide independent, objective audit and investigative oversight of Nuclear Regulatory Commission and Defense Nuclear Facilities Safety Board operations to protect people and the environment.

## **COVER PHOTOS:**

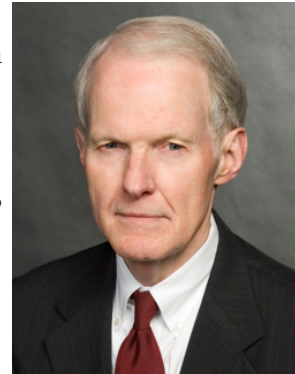
From left to right:

1. High Energy Arc Fault (HEAF) testing at Kema Laboratories in Chalfont, PA.
2. Graphic on power uprates, changes that are sought through license amendment requests.
3. HEAF test explosion.

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# A MESSAGE FROM THE ACTING INSPECTOR GENERAL

I am pleased to present this Semiannual Report to Congress on the activities and accomplishments of the Nuclear Regulatory Commission (NRC) Office of the Inspector General (OIG) from October 1, 2018, to March 31, 2019.



Our work reflects the legislative mandate of the Inspector General Act, which is to identify and prevent fraud, waste, and abuse through the conduct of audits and investigations relating to NRC programs and operations. The audits and investigations highlighted in this report demonstrate our commitment to ensuring integrity and efficiency in NRC's programs and operations. In addition, the Consolidated Appropriations Act, 2014, provided that notwithstanding any other provision of law, the NRC Inspector General is authorized in 2014 and subsequent years to exercise the same authorities with respect to the Defense Nuclear Facilities Safety Board (DNFSB), as determined by NRC Inspector General, as the Inspector General exercises under the Inspector General Act of 1978 (5 U.S.C. App.) with respect to NRC.

During this reporting period, we issued reports intended to strengthen NRC's management of its programs and operations, including the generic issues program, the research program, the license amendment process, and the human resources program. We issued financial statement audits for both NRC and DNFSB, and we identified the most serious management and performance challenges facing each agency in FY 2019. We also issued an audit of DNFSB's Issue and Commitment Tracking System. OIG opened 16 investigations, and completed 26 cases. One of the open cases were referred to the Department of Justice, and 32 allegations were referred to NRC management for action.

NRC OIG is committed to the integrity, efficiency, and effectiveness of NRC and DNFSB programs and operations, and our audits, investigations, and other activities highlighted in this report demonstrate our ongoing commitment. I would like to acknowledge our auditors, investigators, and support staff for their commitment to the mission of this office.

Our success would not be possible without the collaborative efforts between OIG staff and NRC and DNFSB staff to address OIG findings and implement corrective actions in a timely manner. I thank them for their dedication, and I look forward to continued cooperation as we work together to ensure the integrity and efficiency of agency operations.

A handwritten signature in black ink that reads "David C. Lee". The signature is written in a cursive, slightly stylized font.

David C. Lee  
Acting Inspector General



*NRC Headquarters complex.*

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# CONTENTS

<b>Highlights</b> . . . . .	vii
Audits . . . . .	vii
Investigations . . . . .	xi
<b>Overview of NRC and OIG</b> . . . . .	x
NRC’s Mission . . . . .	1
OIG History, Mission, and Goals . . . . .	2
OIG History . . . . .	2
OIG Mission and Goals . . . . .	3
<b>OIG Programs and Activities</b> . . . . .	5
Audit Program . . . . .	5
Investigative Program . . . . .	6
OIG General Counsel Regulatory Review . . . . .	6
Other OIG Activities . . . . .	8
<b>NRC Management and Performance Challenges</b> . . . . .	12
<b>NRC Audits</b> . . . . .	13
Audit Summaries . . . . .	13
Audits in Progress . . . . .	21
<b>NRC Investigations</b> . . . . .	30
Investigative Case Summaries . . . . .	30
<b>Defense Nuclear Facilities Safety Board</b> . . . . .	35
<b>DNFSB Management and Performance Challenges</b> . . . . .	36
<b>DNFSB Audits</b> . . . . .	37
Audit Summaries . . . . .	37
Audits in Progress . . . . .	40
<b>DNFSB Investigations</b> . . . . .	41
Investigative Case Summaries . . . . .	41
<b>Summary of OIG Accomplishments at NRC</b> . . . . .	45
NRC Investigative Statistics . . . . .	45
NRC Audit Listings . . . . .	47
NRC Audit Resolution Activities . . . . .	49
<b>Summary of OIG Accomplishments at DNFSB</b> . . . . .	52
DNFSB Investigative Statistics . . . . .	52
DNFSB Audit Listings . . . . .	54
DNFSB Audit Resolution Activities . . . . .	55
<b>Unimplemented Audit Recommendations</b> . . . . .	57
NRC . . . . .	57
DNFSB . . . . .	64
<b>Abbreviations and Acronyms</b> . . . . .	66
<b>Reporting Requirements</b> . . . . .	67
<b>Appendix</b> . . . . .	68



*Resident Inspector inspects Watts Bar Unit 1 ice condenser.*

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# HIGHLIGHTS

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

## AUDITS

### NUCLEAR REGULATORY COMMISSION

- The U.S. Nuclear Regulatory Commission (NRC) defines a generic issue as a well-defined, discrete, technical or security issue, the risk/or safety significance of which can be adequately determined, and which (1) applies to two or more facilities and/or licensees/certificate holders, or holders of other regulatory approvals (including design certification rules); (2) affects public health and safety, the common defense and security, or the environment; (3) is not already being processed under an existing program or process; and (4) can be resolved by new or revised regulation, policy, or guidance or voluntary industry initiatives. A generic issue may lead to regulatory changes that either enhance safety, or reduce unnecessary regulatory burden. In 2014, NRC revised the Generic Issues Program to improve timeliness, clarify roles and responsibilities, establish clear interfaces, and increase stakeholder participation. The audit objective was to determine whether NRC (1) screens and assesses potential nuclear power plant generic issues in a timely manner, and (2) adequately supports and documents decisions made during the process.
- NRC is responsible for assuring safety in the design, construction, and operation of commercial nuclear facilities and in the other uses of nuclear materials, such as in medicine and industrial activities. As a key component of nuclear safety, NRC carries out a research program to provide independent information and expertise needed to support NRC's decisionmaking process and to identify and characterize technical questions that may become important safety issues in the future. NRC's research program is carried out by the Office of Nuclear Regulatory Research (RES). RES supports the agency mission by providing independent technical analysis and advice, tools, and information for identifying and resolving safety issues, making regulatory decisions, and promulgating regulations and guidance for nuclear power plants and other facilities and materials regulated by the agency. The audit objective was to assess the effectiveness and efficiency of the development, use, and coordination of research activities.
- NRC has the authority to amend licenses for operating reactors. License amendments are changes to NRC issued licenses where a licensee submits a license amendment request (LAR) to NRC for prior approval if the licensee proposes to modify the license terms and conditions or technical specifications or if a proposed change meets the criteria of Title 10 Code of Federal Regulations, Part 50.90. NRC reviews license amendment applications to ensure that the applicant's assumptions are technically correct and that the proposed activities will not adversely affect the environment.

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The audit objective was to assess NRC's processes for reviewing nuclear power plant LARs, with emphasis on preliminary acceptance/rejection procedures and other actions taken to ensure timely, consistent, and well-supported decisions.

- The Federal Government created Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) as a means to reshape and decrease the size of its workforce. From 2015 through 2017, NRC used its approved VERA/VSIP authority to reshape and reduce its workforce. NRC identified 381 positions for elimination or restructuring via its VERA/VSIP program. Ultimately, 190 employees left the agency through a VERA or VSIP. The audit objective was to assess NRC's early out/buyout policies, procedures, and practices to determine if workforce planning documentation, personnel staffing plans, and/or similar documents were developed, communicated, and applied as permitted by applicable criteria.
- The Chief Financial Officers Act of 1990, as amended, requires the Inspector General or an independent external auditor, as determined by the Inspector General, to annually audit NRC's financial statements to determine whether the agency's financial statements are free of material misstatement. OIG retained Acuity Consulting, Inc., to conduct this audit, which includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. In addition, the audit evaluated the effectiveness of internal controls over financial reporting and the agency's compliance with laws and regulations. The audit objectives were to express opinions on the agency's financial statements and internal controls, review compliance with applicable laws and regulations, review the controls in NRC's computer systems that are significant to the financial statements, and assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, "Management's Responsibility for Enterprise Risk Management and Internal Control."
- In accordance with the Reports Consolidation Act of 2000, the Inspector General identified what he considered the most serious management and performance challenges facing NRC in FY 2019. These management and performance challenges are directly related to NRC's mission areas (commercial nuclear reactors and nuclear materials), and address security, information technology, financial programs, and administrative functions.



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## DEFENSE NUCLEAR FACILITIES SAFETY BOARD

- The Accountability for Tax Dollars Act of 2002 requires the Inspector General or an independent external auditor, as determined by the Inspector General, to annually audit the Defense Nuclear Facilities Safety Board's (DNFSB) financial statements in accordance with applicable standards. In compliance with this requirement, OIG retained Acuity Consulting, Inc. (Acuity) to conduct this annual audit. Acuity examined the DNFSB's Fiscal Year (FY) 2018 Agency Financial Report, which includes comparative financial statements for FYs 2018 and 2017.
- Congress created DNFSB to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's defense nuclear facilities. In mid-2013, DNFSB created the Issue and Commitment Tracking System (IACTS) to replace its previous informal tracking system. IACTS is an electronic, SharePoint-based tracking system that DNFSB's technical staff use to support the management of Board member safety items, as well as related DOE and DNFSB internal staff commitments. The audit objective was to determine if IACTS and its related processes are effective in helping DNFSB accomplish its mission.
- In accordance with the Reports Consolidation Act of 2000, the Inspector General identified what he considered the most serious management and performance challenges facing DNFSB in FY 2019. These management and performance challenges are related to DNFSB's organizational culture and climate, security, human capital, and internal controls.

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## *INVESTIGATIONS*

### **NUCLEAR REGULATORY COMMISSION**

- OIG conducted two separate investigations into allegations that two NRC Office of Investigations (OI) Special Agents had their NRC-issued equipment stolen from their unattended personal vehicles. In one instance, the Special Agent's NRC-issued firearm (handgun), OI badge and credentials, laptop computer, Government Personal Identity Verification card, and other NRC-issued equipment was stolen from his unattended (unlocked) personal vehicle. In the other instance, the Special Agent had his NRC-issued weapon, OI belt badge, baton, handcuffs, other NRC-issued equipment, and personal items stolen from his personal vehicle while parked overnight in front of his residence.
- OIG conducted two investigations into allegations that two NRC employees, a Technical Assistant and a Mechanical Engineer, held stocks or funds listed on the NRC "Prohibited Securities List" for the years 2016 and 2017, as disclosed on their Office of Government Ethics (OGE) Forms 450 for those years. NRC addressed the issue by requiring them to divest the stocks or funds. OIG reviewed the circumstances surrounding the NRC employees' ownership of the prohibited stocks and funds, and whether they were involved in any regulatory matters that had an impact on the company's stock or fund that they were prohibited from owning.
- OIG conducted an investigation into an allegation that an NRC senior official held stocks on the NRC "Prohibited Securities List" for the years 2015-2017, as disclosed on his OGE Form 450 for those years. NRC addressed the issue by requiring the employee to divest the stocks. OIG reviewed the circumstances surrounding the NRC employee's ownership of the prohibited stocks, and whether he was involved in any regulatory matters that had an impact on the company's stock that he was prohibited from owning.
- OIG conducted an investigation into an allegation of time and attendance abuse by an NRC senior official. Allegedly, the senior official falsely claimed 8 hours of regular time in the NRC Human Resources Management System on 2 days in 2016 and 7 days in 2017. The alleger claimed the senior official either was not at work on those days, worked partially those days or came to work late. In addition, the alleger claimed that the senior official should have claimed full days of sick leave on 3 days in 2017, but instead reported having worked on some portion of the days.
- OIG conducted an investigation into an allegation that NRC staff in a regional office were not citing security violations and were allowing violations to continue. According to the alleger, NRC senior officials were sending inspectors who were not fully trained or knowledgeable of NRC requirements out on their own to conduct inspections. This, it was alleged, was allowing "blatant security violations" of 10 Code of Federal Regulations (CFR) 37, "Physical Protection of

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Category 1 and Category 2 Quantities of Radioactive Material,” through issues either not being noticed or through the failure of NRC managers to follow up by issuing appropriate violations.

- OIG conducted an investigation into an allegation that an NRC senior official’s NRC senior managers harassed, intimidated, and retaliated against the senior official for submitting a differing professional opinion.

## **DEFENSE NUCLEAR FACILITIES SAFETY BOARD**

- OIG conducted an investigation into an allegation that seven DNFSB contractors were working at the DNFSB without appropriate security clearances and that one Federal employee had been employed for 8 months before completing paperwork to initiate a Department of Energy “Q” clearance background investigation.
- OIG conducted an investigation into an allegation that a former DNFSB Chairman had potentially violated Government ethics rules by utilizing her position to promote a charitable organization connected to that former Chairman.
- OIG conducted an investigation into an allegation that a former DNFSB Chairman was planning to inappropriately remove the former DNFSB General Counsel from his career Senior Executive Service position.
- OIG conducted an investigation into an allegation that the DNFSB General Counsel received a phone call from a local news reporter from Center for Public Integrity, requesting to verify predecisional DNFSB information that had not been released to the public. It was alleged that someone within DNFSB was leaking predecisional information to the news media organizations.



*NRC Region III inspector at Big Rock Independent Spent Fuel Storage Installation.*

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# OVERVIEW OF NRC AND OIG

## *NRC's Mission*

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

NRC's mission is to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. NRC's regulatory mission covers three main areas:

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



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

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

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## *OIG History, Mission, and Goals*

### **OIG History**

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

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

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

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## OIG Mission and Goals

NRC's OIG was established as a statutory entity on April 15, 1989, in accordance with the 1988 amendment to the IG Act. NRC OIG's mission is to provide independent, objective audit and investigative oversight of NRC and DNFSB operations to protect people and the environment.

OIG is committed to ensuring the integrity of NRC and DNFSB programs and operations. Developing an effective planning strategy is a critical aspect of accomplishing this commitment. Such planning ensures that audit and investigative resources are used effectively. To that end, OIG developed a Strategic Plan that includes the major challenges and critical risk areas facing NRC and DNFSB.

The plan identifies OIG's priorities and establishes a shared set of expectations regarding the goals OIG expects to achieve and the strategies that will be employed to do so. OIG's Strategic Plan features three goals for each agency, which generally align with each agency's missions and goals. OIG's strategic goals for NRC are

1. Strengthen NRC's efforts to protect public health and safety and the environment.
2. Strengthen NRC's security efforts in response to an evolving threat environment.
3. Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

OIG's strategic goals for DNFSB are

1. Strengthen DNFSB's efforts to oversee the safe operation of DOE defense nuclear facilities.
2. Strengthen DNFSB's security efforts in response to an evolving threat environment.
3. Increase the economy, efficiency, and effectiveness with which DNFSB manages and exercises stewardship over its resources.



*Presentation at Three Mile Island nuclear power plant.*



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# OIG PROGRAMS AND ACTIVITIES

## *Audit Program*

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

- **Survey** – An initial phase of the audit process is used to gather information on the agency’s organization, programs, activities, and functions. An assessment of vulnerable areas determines whether further review is needed.
- **Fieldwork** – Detailed information is obtained to develop findings and support conclusions and recommendations.
- **Reporting** – The auditors present the information, findings, conclusions, and recommendations that are supported by the evidence gathered during the survey and fieldwork phases. Exit conferences are held with management officials to obtain their views on issues in the draft audit report. Comments from the exit conferences are presented in the published audit report, as appropriate. Formal written comments are included in their entirety as an appendix in the published audit report.
- **Resolution** – Positive change results from the resolution process in which management takes action to improve operations based on the recommendations in the published audit report. Management actions are monitored until final action is taken on all recommendations. When management and OIG cannot agree on the actions needed to correct a problem identified in an audit report, the issue can be taken to the NRC Chairman for resolution.

Each October, OIG issues an *Annual Plan* that summarizes the audits planned for the coming fiscal year. Unanticipated high-priority issues may arise that generate audits not listed in the Annual Plan. OIG audit staff continually monitor specific issue areas to strengthen OIG’s internal coordination and overall planning process. Under the OIG Issue Area Monitor (IAM) program, staff designated as IAMs are assigned responsibility for keeping abreast of major agency programs and activities. The broad IAM areas address nuclear reactors, nuclear materials, nuclear waste, international programs, security, information management, and financial management and administrative programs.

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## *Investigative Program*

OIG's responsibility for detecting and preventing fraud, waste, and abuse within NRC and DNFSB includes investigating possible violations of criminal statutes relating to agency programs and activities, investigating misconduct by employees and contractors, interfacing with the Department of Justice on OIG-related criminal and civil matters, and coordinating investigations and other OIG initiatives with Federal, State, and local investigative agencies and other OIGs. Investigations may be initiated as a result of allegations or referrals from private citizens; licensee employees; employees; Congress; other Federal, State, and local law enforcement agencies; OIG audits; the OIG Hotline; and OIG initiatives directed at areas bearing a high potential for fraud, waste, and abuse.

Given both NRC's and DNFSB's roles to protect the health and safety of the public, OIG's Investigative Program directs much of its resources and attention to investigating allegations of staff conduct that could adversely impact matters related to health and safety. These investigations may address allegations of

- Misconduct by high-ranking NRC and DNFSB officials and other NRC and DNFSB officials, such as managers and inspectors, whose positions directly impact public health and safety.
- Failure by NRC and DNFSB management to ensure that health and safety matters are appropriately addressed.
- Failure by NRC to appropriately transact nuclear regulation.
- Conflicts of interest involving NRC/DNFSB employees and NRC/DNFSB contractors, and NRC employees and NRC licensees.
- Indications of management or supervisory retaliation or reprisal.

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

## *OIG General Counsel Regulatory Review*

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

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

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

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

From October 1, 2018, to March 31, 2019, OIG reviewed a variety of agency documents including Commission papers (SECYs), Staff Requirements Memoranda, and Federal Register Notices, MDs, Operating Procedures, and statutes.

OIG did not identify any issues that would impact its independence or conflict with its audit or investigatory functions during its review of agency documents during this time period. However, OIG's review did identify multiple instances where the agency document and its effectiveness could be reviewed by greater clarity, organization, or inclusion of background information. The most significant matters addressed during this period are described below.

## **NRC**

- Management Directive 6.3, "The Rulemaking Process," which describes the agency's process for developing rules that are consistent with applicable law and regulation and utilizing a fair, consistent and open process.
- Management Directive 10.67, "General Grade Performance Management System," which describes the performance management system for General Grade and prevailing rate employees.
- Management Directive 10.145, "Senior Level System," which describes the merit staffing, performance management, and compensation principles applied to senior employees above the GG-15 grade level.
- Management Directive 10.162, "Disability Programs and Reasonable Accommodation," which describes agency programs on disability and reasonable accommodation.
- Management Directive 12.6, "NRC Controlled Unclassified Information Program," which will replace a current Management Directive on the NRC's Sensitive Unclassified Information Program.

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## *Other OIG Activities*

### **OIG General Counsel Addresses Honor Law Graduate Attorneys**

The OIG General Counsel addressed NRC Office of the General Counsel (OGC) Honor Law Graduate attorneys as part of their agency orientation briefings. Honor Law Graduate attorneys are recent law school graduates just entering the legal profession. The OIG General Counsel provided information describing OIG, its history, statutory basis, implementing regulations, and relevant case law. In addition, the role of IG General Counsel, as counsel and Whistleblower Ombudsman at NRC, and in the Federal community were detailed and compared. The group discussed interaction protocols between agency attorneys and the OIG, including key interoffice connections in administrative adjudications and joint educational efforts related to Whistleblower rights under the Whistleblower Protection Enhancement Act.

### **Newly Appointed OIG General Counsel**



*Margaret Bupp, OIG*

Following the retirement of previous General Counsel, Maryann Grodin, Margaret J. Bupp was selected as the General Counsel to the Inspector General.

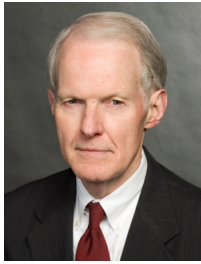
Ms. Bupp has been an NRC employee for over 15 years and has served in multiple positions across the agency. Immediately prior to joining OIG, she served as Chief Counsel for the Atomic Safety and Licensing Board Panel (ASLBP). Before joining ASLBP, Ms. Bupp served as the Legal Counsel to former NRC Commissioner William D. Magwood, IV.

Ms. Bupp joined NRC in 2003 as part of the OGC Honor Law Graduate Program and after graduation from the program worked as an attorney for both the Materials Litigation and Enforcement and High-Level Waste Repository Program divisions.

Ms. Bupp is a graduate of the agency's 2009 Leadership Potential Program and holds a Bachelor of Science in journalism from Northwestern University and a Juris Doctor with honors from the George Washington University Law School.

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**Acting Inspector General David C. Lee Appointed Following Hubert T. Bell's Retirement on December 31, 2018**



*David Lee,  
Acting Inspector General*

David C. Lee, Deputy Inspector General, was designated to serve as the Acting Inspector General for the NRC and DNFSB, effective with the December 31, 2018, retirement of former Inspector General Hubert T. Bell. Mr. Lee has served as the NRC Deputy Inspector General since October 27, 1996.

Mr. Lee is a 31-year veteran of the U.S. Secret Service. At the Secret Service, immediately before joining the NRC Office of Inspector General, Mr. Lee was a member of the Senior Executive Service as the Assistant Director of the Office of Protective Research and earlier as the Assistant Director for the agency's Office of Administration. Mr. Lee holds a Bachelor of Arts Degree in Economics from Boston College.

Upon his retirement, Mr. Bell had served in the Federal Government for 54 years, beginning in 1964. He was the second longest serving presidentially-nominated Inspector General, serving 22 years at the NRC. Prior to working at the NRC, Mr. Bell served 29 years with the U.S. Secret Service and 3 years with the U.S. Postal Service.

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## OIG Earns CIGIE Award for Excellence in Audit

On October 17, 2018, OIG's Nuclear Materials and Waste Safety Team received an Award for Excellence in Audit from the Council of Inspectors General on Integrity and Efficiency (CIGIE) for OIG's Audit of NRC's Oversight for Issuing Certificates of Compliance for Radioactive Material Packages (<https://www.nrc.gov/docs/ML1722/ML17228A217.pdf>).

The audit objective was to determine if NRC's processes for issuing certificates of compliance and reviewing specific changes provide adequate protection for public health, safety, and the environment. The audit team examined over 3,500 pages of documents, Excel spreadsheets, and emails in addition to conducting over 70 interviews to answer the audit objective.

The audit team identified ways for NRC to improve its processes for issuing and reviewing certificates of compliance. The audit team found that NRC may be imposing a regulatory requirement without clearly assessing the importance to safety or the potential burden imposed on agency staff and the certificate holders. The audit team also found that NRC may not detect storage cask design changes that should have been submitted as amendment requests.



*OIG's CIGIE Award Winning Audit Team (from left to right): Ziad Bubaissi, Audit Manager; Sherri Miotla, Team Leader; Avinash Jaigobind, Audit Manager; Petria Roxana Hartsock, Senior Auditor; Steven Zane, Deputy Assistant Inspector General for Audits; George Gusack, Auditor; David Lee, Acting Inspector General; and Brett Baker, Assistant Inspector General for Audits. Not pictured, but also essential to the team, is John Thorp, Senior Technical Advisor.*



*Byron Station in Region III, near Byron. IL*

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# NRC MANAGEMENT AND PERFORMANCE CHALLENGES

## **Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission \*** **in FY 2019** *(as identified by the Inspector General)*

Challenge 1 *Regulation of nuclear reactor safety and security programs.*

Challenge 2 *Regulation of nuclear materials and radioactive waste safety and security programs.*

Challenge 3 *Management of information and information technology.*

Challenge 4 *Management of financial programs.*

Challenge 5 *Management of corporate functions.*

*\*For more information on the challenges, see OIG-19-A-01, Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing NRC, (<https://www.nrc.gov/docs/ML1829/ML18296A356.pdf>)*



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# NRC AUDITS

## *Audit Summaries*

### **Audit of NRC's Screening and Assessment of Proposed Generic Issues**

#### ***OIG Strategic Goal: Safety***

NRC defines a generic issue as a well-defined, discrete, technical or security issue, the risk/or safety significance of which can be adequately determined, and which (1) applies to two or more facilities and/or licensees/certificate holders, or holders of other regulatory approvals (including design certification rules); (2) affects public health and safety, the common defense and security, or the environment; (3) is not already being processed under an existing program or process; and (4) can be resolved by new or revised regulation, policy, or guidance or voluntary industry initiatives.

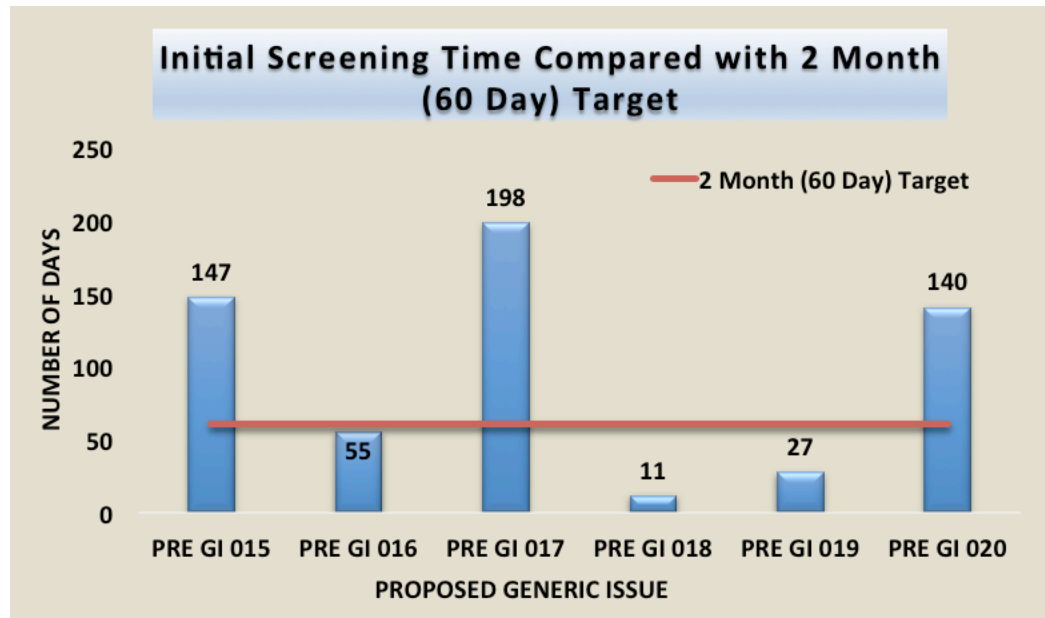
A generic issue may lead to regulatory changes that either enhance safety, or reduce unnecessary regulatory burden. In 2014, NRC revised the Generic Issues Program to (1) improve timeliness, (2) clarify roles and responsibilities, (3) establish clear interfaces, and (4) increase stakeholder participation.

The audit objective was to determine whether NRC (1) screens and assesses potential nuclear power plant generic issues in a timely manner, and (2) adequately supports and documents decisions made during the process.

#### ***Audit Results:***

NRC's Generic Issues Program is generally run in accordance with agency guidance. However, the program's screening stage can be strengthened through improved timeliness of initial screening and posting of documentation on the program website. Additionally, overall program management could be improved through better monitoring of labor resources used for Generic Issues.

Specifically, OIG found that while agency and office guidance require timely initial screening of a proposed generic issue, initial review periods varied by number of days in comparison with the program's 2-month target. Proposed generic issue initial screening times varied because of inconsistencies in agency guidance with respect to initial screening timeliness goals. Timely and consistent initial screening is critical to prevent unnecessary delays in identifying proposed generic safety issues that need further assessment, and terminating work that does not merit additional resources.



**Source: OIG analysis of proposed Generic Issues submitted to NRC between October 2014 and January 2018.**

OIG also found that despite NRC guidance requiring staff to document the progress of proposed Generic Issues and posting this information on the Generic Issues Management Control System Web site, three of six proposed Generic Issues did not have all the appropriate documentation on the Dashboard. This was caused by inconsistent adherence to office guidance. Lack of information available on the Dashboard could impede accurate communication and transparency of the Generic Issues process.

Lastly, although Federal internal control guidance requires agencies to monitor program operations, and NRC’s internal control policy aims to ensure that timely and reliable information is available for sound decision-making, NRC does not monitor labor resources used for proposed Generic Issue-related activities. This occurs because NRC does not comprehensively track staff time spent on work related to proposed Generic Issues. Without improved monitoring of labor resources used for proposed Generic Issue-related activities, NRC could miss information needed for management decision-making and reporting to key stakeholders.

This report makes three recommendations to strengthen the screening stage of the Generic Issues Program and improve monitoring of labor resources.

*(Addresses Management and Performance Challenge # 1)*

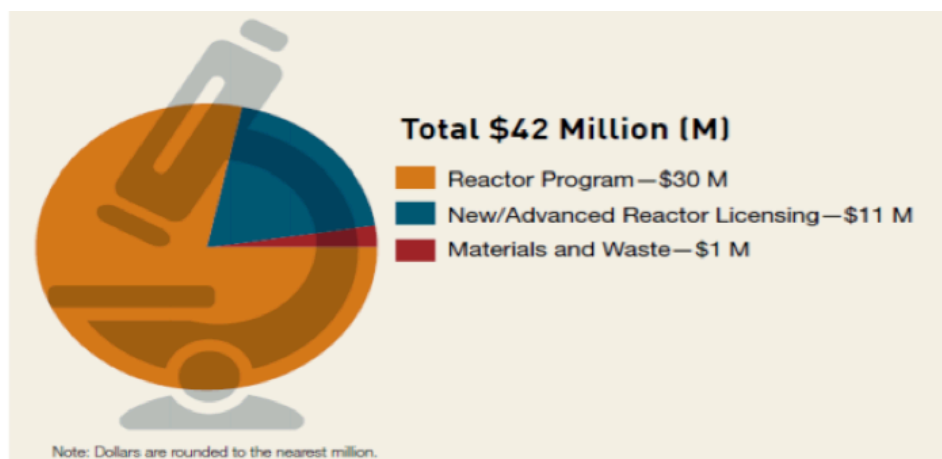
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## Audit of NRC's Process for Developing and Coordinating Research Activities

### *OIG Strategic Goal: Safety*

NRC is responsible for assuring safety in the design, construction, and operation of commercial nuclear facilities and in the other uses of nuclear materials, such as in medicine and industrial activities. As a key component of nuclear safety, NRC carries out a research program to provide independent information and expertise needed to support NRC's decision-making process and to identify and characterize technical questions that may become important safety issues in the future. NRC's research program is carried out by the Office of Nuclear Regulatory Research (RES). RES supports the agency mission by providing independent technical analysis and advice, tools, and information for identifying and resolving safety issues, making regulatory decisions, and promulgating regulations and guidance for nuclear power plants and other facilities and materials regulated by the agency.

### NRC Research Funding, FY 2018



Source: NRC's 2018-2019 Information Digest.

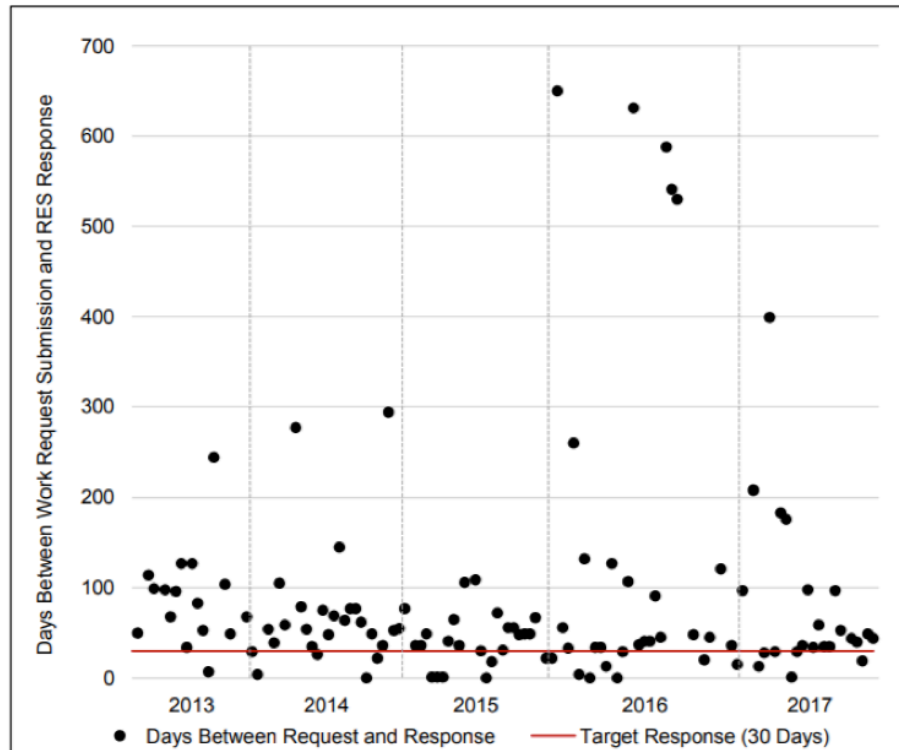
The audit objective was to assess the effectiveness and efficiency of the development, use, and coordination of research activities.

### ***Audit Results:***

OIG found that NRC's process for developing, using, and coordinating research activities is adequate; however, opportunities to improve effectiveness and efficiency exist. Specifically, NRC should improve its processes for work requests, tracking research activities, and the use of quality survey information. Aspects of the research work request process can be more efficient. An organization and its programs should operate in an efficient manner. However, senior management is not involved and aligned early enough in the work request process. As a result, research activities can become delayed. The Operating Plan is not consistently used by RES staff to track

work requests. RES staff should use it to track the progress and completion of work. However, the Operating Plan does not have the features to effectively and efficiently fulfill its intended purpose, and management does not require its use. As a result, agency staff are spending time reconciling work request information due to a lack of confidence in the Operating Plan data. Further, RES' Product Quality Survey instrument does not provide complete, accurate, and reliable information. NRC management should obtain relevant data from reliable sources in a timely manner. However, there is insufficient guidance for the survey process to ensure reliable data.

### RES Response Times – Work Requests 2013-2017



Source: OIG analysis.

As a result, the survey tool does not provide the information necessary to effectively assess and improve RES' products. This report makes four recommendations to improve the effectiveness and the efficiency of the development, use, and coordination of research activities.

*(Addresses Management and Performance Challenge # 2)*

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## Audit of NRC's License Amendment Request Acceptance Review Process

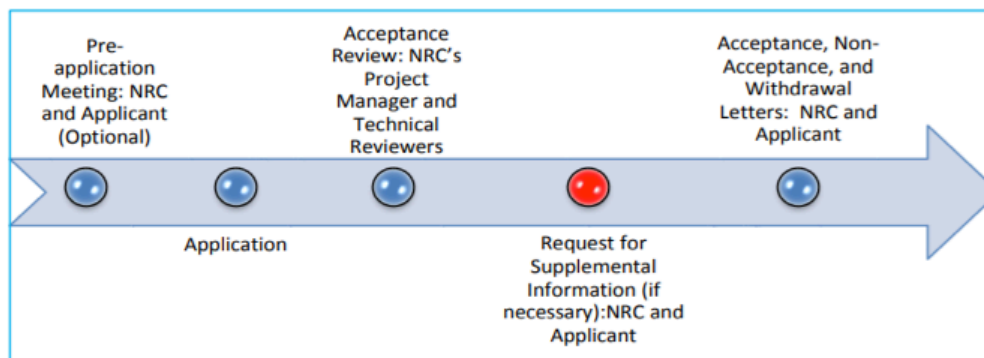
### *OIG Strategic Goal: Safety*

NRC has the authority to amend licenses for operating reactors. License amendments are changes to NRC issued licenses where a licensee submits a license amendment request (LAR) to NRC for prior approval if the licensee proposes to modify the license terms and conditions or technical specifications or if a proposed change meets the criteria of 10 CFR Part 50.90. NRC reviews license amendment applications to ensure that the applicant's assumptions are technically correct and that the proposed activities will not adversely affect the environment.

The audit objective was to assess NRC's processes for reviewing nuclear power plant LARs, with emphasis on preliminary acceptance/rejection procedures and other actions taken to ensure timely, consistent, and well-supported decisions.

### *Audit Results:*

#### License Amendment Request Acceptance Review Process



Source: OIG generated from NRR's *Office Instruction LIC 109, Revision 2, Acceptance Review Procedures*.

NRC should use quality information to make informed decisions and evaluate the agency's performance in achieving key objectives and addressing risks. However, NRC is using an inefficient and potentially inaccurate process to develop completed acceptance review reports. This occurs because NRC does not have a mature quality assurance process to ensure verification and validation of completed acceptance review reports data, and has not yet fully addressed ongoing data reliability issues with the agency's Replacement Reactor Program System – Licensing Module. However, a thorough acceptance review is integral to the efficient review of a LAR. This report makes three recommendations to improve the efficiency of NRC's processes for completing acceptance review reports in the Replacement Reactor Program System – Licensing Module.

*(Addresses Management and Performance Challenge # 1)*

# Audit of NRC’s Exercise of Its Early Out/Buyout Authority

## *OIG Strategic Goal: Corporate Management*

The Federal Government created Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) as a means to reshape and decrease the size of its workforce. From 2015 through 2017, NRC used its approved VERA/VSIP authority to reshape and reduce its workforce. NRC identified 381 positions for elimination or restructuring via its VERA/VSIP program. Ultimately, 190 employees left the agency through a VERA or VSIP. The audit objective was to assess NRC’s early out/buyout policies, procedures, and practices to determine if workforce planning documentation, personnel staffing plans, and/or similar documents were developed, communicated, and applied as permitted by applicable criteria.

### *Audit Results:*

OIG found that NRC’s VERA/VSIP program resulted in separations that helped the agency reshape its workforce, but opportunities exist for improving program efficiency and effectiveness. Specifically, NRC should have (1) set detailed program goals for the number of expected separations, (2) aligned the VERA/VSIP program with larger human capital strategies such as strategic workforce planning, (3) created detailed agency-specific VERA/VSIP guidance, (4) comprehensively tracked VERA/VSIP positions and separations, (5) performed program evaluations after each VERA/VSIP cycle, and (6) timed the VERA/VSIP program in a more cost advantageous manner.

## Practices That Could Have Been Used at NRC

Practice	Guidance	Risk
Set clear program goals linked to strategic planning	<p><i>OPM Guide to Voluntary Early Retirement Regulations</i></p> <p><i>OPM Guide to Voluntary Separation Incentive Payments</i></p> <p><i>OPM Human Resources Flexibilities and Authorities in the Federal Government</i></p>	Cannot assess program effectiveness; workforce not properly reshaped
Document key events	<i>GAO Standards for Internal Control in the Federal Government</i>	Difficult to evaluate program effectiveness
Track program outcomes and conduct periodic evaluations	<p><i>GAO Standards for Internal Control in the Federal Government</i></p> <p><i>GAO Best Practices and Leading Practices in Human Capital Management</i></p> <p><i>OPM Workforce Planning Model</i></p>	Cannot assess program effectiveness; missed opportunities for improvements
VSIP recipients should leave early in the FY	<i>OPM Guide to Voluntary Separation Incentive Payments</i>	Potential missed savings

Source: OIG generated based on audit results, OPM guidance, and GAO guidance.

## Overview of NRC VERA/VSIP Results (FY 2015-2017)

NRC Workforce <small>(Average FY 2015 – FY 2017)</small>	3,590
Available VERA/VSIP Positions	381
VERA/VSIP Separations	190
VSIP Recipients	188 of 190
Voluntary Retirements	134 of 190
VERA Retirements	47 of 190
Separations Other than Retirement	9 of 190

Note: “Voluntary retirements” are separations based on health reasons or age and length of service. “Separations other than retirements” include a wide range of separations, such as a separation initiated by an employee, an employee leaving the Federal government to accept employment with a non-Federal entity, or when an employee leaves to join the military.

Source: OIG analysis of NRC’s VERA/VSIP tracking data, OPM-approved plan, and NRC *Congressional Budget Justification Fiscal Year 2019* (NUREG-1100, Volume 34, Rev. 1).

The report makes two recommendations aimed at evaluating and improving the use of the VERA/VSIP program for maximizing efficiency and effectiveness.

*(Addresses Management and Performance Challenge # 5)*

## Results of the Audit of the United States Nuclear Regulatory Commission’s Financial Statements for Fiscal Years 2018 and 2017

### *OIG Strategic Goal: Corporate Management*

The Chief Financial Officers Act of 1990, as amended, requires the Inspector General or an independent external auditor, as determined by the Inspector General, to annually audit NRC’s financial statements to determine whether the agency’s financial statements are free of material misstatement. The audit, conducted by Acuity Consulting (Acuity), under a contract with OIG, includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made

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by management as well as evaluating the overall financial statement presentation. In addition, the audit evaluated the effectiveness of internal controls over financial reporting and the agency's compliance with laws and regulations.

***Audit Results:***

**Financial Statements:** The auditors expressed an unmodified opinion on the agency's FY 2018 and FY 2017 financial statements.

**Internal Controls:** The auditors expressed an unmodified opinion on the agency's internal controls.

**Compliance with Laws and Regulations:** The auditors found no reportable instances of noncompliance with laws and regulations.

*(Addresses Management and Performance Challenge # 4)*

## **Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission in Fiscal Year 2019**

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

In accordance with the Reports Consolidation Act of 2000, the Inspector General identified what he considered the most serious management and performance challenges facing NRC in FY 2019. These management and performance challenges are directly related to NRC's mission areas (commercial nuclear reactors and nuclear materials), security, information technology and information management, financial programs, and administrative functions. OIG's work in these areas indicates that while program improvements are needed, NRC is continually making progress to address OIG recommendations and improve the efficiency and effectiveness of its programs.

The following challenges represent what OIG considers to be inherent and continuing program challenges relative to maintaining effective and efficient oversight and internal controls:

1. Regulation of nuclear reactor safety and security programs.
2. Regulation of nuclear materials and radioactive waste safety and security programs.
3. Management of information and information technology.
4. Management of financial programs.
5. Management of corporate functions.

*(Addresses All Management and Performance Challenges)*



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## *Audits in Progress*

### **Audit of NRC's Computer Code Sharing**

#### ***OIG Strategic Goal: Security***

NRC's Office of Nuclear Regulatory Research is responsible for NRC computer code sharing and distribution. This program involves the signing of international agreements that contemplate code sharing activities. These activities provide NRC codes to foreign counterparts in exchange for data related to NRC code application, verification, and validation.

U.S. Department of Energy involvement with regard to code sharing is based on an NRC cross-check review of the sensitivity of the code and the country. "Sensitive codes" refer to codes that have the potential to be useful for formulating calculations that support the production of Special Nuclear Material and could be of interest to an adversary of the United States. Based on the NRC's cross-check review, NRC will (1) distribute the code pursuant to an existing Umbrella Arrangement or stand-alone agreement; or (2) will notify, consult with, or request review by a DOE contact.

The audit objective is to determine whether NRC's internal and interagency procedures and processes provide adequate controls on code sharing activities.

*(Addresses Management Challenge # 3)*

### **Audit of NRC's Compliance with Improper Payment Laws**

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

An improper payment is (a) any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements, and (b) includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts. The Improper Payments Information Act of 2002 (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires each agency to annually estimate its improper payments. IPERA requires Federal agencies to periodically review all programs and activities that the agency administers and identify all programs and activities that may be susceptible to significant improper payments. In addition, IPERA requires each agency to conduct recovery audits with respect to each program and activity of the agency that expends \$1,000,000 or more annually, if conducting such audits would be cost effective. Lastly, the Improper Payments

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Elimination and Recovery Improvement Act of 2012 amended IPIA by establishing the Do Not Pay Initiative, which directs agencies to verify the eligibility of payments using databases before making payments.

The audit objective is to assess NRC's compliance with *the Improper Payments Information Act of 2002*), as amended by *the Improper Payments Elimination and Recovery Act of 2010*, and *the Improper Payments Elimination and Recovery Improvement Act of 2012*, and report any material weaknesses in internal control.

*(Addresses Management Challenge # 4)*

## **Audit of NRC's Compliance with Standards Established by the Digital Accountability and Transparency Act of 2014 (DATA Act) Payment Laws**

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

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted May 9, 2014, and requires that Federal agencies report financial and payment data in accordance with data standards established by the Department of Treasury and the Office of Management and Budget. The data reported will be displayed on a Web site available to taxpayers and policy makers. In addition, the DATA Act requires Inspectors General (IGs) to review the data submitted by the agency under the act and report to Congress on the completeness, timeliness, quality and accuracy of this information. In accordance with the act, the IG issued an audit in November 2017, and plans to issue the next audits in 2019, and 2021. This audit pertains to the review of data sampled for FY 2019.

The audit objectives are to review the 1st quarter data submitted by NRC under the DATA Act and (1) determine the completeness, timeliness, accuracy and quality of the data sampled and (2) assess the implementation of the governing standards by the agency.

*(Addresses Management Challenges # 3 and # 4)*

## **Audit of NRC's Cybersecurity Inspections at Nuclear Power Plants**

### ***OIG Strategic Goal: Security***

Nuclear power facilities use digital and analog systems to monitor, operate, control, and protect their plants. Licensees are required to protect such systems and networks from cyber-attacks that would act to modify, destroy, or compromise the integrity or confidentiality of data or software; deny access to systems, services, or

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data; and impact the operation of systems, networks, and equipment. NRC's cyber security rule is a performance-based programmatic requirement that aims to ensure the functions of digital computers, communication systems, and networks associated with safety, important-to-safety, security, and emergency preparedness are protected from cyber-attacks. NRC developed inspection procedures to verify that licensees are implementing their programs in accordance with the cyber security rule. The first phase of implementation has been inspected. The second phase, Milestone 8, relates to the full cyber security implementation of a licensee's cyber security plan. The inspections of full implementation began in 2017. All nuclear power plant licensees will be inspected over the next few years.

The audit objective is to determine whether the cyber security inspection program provides adequate protection of digital computers, communication systems, and networks associated with safety, important-to-safety, security, and emergency preparedness.

*(Addresses Management Challenge # 3)*

## **Audit of NRC's Grants Administration and Closeout Processes**

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

During FY 2018, NRC managed 112 grants totaling \$15.6 million. These grants include awards to multiple entities ranging from individual companies to universities and colleges. It is NRC's responsibility, along with the awardees, to ensure that grant award money is spent according to the grant provisions and Federal laws and regulations. NRC has assigned specialists responsible for monitoring agency grants and ensuring proper disbursement and usage of grant monies. In addition, once a grantee has accomplished the task under the provisions of the grant, agency management must ensure timely and proper closeout of the grant action. This allows NRC to recover unexpended funds and potentially use these funds for other agency activities.

The audit objectives are to determine whether NRC's (1) grants administration program complies with Federal regulations and agency guidance, employs sufficient internal control, and provides accountability over Federal funds through its policies and procedures, and (2) grants closeout program has employed policies and procedures to close out grants in a proper and timely manner.

*(Addresses Management Challenge # 4)*

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## **Audit of NRC's Oversight of Supplemental Inspection Corrective Actions**

### ***OIG Strategic Goal: Safety***

NRC's supplemental inspection program is designed to support the NRC's goals of maintaining safety, enhancing openness, improving the effectiveness, efficiency and realism of the regulatory process, and reducing unnecessary regulatory burden. While the baseline inspection program and plant performance indicators are expected to provide assurance that nuclear power plant licensees are operating safely without undue risk, NRC generally requires supplemental inspections at plants where risk significant performance issues have been identified. These performance issues may be identified either by inspection findings evaluated as greater-than-green using the significance determination process, or when green performance indicator thresholds are exceeded. Inspection Procedures 95001, 95002, and 95003 provide NRC staff guidance for conducting supplemental inspections. Although these procedures vary with respect to inspection scope and depth, all require NRC to assess the adequacy of licensees' corrective actions to ensure they effectively address causes of performance problems. The outcomes of supplemental inspections may also impact a licensee's status on the Reactor Oversight Process Action Matrix, which determines the level of oversight NRC applies to each licensee based on plant performance.

The audit objective is to assess how NRC verifies licensee corrective actions required to close supplemental inspection findings and documents supplemental inspection results.

*(Addresses Management Challenge #1)*

## **Audit of NRC's Process for Placing Official Agency Records into ADAMS**

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

NRC is required to have an electronic system for maintenance of official agency records that provide accurate information and evidence of the agency's functions, policies, and decision-making processes. NRC uses the Agency-wide Document Access and Management System (ADAMS) as its electronic repository. In addition to complying with Federal mandates for electronic recordkeeping and public access, ADAMS has to meet NRC's document management needs. Effective use of ADAMS entails proper identification of official agency records and management of non-records to meet all statutory requirements. Working files may contain both record and non-record materials. Staff must determine which should be maintained and which should be deleted. Further, when records are placed in ADAMS, they should be properly profiled to facilitate records management, search and retrieval, and management oversight. Staff responsible for placing records in ADAMS use

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procedures and templates designed to ensure consistency. If official agency records are not consistently identified and profiled, ADAMS will be less effective as an electronic repository.

The audit objective is to determine whether NRC's process ensures official agency records are properly identified and correctly profiled within ADAMS.

*(Addresses Management Challenge #3)*

## **Audit of NRC's Use of Enforcement Discretion for Nuclear Power Licensees**

### ***OIG Strategic Goal: Security***

In accordance with NRC's enforcement policy, power reactor licensees may be authorized in limited circumstances to deviate temporarily from plant technical specifications or other license conditions. NRC may exercise enforcement discretion in situations where compliance with these regulatory requirements would require a plant transient or performance testing, inspection, or other system change that increases safety risk relative to current specific plant conditions. NRC may also exercise enforcement discretion in cases involving severe weather or other natural phenomena if the agency determines that exercising this discretion will not compromise plant safety. Inspection Manual Chapter 0410 provides NRC staff with guidance for exercising enforcement discretion and communicating the agency's position through Notices of Enforcement Discretion (NOED). In all cases, NRC considers the impact of enforcement discretion on public health and safety and the common defense and security. If NRC determines that operation outside of technical specifications or license conditions would unacceptably affect safety or security, NRC will not grant a NOED. Continued operation of a plant during the period of enforcement discretion should not cause risk to exceed the level determined acceptable during normal work controls. Consequently, there should be no net increase in radiological risk to the public.

The audit objective is to assess NRC's use of enforcement discretion, with emphasis on decision bases, documentation, and conditions licensees must meet to achieve regulatory compliance.

*(Addresses Management Challenge #1)*

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## **Evaluation of NRC's Oversight of the Voice Over Internet Protocol (VOIP) Contract and Implementation**

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

Voice Over Internet Protocol (VoIP) is an industry standard for providing voice communication services. It replaces the older Public Switched Telephone Network. VoIP provides more modern capabilities that will allow for better integration with other services, (e.g., voice mail available in staff email in-box, integration with Skype for Business for video and voice from staff workstation, etc.). VoIP, or Internet telephony, combines the familiar telephone with the Internet technology. Instead of an analog connection between callers, VoIP seamlessly and securely sends digital packets containing audio or voice information over the Internet to connect callers. Beginning in the fall of 2018, NRC began implementing the VoIP telephony solution throughout the agency as part of an infrastructure modernization effort.

This evaluation was not included in the FY 2019 annual plan. However, during the VoIP deployment, multiple concerns were expressed to OIG regarding the contracting process, deployment and functionality of the new phone system.

The objective is to evaluate the NRC VoIP deployment, the relevant contracts, and the functionality of the new equipment, in order to identify any opportunities for improvement and solutions moving forward.

*(Addresses Management Challenge #5)*

## **Independent Evaluation of NRC's Implementation of the Federal Information Security Modernization Act of 2014 (FISMA) for Fiscal Year 2018**

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

On December 18, 2014, the President signed the Federal Information Security Modernization Act of 2014 (FISMA). FISMA outlines the information security management requirements for agencies, including the requirement for an annual independent assessment by agency Inspectors General. In addition, FISMA includes provisions such as the development of minimum standards for agency systems, aimed at further strengthening the security of the Federal Government information and information systems. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security.

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

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of Management and Budget and Congress on the effectiveness of their security programs.

The evaluation objective will be to conduct an independent assessment of the NRC's FISMA implementation for FY 2018.

*(Addresses Management Challenge #3)*

## **Audit of NRC's Training Selection Process for Agreement State Personnel**

### ***OIG Strategic Goal: Safety***

NRC fully funds the training and associated travel costs for Agreement State staff to attend NRC-sponsored training. The Commission's funding for the program is intended to help Agreement States enhance their programs' performance and foster national consistency among Agreement State and NRC inspectors and license reviewers. Over the last several years, the training program conducted by the NRC for State personnel has gone through an evolution in which the training developed and conducted for States has been merged with the training program for NRC staff. NRC-sponsored courses provide training that is recommended for State personnel to become and remain qualified to perform and implement a materials licensing and inspection program. NRC has established qualification criteria to guide the training selection process for Agreement State personnel for both on-line and classroom training.

The audit objective is to determine the effectiveness and efficiency of NRC's process for selecting Agreement State personnel for NRC-sponsored training courses.

*(Addresses Management Challenge # 2)*

## **Audit of NRC's Transition Process for Decommissioning Power Reactors**

### ***OIG Strategic Goal: Safety***

When a power company decides to permanently close a nuclear power plant, the facility must be decommissioned by safely removing it from service and reducing residual radioactivity to a level that permits release of the property and termination of the operating license. The decommissioning of nuclear power plants continues to be a challenge for many licensees. The largest amount of licensing activity is expected to occur during the transition from operation to decommissioning. During this period a number of modifications — both technical and organizational — are needed for the plant to meet new objectives and requirements as stated in several

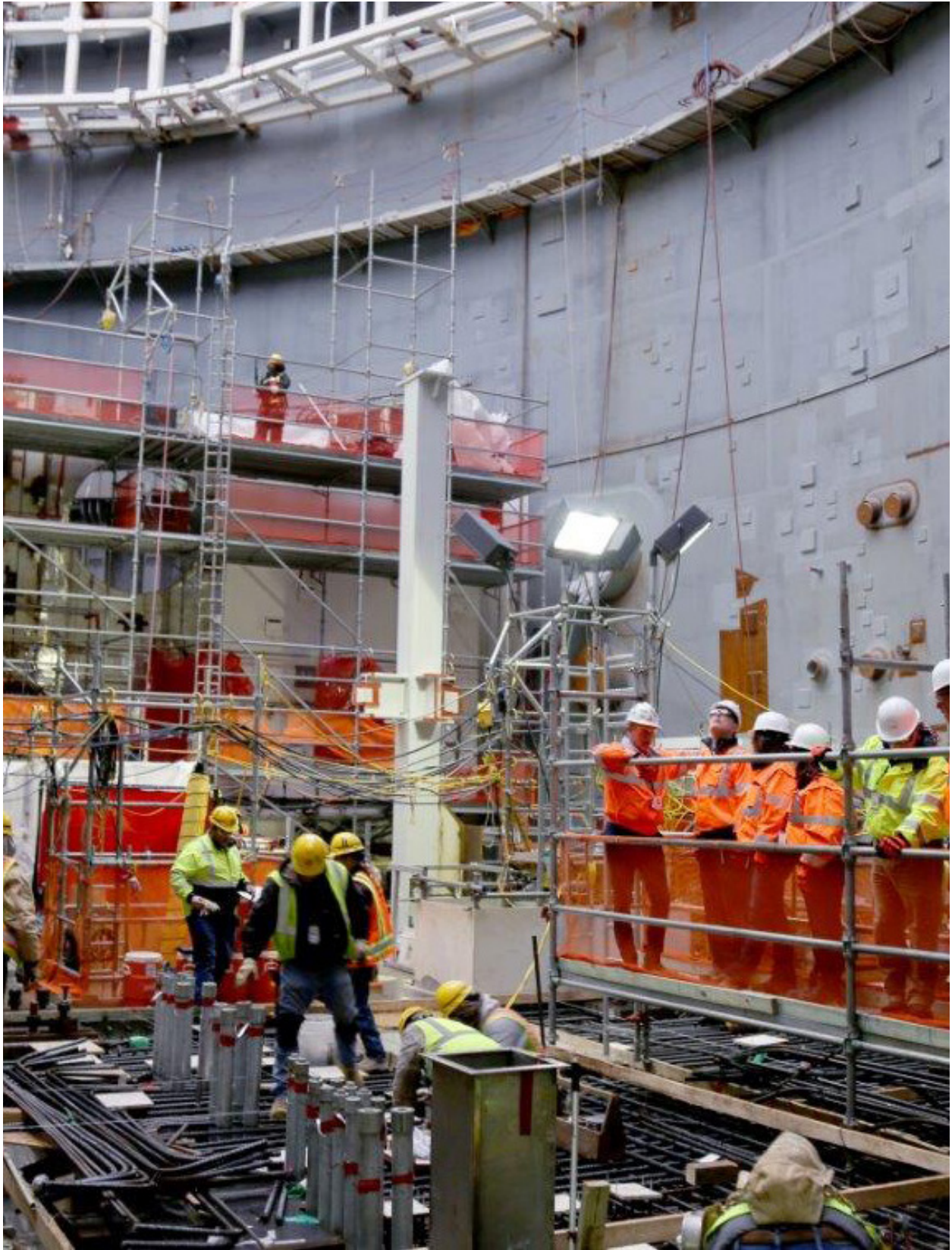
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NRC regulations. The NRC's transition period typically concludes with the transfer of regulatory responsibility from the Office of Nuclear Reactor Regulation to the Office of Nuclear Material Safety and Safeguards. The number of nuclear power reactors being decommissioned may increase in the coming years as more reactors reach the end of their original or extended licensed life, and as some plants face challenging financial conditions.

The audit objective is to determine if the process NRC uses to transfer responsibility for oversight of commercial reactors transitioning from operating to decommissioning status ensures licensees meet applicable requirements and protects public health, safety, and security.

*(Addresses Management Challenge # 2)*





*NRC officials tour Vogtle nuclear plant in Georgia and get a first-hand look at construction from inside the Unit 3 containment area.*

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# NRC INVESTIGATIONS

## *Investigative Case Summaries*

### **Loss of NRC-Issued Equipment by Office of Investigations Criminal Investigators**

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

OIG conducted two separate investigations into allegations that two NRC Office of Investigations (OI) Special Agents had their NRC-issued equipment stolen from their unattended personal vehicles. One allegation conveyed that the Special Agent's NRC-issued firearm (handgun), OI badge and credentials, laptop computer, Government Personal Identity Verification (PIV) card, and other NRC-issued equipment were stolen from his unattended (unlocked) personal vehicle. The other allegation conveyed that the Special Agent had his NRC-issued weapon, OI belt badge, baton, handcuffs, other NRC-issued equipment, and personal items stolen from his personal vehicle while parked overnight in front of his residence.

#### ***Investigative Results:***

OIG determined that both special agents violated OI policy by leaving their NRC-issued handgun in their personal vehicles. OIG also found that both special agents violated OI policy by not safely storing their NRC-issued handgun inside their residence while they were at their residence. They violated MD 13.1 by failing to exercise due care to safeguard their NRC-issued laptop. In addition to their NRC-issued laptop, they left their handgun, ammunition, OI badges and/or credentials, handcuffs, and other NRC-issued equipment in their vehicles for several days before the items were stolen.

OIG noted that the Investigative Guidance Memorandum 2016-002, "Office of Investigations Firearms and Intermediate Weapons Policy," addresses only the handling and storage of NRC-issued weapons; however, it does not address the safe storage of intermediate weapon(s) and equipment (i.e., baton, magazines, handcuffs) and credentials. Specifically, the OI policy states, under subheading, "storage of firearms while on travel status" that "the overnight storage of a firearm in an unattended vehicle is prohibited." However, the policy is not reinforced under the subheading, "storage of firearms at home." The agency suspended both special agents for their actions.

*(Addresses Management and Performance Challenge # 5)*

### **Ownership of Prohibited Security by NRC Employee**

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

OIG conducted two separate investigations into allegations that two NRC employees, a Technical Assistant and a Mechanical Engineer, both held stocks or

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funds listed on the NRC Prohibited Securities List for the years 2016 and 2017, as disclosed on their Office of Government Ethics (OGE) Forms 450 for those years. NRC addressed the issue with the employees holding stocks or funds on the prohibited securities list by requiring them to divest the stocks or funds. OIG reviewed the circumstances surrounding the NRC employees' ownership of the prohibited stocks and funds, and whether they were involved in any regulatory matters that had an impact on the company stock or fund that they were prohibited from owning.

***Investigative Results:***

OIG confirmed that the NRC employees held stocks or funds on NRC's prohibited securities list at various times between 2012 and 2018, and that the stocks or funds were sold at the Office of the General Counsel's (OGC) request in 2018.

OIG learned the Technical Assistant acquired the fund when his grandmother purchased the fund for him more than 20 years ago. As a Technical Assistant, he had conducted regulatory reviews pertaining to companies in the fund; however, his work did not appear to have a direct impact on his financial interest or the financial interest of the prohibited fund.

OIG learned the Mechanical Engineer held stocks through his spouse's ownership, in four companies on NRC's prohibited securities list. OIG confirmed that the Mechanical Engineer did not have any regulatory oversight responsibilities pertaining his or his wife's financial interest, and the stocks were divested.

*(Addresses Management and Performance Challenge # 5)*

## **Ownership of a Prohibited Security by NRC Senior Official**

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

OIG conducted an investigation into an allegation that an NRC senior official held stocks on the NRC Prohibited Securities List for the years 2015-2017, as disclosed on her Office of Government Ethics Form 450 for those years. NRC addressed the issue with the senior official holding stocks on the prohibited securities list by requiring the individual to divest the stocks. OIG reviewed the circumstances surrounding the NRC senior official's ownership of the prohibited stocks, and whether she was involved in any regulatory matters which had an impact on the company's stock that she was prohibited from owning.

The NRC senior official held four prohibited securities in 2017, as reported on her 2017 Form 450, and was instructed by OGC to divest these. A fifth prohibited securities stock was identified on the 2015 Form 450 that she completed in 2018, and was subsequently divested. The NRC senior official was unaware of her financial holdings because the account was a gift from a family member, and she had no say in the investment decisions nor access to the account, which she was to inherit from a family member.

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***Investigative Results:***

OIG confirmed that the NRC senior official held five different prohibited securities at various times between 2014 and 2017, but had no direct knowledge of her own financial holdings during this timeframe. OIG confirmed the NRC senior official has divested all prohibited securities. OIG did not find the NRC senior official was involved in any regulatory matters specifically involving the prohibited stocks. Although the NRC senior official worked on some generic issues during the time period that potentially could have had a financial impact on all power reactor licensees, she was unaware of her holdings at the time.

***(Addresses Management and Performance Challenge # 5)***

## **Time and Attendance Abuse by an NRC Senior Official**

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

OIG conducted an investigation into an allegation of time and attendance abuse by an NRC senior official. Allegedly the senior official falsely claimed 8 hours of regular time in the NRC Human Resources Management System on 2 days in 2016 and 7 days in 2017. The alleged also claimed the senior official should have claimed sick leave for the entire workday on 3 days in 2017, but instead claimed to have worked a portion of those days.

### ***Investigative Results:***

OIG did not develop any evidence to substantiate time and attendance abuse by the NRC senior official.

OIG reviewed the NRC senior official's time and attendance records for the time periods of October 31, 2016, to September 20, 2017, and verified that the submitted time for the senior official matched the information in the anonymous allegation. OIG reviewed NRC network activity logs and badging activity, which reflected no activity from the NRC senior official on the days in question. OIG noted, however, that if NRC senior official teleworked, he would not have badging data for those days, and if he did not have to log on to the network while teleworking, he would not have had any network activity.

The NRC senior official's supervisor told OIG he had no concerns with the NRC senior official's submitted timesheets that he approved. The supervisor reviewed the dates of the alleged time and attendance abuse, but was unable to confirm if the NRC senior official teleworked on those days. According to the supervisor, this is due to the fact that the NRC senior official was not required to submit a written request for telework, and he (supervisor) was the only individual that supervised the NRC senior official's work activity.

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The NRC senior official told OIG that although he did not remember the dates in question, he said that he did not falsify his time in HRMS. However, he recalled times when he had requested telework from his supervisor via telephone and received verbal approval to telework.

*(Addresses Management and Performance Challenge # 5)*

## **Concerns Pertaining to NRC Handling of Security Inspection Findings**

### ***OIG Strategic Goal: Security***

OIG conducted an investigation into an allegation that NRC staff in a regional office Materials Inspection and Licensing Branch were not citing security violations and were allowing violations to continue. According to the allegor, NRC senior officials were sending inspectors who were not fully trained or knowledgeable of NRC requirements out on their own to conduct inspections. This, it was alleged, was allowing “blatant security violations” of 10 Code of Federal Regulations (CFR) 37, “Physical Protection of Category 1 and Category 2 Quantities of Radioactive Material,” through issues either not being noticed or through the failure of NRC managers to follow up by issuing appropriate violations.

The allegor provided two examples: (1) at an offshore inspection in the Gulf of Mexico on an oil and gas platform, sections of 10 CFR 37.41, 37.47, 37.49 were not being met, but when reported, the NRC manager dispensed by issuing a “clear inspection” (no violations of NRC requirements); and (2) at St. Luke’s Regional Medical Center in Boise, Idaho, requirements in 10 CFR sections 37.23, 37.41, 37.43, and 37.47 were overlooked because the inspectors either did not know the regulations or purposely ignored them. Additional concerns regarding inspection report processing delays were developed by OIG while addressing the two inspections cited above.

OIG conducted interviews of NRC staff from the Materials Inspection and Licensing Branches, including inspectors who expressed concerns regarding the Inspection Branch’s handling and processing of inspection findings. Collectively, those interviewed provided information on the two inspections cited in the allegation and three other inspections they said were examples of the Inspection Branch’s failure to process inspection findings in a timely manner.

### ***Investigative Results:***

OIG did not substantiate that NRC was not citing security violations and allowing violations to continue; however, OIG found that several NRC staff were frustrated with a supervisor because they felt he was not processing their inspection reports or findings in a timely manner. OIG reviewed the chronology of three inspections cited by interviewees as untimely and noted that one resulted in a civil penalty about

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27 months after the inspection, one resulted in two Notice of Violation (NOV) within 13 months of the inspection, and the third resulted in a NOV within 8 months of the inspection. The supervisor's managers acknowledged timeliness issues, and described their actions to improve a backlog within the branch. The supervisor attributed the timeliness issues to a lack of available Inspectors and other factors, such as, new Part 37 regulations and processing findings through headquarters.

OIG also found that the inspector who led both of the 2015 inspections cited in the allegation was fully qualified by NRC to conduct inspections. In one inspection, there was disagreement between the lead inspector and another inspector on how to handle a certain observation, and the inspection resulted in no findings because the lead inspector and supervisor determined that the licensee met the requirements of constant surveillance, when an alarm detection system at a remote/temporary location was not available. In the other inspection, the licensee corrected a matter on the spot and the inspector determined there was no need to further address the matter.

*(Addresses Management and Performance Challenge # 5)*

## **Harassment and Retaliation by Management for Engaging in the Differing Professional Opinion Process**

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

OIG conducted an investigation into an allegation that NRC senior managers harassed, intimidated, and retaliated against a senior official they supervised for submitting a differing professional opinion (DPO). It was alleged that during the senior official's mid-year performance appraisal review, the senior official felt threatened when two NRC senior managers noted that his actions in submitting the DPO were "inconsistent with agency values" and "did not meet performance appraisal expectations."

### ***Investigative Results:***

OIG did not substantiate that the NRC senior managers retaliated against the NRC senior official for submitting a DPO. However, OIG determined that the NRC senior managers made comments to the NRC senior official that were inappropriate and inconsistent with the DPO Program. While some of their comments appeared to be focused on communication and collaboration expectations of a senior manager, these comments were made after becoming aware of the DPO, and just prior to and during their mid-year performance appraisal meeting with the NRC senior official. Consequently, the NRC senior official perceived comments made by the NRC senior managers as harassment, intimidation, and retaliation. The NRC senior managers later apologized in writing to the NRC senior official for their failure to convey that he should feel comfortable for raising issues to them, and reassured him that his appraisal would not be adversely affected in any way by submitting a DPO.

*(Addresses Management and Performance Challenge # 5)*

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# DEFENSE NUCLEAR FACILITIES SAFETY BOARD

Congress created the Defense Nuclear Facilities Safety Board (DNFSB) as an independent agency within the executive branch to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's (DOE) defense nuclear facilities, to elevate such issues to the highest levels of authority, and to inform the public. Since DOE is a self-regulating entity, DNFSB constitutes the only independent technical oversight of operations at the Nation's defense nuclear facilities. DNFSB is composed of experts in the field of nuclear safety with demonstrated competence and knowledge relevant to its independent investigative and oversight functions.

The Consolidated Appropriations Act, 2014, provided that notwithstanding any other provision of law, the Inspector General of the Nuclear Regulatory Commission is authorized in 2014 and subsequent years to exercise the same authorities with respect to the Defense Nuclear Facilities Safety Board, as determined by the Inspector General of the Nuclear Regulatory Commission, as the Inspector General exercises under the Inspector General Act of 1978 (5 U.S.C. App.) with respect to the Nuclear Regulatory Commission.

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# DNFSB MANAGEMENT AND PERFORMANCE CHALLENGES

## Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board in FY 2019

*(as identified by the Inspector General)*

Challenge 1: *Management of a healthy and sustainable organizational culture and climate.*

Challenge 2: *Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.*

Challenge 3: *Management of administrative functions.*

Challenge 4: *Management of technical programs.*

\* *For more information on the challenges, see DNFSB-19-A-01, Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board (<https://www.nrc.gov/docs/ML1829/ML18296A208.pdf>).*



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# DNFSB AUDITS

## *Audit Summaries*

### **Results of the Audit of DNFSB's Financial Statements for Fiscal Years 2018 and 2017**

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

The Accountability for Tax Dollars Act of 2002 (ATDA) requires the Inspector General (IG) or an independent external auditor, as determined by the IG, to annually audit the DNFSB's financial statements in accordance with applicable standards. In compliance with this requirement, OIG retained Acuity Consulting, Inc. (Acuity) to conduct this annual audit. Acuity examined the DNFSB's Fiscal Year (FY) 2018 Agency Financial Report, which includes comparative financial statements for FYs 2018 and 2017. Acuity's audit report contains the following reports:

- Opinion on the Financial Statements.
- Opinion on Internal Control over Financial Reporting.
- Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements.

#### ***Audit Results:***

**Opinion:** The auditors expressed an unmodified opinion on DNFSB's FY 2018 and FY 2017 financial statements.

**Internal Controls:** The auditors expressed an unmodified opinion on DNFSB's internal controls.

**Compliance with Laws and Regulations:** The auditors found no reportable instances of noncompliance with laws and regulations.

*(Addresses Management and Performance Challenge #3)*

### **Audit of DNFSB's Issue and Commitment Tracking System (IACS) and Its Related Processes**

#### ***OIG Strategic Goal: Safety***

Congress created DNFSB to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's (DOE) defense nuclear facilities. In mid-2013, DNFSB created the Issue and Commitment Tracking System (IACS) to replace its previous informal tracking system. IACS is an electronic, SharePoint-based tracking system that DNFSB's technical staff use to

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support the management of Board member safety items, as well as related DOE and DNFSB internal staff commitments.

The audit objective was to determine if IACTS and its related processes are effective in helping DNFSB accomplish its mission. Because IACTS 3.0 and its corresponding SharePoint lists serve as the central repository for all safety related DOE information, OIG concluded that “related processes” would include all relative DNFSB processes that may be informed by IACTS in helping Board members make agency safety decisions.

***Audit Results:***

DNFSB’s IACTS 3.0 and its related processes are in need of improvement to help DNFSB successfully execute its safety mission. IACTS 3.0 and its related work processes are not always efficient or effective. This is due to a lack of effective communication within the agency, which has created a work culture that could compromise DNFSB’s ability to successfully execute its mission.

This report makes eight recommendations that DNFSB provide training on promoting and implementing effective communication and trust in the workplace to staff and Board members, develop a set of principles to help provide the agency a more unified direction relative to DOE safety oversight, clarify IACTS and Request for Board Action (RFBA) procedures, create and implement a policy to consistently track RFBAs, implement a policy to better communicate Board decisions to staff, create and implement a self-assessment for Board processes to determine how they could be improved, and examine and update the Board Procedures regarding communication and coordination within the Board.

*(Addresses Management and Performance Challenge #4)*

## **Inspector General’s Assessment of the Most Serious Management and Performance Challenges Facing DNFSB**

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

In accordance with the Reports Consolidation Act of 2000, the Inspector General identified what he considered the most serious management and performance challenges facing DNFSB in FY 2019. These management and performance challenges are directly related to DNFSB’s mission areas as well as its security, information technology and information management, financial programs, and administrative functions. OIG’s work in these areas indicates that while program improvements are needed, DNFSB is continually making progress to address OIG recommendations and improve the efficiency and effectiveness of its programs.

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The following challenges represent what OIG considers to be inherent and continuing program challenges relative to maintaining effective and efficient oversight and internal controls:

1. Management of a healthy and sustainable organizational culture and climate.
2. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.
3. Management of administrative functions.
4. Management of technical programs.

*(Addresses All Management and Performance Challenges)*

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# DNFSB AUDITS

## *Audits in Progress*

### **Audit of DNFSB's Compliance with Standards Established by the Digital Accountability and Transparency Act of 2014 (DATA Act)**

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

The Digital Accountability and Transparency Act of 2014 (DATA Act) was enacted May 9, 2014, and requires Federal agencies to report financial and payment data in accordance with data standards established by the Department of Treasury and the Office of Management and Budget. The data reported will be displayed on a Web site available to taxpayers and policy makers. In addition, the DATA Act requires Inspectors General (IGs) to review the data submitted by the agency under the act and report to Congress on the completeness, timeliness, quality and accuracy of this information. In accordance with the act, the IG issued an audit in November 2017, and plans to issue the next audits in 2019, and 2021. This audit pertains to the review of data sampled for FY 2019.

The audit objectives are to review the 1st quarter data submitted by DNFSB under the DATA Act and (1) determine the completeness, timeliness, accuracy and quality of the data sampled and (2) assess the implementation of the governing standards by the agency.

*(Addresses Management and Performance Challenge #3)*

### **Independent Evaluation of DNFSB's Implementation of the Federal Information Security Modernization Act of 2014 (FISMA) for Fiscal Year 2018**

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

On December 18, 2014, the President signed the Federal Information Security Modernization Act of 2014 (FISMA), which reformed the Federal Information Security Management Act of 2002. FISMA outlines the information security management requirements for agencies, including the requirement for an annual independent assessment by agency Inspectors General. In addition, FISMA includes provisions such as the development of minimum standards for agency systems, aimed at further strengthening the security of the Federal Government information and information systems. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security. FISMA provides the framework for securing the Federal Government's information technology including both unclassified and national security systems. All agencies must implement the requirements of FISMA and report annually to OMB and Congress on the effectiveness of their security programs. The evaluation objective is to conduct an independent assessment of DNFSB's implementation of FISMA for FY 2018.

*(Addresses Management and Performance Challenge #2)*

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# DNFSB INVESTIGATIONS

## *Investigative Case Summaries*

### **Contractors and Federal Employees Employed at DNFSB Without Security Clearance**

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

OIG conducted an investigation into an allegation that seven DNFSB contractors were working at the DNFSB without appropriate security clearances and that one Federal employee had been employed for 8 months before completing paperwork to initiate a Department of Energy (DOE) “Q” clearance background investigation.

During the course of this investigation, OIG also identified one relevant matter pertaining to the handling of classified information, one related to failure to report foreign contacts, and two pertaining to the former security manager falsely certifying security documents.

#### ***Investigative Results:***

OIG substantiated that seven contractors had worked at DNFSB without the appropriate security clearances and that the former DNFSB security manager did not process background investigation request for those contractors in a timely manner. OIG also substantiated that the former security manager allowed two of the contractor employees to continue to work at DNFSB following their DOE background investigations being terminated for not cooperating with the background investigators. Additionally, OIG found that the former security manager tasked the two contract employees to receive classified packages from mail courier services in violation of DOE policies and procedures that govern DNFSB’s security program.

OIG found that one DNFSB employee worked at DNFSB for 8 months without a “Q” clearance due to a delay in submission caused by an Office of Personnel Management data breach in June 2015.

OIG also found that the former security manager falsely certified and submitted a Statement of Security Assurance to DOE, submitted a request to DOE for Sensitive Compartmented Information access and provided false information to justify his need for access, and allowed a foreign journalist to access DNFSB spaces and failed to report this contact in accordance with counterintelligence report requirements.

During the course of this investigation, the former security manager was placed on administrative leave, his security clearance was revoked, and he retired from Government service.

*(Addresses Management and Performance Challenge # 2)*

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## **Alleged Ethics Violation by Former DNFSB Chairman**

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

OIG conducted an investigation into an allegation that a former Chairman, DNFSB, had potentially violated Government ethics rules by utilizing her position to promote “Team Joyce,” a charitable organization connected to that former Chairman.

### ***Investigative Results:***

OIG found that “Team Joyce” was not an independent charity organization, but an organized group of individuals that the former Chairman was a part of that actively participated in and supported the Avon Walk to End Breast Cancer. OIG found that the group was formed, organized, and named in 2008 by friends and supporters of the former Chairman while she battled breast cancer and prior to her becoming the DNFSB Chairman in 2015. OIG determined that prior to participating in a 2016 Atomic Open Golf Tournament, the former Chairman sought guidance from the Alternate Designated Agency Ethics Official and followed that guidance. She did not use her position as Chairman to solicit donations on behalf of “Team Joyce” or the Avon Walk.

*(Addresses Management and Performance Challenge # 3)*

## **Alleged Retaliation Against the General Counsel by DNFSB Chairman**

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

OIG conducted an investigation into an allegation that the former DNFSB Chairman was planning to inappropriately remove the DNFSB General Counsel (GC) from his career Senior Executive Service position. According to the allegation, because the former Chairman was attempting to take an action without the consent of the other board members, he was violating the DNFSB’s enabling statute (covered under the Atomic Energy Act), which states that the Chairman may remove the GC subject to the approval of the Board. It was alleged that the former Chairman was taking “a retaliatory or reprisal action” against the GC.

### ***Investigative Results:***

OIG did not find any evidence of misconduct committed by the former Chairman or any other DNFSB staff pertaining to this investigation. OIG was unable to validate that the former Chairman’s removal attempts were based on retaliation. Further, OIG learned that the former Chairman’s attempts to remove the GC from his position were made without completely understanding the agency’s enabling statute. The former Chairman told OIG that during the period the GC was in an acting role, he saw “deficiencies in [GC’s] legal work,” which he believed were “poor and not befitting of a general counsel.” The former Chairman stated he initially believed that he had a

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“unilateral ability to make judgement” to remove the GC from his position; however, he realized that he did not have “that authority” so, he “backed off.”

After learning of his limitations as Chairman and not receiving the full support from the board, the former Chairman decided not to take further action to remove the GC from his position. In February 2018, the former Chairman separated from the Government service and is no longer the Chairman of DNFSB.

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

## **Alleged Release of DNFSB Internal Information to News Media**

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

OIG conducted an investigation into an allegation that the DNFSB General Counsel received a phone call from a local news reporter from Center for Public Integrity, requesting to verify predecisional DNFSB information that had not been released to the public. The alleged believed that someone within DNFSB was leaking predecisional information to the news media organizations.

### ***Investigative Results:***

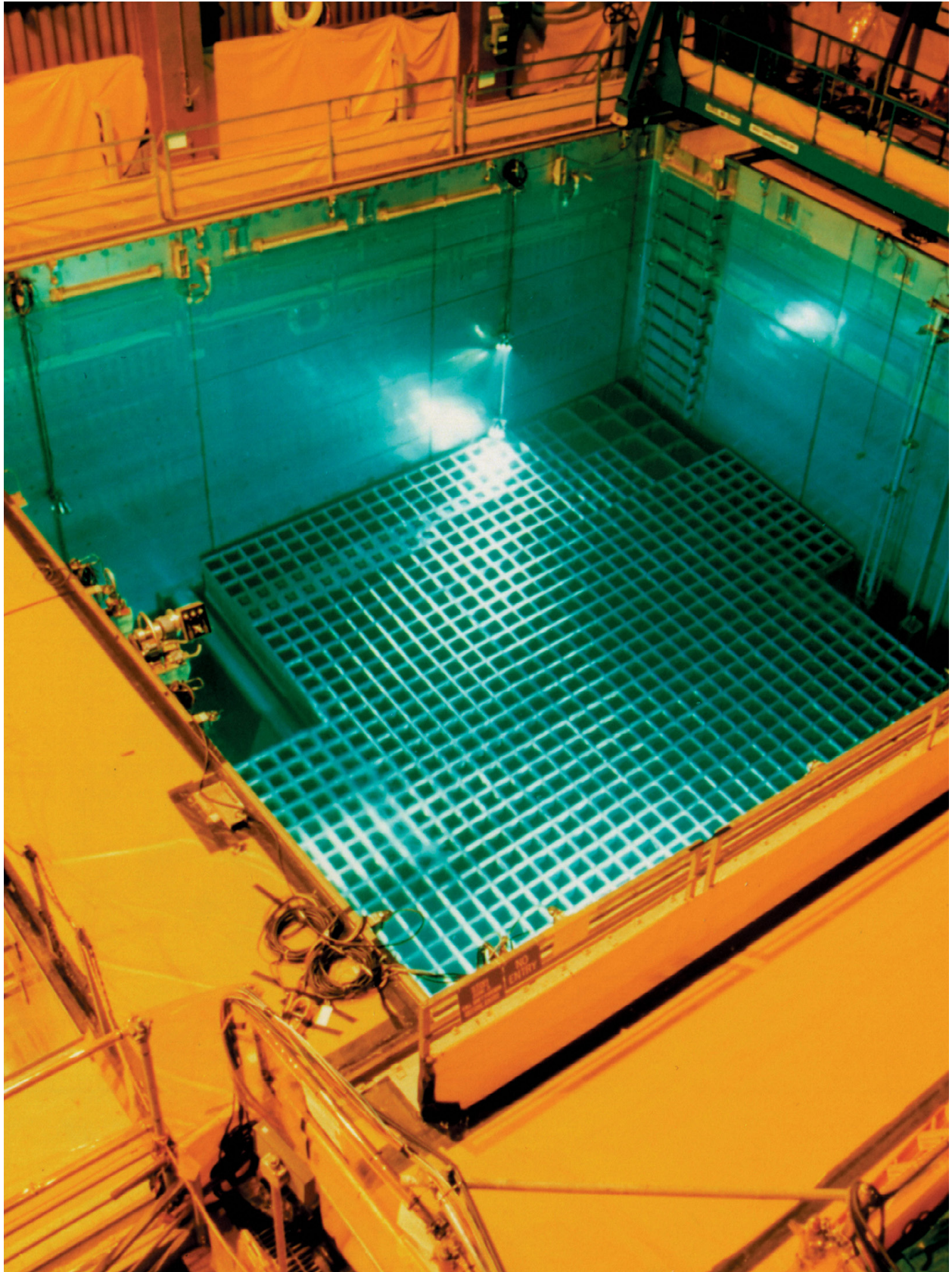
OIG found that the predecisional information the reporter called the GC to ask about had been discussed at a meeting attended by several staff members from both the National Nuclear Security Administration (NNSA) and DNFSB prior to the reporter contacting the GC. During this NNSA-DNFSB meeting, an NNSA official raised concerns about media reports that were based on information that DNFSB releases in its monthly and weekly reports. The NNSA official suggested that DNFSB stop reporting these matters in a written format.

Following the meeting, the then-Vice Chairman of the DNFSB drafted a Request for Board Action (RFBA) proposing to eliminate the written format of the weekly and monthly safety reports and instead require DNFSB site inspectors to report verbally. The RFBA was submitted to 15 other DNFSB senior staff, including the Board Members, office directors, and their deputies.

OIG learned that 4 days later, a reporter contacted a Board Member and the DNFSB GC to confirm whether DNFSB was moving forward with the action to eliminate the agency’s written safety reports, the specific details that were discussed at the NNSA-DNFSB meeting, and the proposed RFBA. OIG also learned that the then-Vice Chairman annulled the RFBA proposal on that day and the RFBA was never approved.

OIG was unable to identify anyone within DNFSB who had provided internal agency information to the news media relevant to this investigation.

*(Addresses Management and Performance Challenge # 3)*



*Spent fuel pool at the San Onofre Generating Station in California.*



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# SUMMARY OF OIG ACCOMPLISHMENTS AT NRC

October 1, 2018 – March 31, 2019

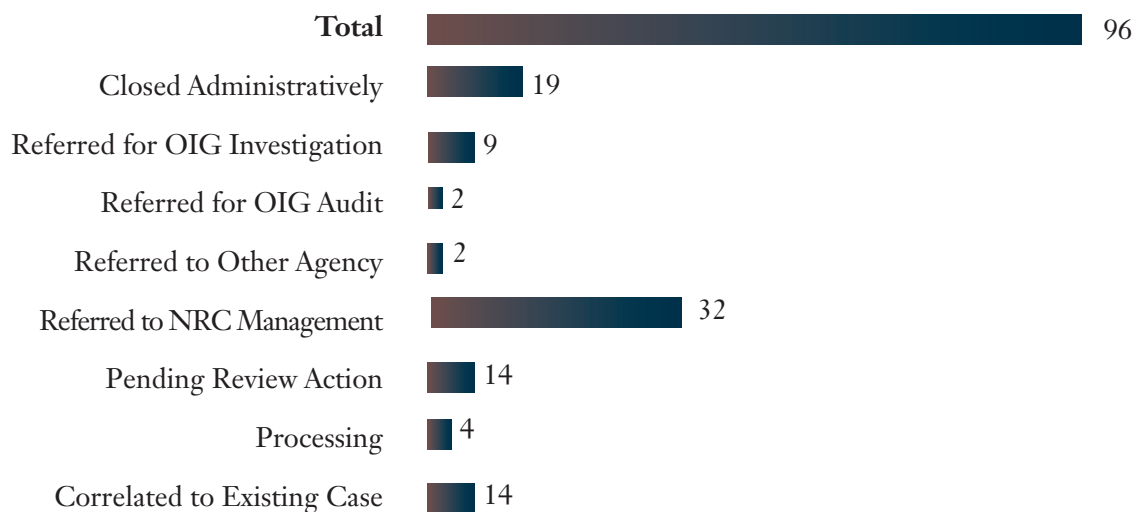
## *Investigative Statistics*

### Source of Allegations



Allegations resulting from the NRC OIG Hotline calls: 48 **Total: 96**

### Disposition of Allegations



## Status of Investigations

### Federal

DOJ Referrals . . . . .	1
DOJ Declinations . . . . .	1
DOJ Pending . . . . .	3
Criminal Informations/Indictments . . . . .	0
Criminal Convictions . . . . .	0
Criminal Penalty Fines . . . . .	0
Civil Recovery . . . . .	0

### State and Local

State and Local Referrals . . . . .	0
Criminal Informations/Indictments . . . . .	0
Criminal Convictions . . . . .	0
Criminal Penalty Fines . . . . .	0
Civil Recovery . . . . .	0

### NRC Administrative Actions

Counseling and Letter of Reprimand . . . . .	0
Terminations and Resignations . . . . .	1
Suspensions and Demotions . . . . .	2
Other (e.g., PFCRA) . . . . .	1

## Summary of Investigations

Classification of Investigations	Carryover	Opened Cases	Closed Cases	Reports Issued*	Cases in Progress
Conflict of Interest	1	0	0	0	1
Employee Misconduct	22	10	13	3	19
External Fraud	10	0	3	1	7
Internal Fraud	1	0	0	0	1
Management Misconduct	11	5	2	0	14
Miscellaneous	4	0	1	0	3
Proactive Initiatives	3	0	0	0	3
Technical Allegations	7	1	2	1	6
Theft	1	0	1	1	0
<b>Total</b>	<b>60</b>	<b>16</b>	<b>22</b>	<b>6</b>	<b>54</b>

\*Number of reports issued represents the number of closed cases where allegations were substantiated and the results reported outside of OIG.

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## *NRC AUDIT LISTINGS*

<b>Date</b>	<b>Title</b>	<b>Audit Number</b>
01/23/2019	Audit of NRC's Screening and Assessment of Proposed Generic Issues	OIG-19-A-07
12/13/2018	Audit of NRC's Process for Developing and Coordinating Research Activities	OIG-19-A-06
12/13/2018	Audit of NRC's License Amendment Request Acceptance Review Process	OIG-19-A-05
12/03/2018	Audit of NRC's Exercise of Its Early Out/Buyout Authority	OIG-19-A-04
11/15/2018	Results of the Audit of the United States Nuclear Regulatory Commission's Closing Package Financial Statements for Fiscal Year 2018	OIG-19-A-03
11/08/2018	Results of the Audit of the United States Nuclear Regulatory Commission's Financial Statements for Fiscal Years 2018 and 2017	OIG-19-A-02
10/23/2018	Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission in Fiscal Year 2019	OIG-19-A-01

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## *NRC Contract Audit Reports*

OIG Issue Date	Contractor/Title/Contract Number	Questioned Costs	Unsupported Costs
03/07/19	<b>Advanced Systems Technology and Management, Inc.</b>  Independent Audit Report on Advanced Systems Technology and Management, Inc's Proposed Amounts on Unsettled Flexibly Priced Contracts for Fiscal Years 2016 and 2017 NRC-HQ-7G-14-C-0001 NRC-HQ-13-C-38-0062 NRC-HQ-60-14E-0002 NRC-HQ-84-14-C-0013	\$322,910	0

## Audit Resolution Activities

**TABLE I**

### OIG Reports Containing Questioned Costs<sup>1,2</sup>

Reports	Number of Reports	Questioned Costs (Dollars)	Unsupported Costs (Dollars)
A. For which no management decision had been made by the commencement of the reporting period	4	\$2,189,047	0
B. Which were issued during the reporting period	0		0
<i>Subtotal (A + B)</i>	4	\$2,189,047	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by the end of the reporting period	4	\$2,189,047	0

<sup>1</sup>Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

<sup>2</sup>Questioned costs that pertained to another agency were included in the previous semiannual report to Congress. These questioned costs have subsequently been removed.

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*TABLE II*

**OIG Reports Issued with Recommendations  
That Funds Be Put to Better Use<sup>3</sup>**

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	0	0
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period	0	0

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<sup>3</sup> A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if NRC management took actions to implement and complete the recommendation, including reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

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*TABLE III*

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

<b>Date</b>	<b>Report Title</b>	<b>Number</b>
5/26/2003	<b>Audit of NRC's Regulatory Oversight of Special Nuclear Materials</b>	<b>OIG-03-A-15</b>

**Recommendation 1:** Conduct periodic inspections to verify that material licensees comply with material control and accounting (MC&A) requirements, including, but not limited to, visual inspections of licensees' special nuclear material (SNM) inventories and validation of reported information.

**Recommendation 3:** Document the basis of the approach used to risk inform NRC's oversight of MC&A activities for all types of materials licensees.

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# SUMMARY OF OIG ACCOMPLISHMENTS AT DNFSB

October 1, 2018, through March 31, 2019

## *Investigative Statistics*

### Source of Allegations

DNFSB Employee	■	1
DNFSB Management		0
Allegations Received from NRC OIG Hotline: 1		<b>Total: 1</b>

### Disposition of Allegations

<b>Total</b>	■	<b>1</b>
Referred for OIG Investigation		0
Pending Review Action		0
Closed Administratively	■	1
Referred to Other Agency		0



## Status of Investigations

DOJ Referrals. . . . .	1
DOJ Declinations. . . . .	1
DOJ Pending . . . . .	0
Criminal Informations/Indictments . . . . .	0
Criminal Convictions. . . . .	0
Criminal Penalty Fines . . . . .	0
Civil Recovery. . . . .	0
State and Local Referrals. . . . .	0
Criminal Informations/Indictments . . . . .	0
Criminal Convictions. . . . .	0
Civil Penalty Fines . . . . .	0
Civil Recovery. . . . .	0
DNFSB Administrative Actions:	
Counseling and Letter of Reprimand. . . . .	0
Terminations and Resignations . . . . .	0
Suspensions and Demotions. . . . .	0
Other (e.g., PFCRA). . . . .	0

## Summary of Investigations

Classification of Investigations	Carryover	Opened Cases	Closed Cases	Reports Issued <sup>2</sup>	Cases in Progress
Employee Misconduct	1	0	1	0	0
Management Misconduct	7	0	3	0	5
Proactive Initiatives	1	0	0	0	1
<b>Total</b>	<b>9</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>6</b>

<sup>2</sup> Number of reports issued represents the number of closed cases where allegations were substantiated and the results were reported outside of OIG.

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## *DNFSB Audit Listings*

<i>Date</i>	<i>Title</i>	<i>Audit Number</i>
11/15/2018	Results of the Audit of the Defense Nuclear Facilities Safety Board (DNFSB) Financial Statements for Fiscal Years 2018 and 2017	DNFSB-19-A-03
11/01/2018	Audit of the DNFSB's Issue and Commitment Tracking System (IACS) and Its Related Processes	DNFSB-19-A-02
10/23/2018	Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board in Fiscal Year 2019	DNFSB-19-A-01

# DNFSB AUDIT RESOLUTION ACTIVITIES

*TABLE I*

## OIG Reports Containing Questioned Costs<sup>5</sup>

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

<sup>5</sup>Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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*TABLE II*

**OIG Reports Issued with Recommendations  
That Funds Be Put to Better Use<sup>6</sup>**

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

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<sup>6</sup> A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if NRC management took actions to implement and complete the recommendation, including reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

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# UNIMPLEMENTED AUDIT RECOMMENDATIONS

## Nuclear Regulatory Commission

### Audit of NRC's Regulatory Oversight of Special Nuclear Materials (OIG-03-A-15)

2 of 8 recommendations open since May 23, 2003

Recommendation 1: Conduct periodic inspections to verify that material licensees comply with MC&A requirements, including, but not limited to, visual inspections of licensees' SNM inventories and validation of report information.

Recommendation 3: Document the basis of the approach used to risk inform NRC's oversight of MC&A activities for all types of materials licensees.

### Audit of NRC's Shared S Drive (OIG-11-A-15)

2 of 5 recommendations open since July 27, 2011

Recommendation 2: Revise current information security training for NRC staff to address specific practices for protecting SUNSI on the agency's shared network drives.

Recommendation 3: Develop CUI policies and guidance for storing and protecting CUI in agency shared drives, and (a) post this guidance on the NRC intranet; and (b) include this guidance in annual training.

### Audit of NRC's Safeguards Information Local Area Network and Electronic Safe (OIG-13-A-16)

2 of 7 recommendations open since April 1, 2013

Recommendation 3: Evaluate and update the current folder structure to meet user needs.

Recommendation 7: Develop a structured access process that is consistent with the SGI need-to-know requirement and least privilege principle. This should include (1) Establishing folder owners within SLES and providing the owners the authority to approve the need-to-know authorization (as opposed to branch chiefs); (2) Conducting periodic reviews of user access to folders; and (3) Developing a standard process to grant user access.

### Audit of NRC's Budget Execution Process (OIG-13-A-18)

1 of 8 recommendations open since May 7, 2013

Recommendation 3: Enforce the use of correct budget object codes.

### Audit of NRC's Oversight of Spent Fuel Pools (OIG-15-A-06)

1 of 4 recommendations open since February 10, 2015

Recommendation 1: Provide a generic regulatory solution for spent fuel pool criticality analysis by developing and issuing detailed licensee guidance along with NRC internal procedures.

### Audit of NRC's Internal Controls Over Fee Revenue (OIG-15-A-12)

2 of 7 recommendations open since March 19, 2015

Recommendation 1: Establish policies and procedures to centralize the control of the TAC setup.

Recommendation 4: Design and implement a plan to improve the TAC validation process.

### Audit of NRC's Regulatory Analysis Process (OIG-15-A-15)

1 of 4 recommendations open since June 25, 2015

<p>Recommendation 3: Update and implement the cost benefit guidance documents as planned in SECY-14-0002. Incorporate this guidance into office procedures by reference.</p>
<p><b>Audit of NRC’s Web-Based Licensing System (WBL) (OIG-15-A-17)</b> 1 of 4 recommendations open since June 29, 2015</p>
<p>Recommendation 2: Revise WBL roles to require license reviewers and materials inspectors to process their work directly in WBL.</p>
<p><b>Evaluation of ADAMS (OIG-16-A-06)</b> 2 of 13 recommendations open since November 30, 2015</p>
<p>Recommendation 1: Expedite and fully implement the ADAMS RM module so that records retention schedules can be attached to all the official records within ADAMS. Recommendation 3: Reduce the number of templates and study applicability of automation techniques to pre-fill profile metadata and attain better standardization and consistency.</p>
<p><b>Audit of NRC’s Decommissioning Funds Program (OIG-16-A-16)</b> 2 of 9 recommendations open since June 8, 2016</p>
<p>Recommendation 1: Clarify guidance to further define “legitimate decommissioning activities” by developing objective criteria for this term. Recommendation 2: Develop and issue clarifying guidance to NRC staff and licensees specifying instances when an exemption is not needed.</p>
<p><b>Audit of NRC’s Implementation of Federal Classified Information Laws and Policies (OIG-16-A-17)</b> 1 of 3 recommendations open since June 8, 2016</p>
<p>Recommendation 1: Complete and fully implement current initiatives: (a) Finalize and provide records management training for authorized classifiers, (2) Complete the current inventories of classified information in safes and secure storage areas, (3) Develop declassification training to prepare and authorize declassifiers, (4) Develop an updated declassification guide, (5) Identify classified records requiring transfer to national Archives and Records Administration and complete the transfers, (6) Complete the Office Instruction for performing mandatory declassification reviews.</p>
<p><b>Audit of NRC’s Significance Determination Process for Reactor Safety (OIG-16-A-21)</b> 1 of 4 recommendations open since September 26, 2016</p>
<p>Recommendation 2: Clarify IMC 0612 Appendix B issue screening questions so that they are readily understood and easily applied.</p>
<p><b>Audit of NRC’s Foreign Assignee Program (OIG 17-A-07)</b> 2 of 3 recommendations open since December 19, 2016</p>

<p>Recommendation 2: Develop a secure, cost-efficient method to provide foreign assignees an email account which allows for NRC detection and mitigation of inadvertent transmission of sensitive information and seek Commission approval to implement it.</p> <p>Recommendation 3: When an NRC approved email account is available, develop specific Computer Security Rules of Behavior for foreign assignees using the approved email.</p>
<p><b>Audit of NRC's Oversight of Source material Exports to Foreign Countries (OIG-17-A-08)</b> 1 of 5 recommendations open since February 16, 2017</p>
<p>Recommendation 1: Coordinate among OIP, NMSS and regional offices, as appropriate, in developing and implementing an export inspection program to include pre-licensing site visits and periodic post-licensing inspections at Part 110 applicant and licensee locations. The pre-licensing visits may only apply to export applicants who do not already possess another NRC license.</p>
<p><b>Audit of NRC's Oversight of Security at Decommissioning Reactors (OIG-17-A-09)</b> 2 of 3 recommendations open since February 22, 2017</p>
<p>Recommendation 1: Clarify the fitness-for-duty elements that are necessary to comply with 10 CFR 73.55 (b)(9)(i), insider mitigation program.</p> <p>Recommendation 2: Develop rule language in 10 CFR Part 26 that describes the necessary fitness-for-duty requirements for decommissioning licensees.</p>
<p><b>Audit of NRC's PMDA/DRMA Functions to Identify Program Efficiencies (OIG-17-A-18)</b> 1 of 1 recommendations open since July 3, 2017</p>
<p>Recommendation 1: Complete implementation of all Mission Support Task Force recommendations that may assist in optimizing the use of resources and result in improving standardization and centralization throughout the agency.</p>
<p><b>Evaluation of NRC's Network Storage Interruption (OIG-17-A-19)</b> 3 of 4 recommendations open since July 27, 2017</p>
<p>Recommendation 2: Develop and implement an internal OCIO policy that requires NRC subject matter experts to re-evaluate the storage system architecture.</p> <p>Recommendation 3: Develop and implement GLINDA Service Level Requirement(s) that specify required service availability and performance requirements, from an end user's perspective, for email access and network file access.</p> <p>Recommendation 4: Develop and implement a GLINDA contract governance plan.</p>
<p><b>Audit of NRC's Contract Administration Process (OIG-17-A-20)</b> 2 of 3 recommendations open since August 16, 2017</p>
<p>Recommendation 1: Develop and implement a system that centralizes the management of contractor provided invoices and supporting documentation.</p> <p>Recommendation 3: Design and implement procedures for timely contract closeout initiation by CORs.</p>
<p><b>Audit of NRC's Oversight of Issuing Certificates of Compliance for Radioactive Material Packages (OIG-17-A-21)</b> 3 of 4 recommendations open since August 16, 2017</p>

<p>Recommendation 1: Conduct an analysis to develop the regulatory and technical bases for the Part 71 certificates of compliance term.</p> <p>Recommendation 2: Document and communicate to stakeholders NRC's analysis results identifying the bases for an appropriate term for Part 71 certificates of compliance.</p> <p>Recommendation 3: Establish sufficient internal controls by updating NRC guidance related to Part 72.48 review procedures.</p>
<p>Audit of NRC's 10 CFR 2.206 Petition Review Process (OIG-17-A-23) 2 of 2 recommendations open since August 22, 2017</p>
<p>Recommendation 1: Develop controls to ensure formal assessments are performed and are documented for future use.</p> <p>Recommendation 2: Clarify the criteria for reviewing and rejecting petitions.</p>
<p>Evaluation of NRC's Management of Government Cell Phones (OIG-17-A-27) 1 of 4 recommendations open since September 21, 2017</p>
<p>Recommendation 3: Review SPMS and MaaS360 and account for all Government furnished cellphones annually.</p>
<p>Evaluation of the Shared S Drive (OIG-18-A-06) 2 of 4 recommendations open since December 21, 2017</p>
<p>Recommendation 3: Review the shared "S" drive for PII on a periodic timeframe.</p> <p>Recommendation 4: Remove or delete PII from the shared "S" drive.</p>
<p>Audit of NRC's Decommissioning Financial Assurance Instrument Inventory (OIG-18-A-09) 1 of 1 recommendations open since February 8, 2018</p>
<p>Recommendation 1: Update guidance to reflect current practices, including (a) Define what is to be kept in the files and/or safe and implement the guidance; (b) Define the filing methodology or the safe (e.g., by licensee, site, license, or instrument.); (c) Require supporting documentation of completion of every step in the NMSS and NRR evaluations; (d) Describe procedural steps for NRR to complete the evaluations or state expectations for NRR to complete the same steps as NMSS; (e) Require written follow-up from the NMSS and NRR evaluations by the auditee to the evaluator, to ensure any identified discrepancies are corrected; (f) Require NMSS and NRR evaluation reports and the Inventory List to be marked OOU, as appropriate; and (G) Require segregation of duties between the person in NMSS who maintains the Inventory List and the person who completes the annual evaluation.</p>
<p>Audit of NRC's Consultation practices with Federally Recognized Native American Tribal Governments (OIG-18-A-10) 2 of 5 recommendations open since April 4, 2018</p>
<p>Recommendation 1: Update MD 5.1 to include FSTB when working with Tribes. The guidance should also clearly define FSTB's role and responsibilities with regard to Tribal outreach and consultation.</p> <p>Recommendation 2: Update NRC office procedures to include more specific direction on how to coordinate with FSTB and how to work with Tribes.</p>
<p>Audit of NRC's Oversight of the National Materials Program (OIG-18-A-11) 2 of 2 recommendations open since April 4, 2018</p>



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Recommendation 1: Formalize the National Materials Program framework in a document to include a definition, vision, mission, goals, and objectives, membership, members' roles and responsibilities, and activities.

Recommendation 2: Designate an NRC individual with expert knowledge to serve as the National Materials Program champion to help with consistent communication. NRC should also encourage the Agreement States to create a co-champion to serve as the NRC champion's peer.

Audit of NRC's Special and Infrequently Performed Inspections (OIG-18-A-13)

5 of 6 recommendations open since May 15, 2018

Recommendation 1: Update IMC 2515 Appendix C and applicable NRR guidance to reflect the requirement to ensure consistent and period reviews of IMC 2515 Appendix C inspection procedures.

Recommendation 3: Review the inspection procedures listed in IM 2515 Appendix C to determine if they are still warranted.

Recommendation 4: Strengthen application controls in the Replacement Reactor Program System-Inspections Module to ensure NRC staff are correctly coding inspections under IMC 2515 Appendix C.

Recommendation 5: Periodically test application controls in the Replacement Reactor Program System-Inspections Module to ensure NRC staff are correctly coding inspections under IMC 2515 Appendix C.

Recommendation 6: Train NRC staff how to properly code IMC 2515 Appendix C inspections in the Replacement Reactor Program System-Inspections Module.

U.S. Nuclear Regulatory Commission Office of the Inspector General External Vulnerability Assessment and Penetration Testing (OIG-18-A-14)

1 of 1 recommendations open since June 6, 2018

Recommendation 1: Remediate the identified vulnerabilities in the findings matrix.

Audit of NRC's Process for Modifying and Communicating Standard Technical Specifications (OIG-18-A-15)

1 of 8 recommendations open since June 18, 2018

Recommendation 8: Implement quality assurance measures to address billing verification oversight.

Evaluation of NRC's Headquarters Operations Center Staffing (OIG-18-A-16)  
3 of 3 recommendations open since June 21, 2018

Recommendation 1: Develop and document a HOO workforce plan that defines the mission needs, workload, and skills and competencies of the HOO workforce to support achievement of program results.

Recommendation 2: Develop office guidance to conduct periodic assessment of the HOC, to include staff. Guidance should define (a) Periodicity or triggering event for assessment; (b) Stakeholders to be involved; (c) Areas to be assessed.

Recommendation 3: Develop and implement a set of procedures to support human capital management and succession in the HOC, including (a) Completed documentation of resource sharing with regions; (b) Expedited hiring process for HOO positions; (c) Backup pool of qualified HEROs and/or former HOOs; (d) Formalize current communications initiatives and methods.

Audit of NRC's Process for Reimbursing Agreement State Personnel Training Expenses (OIG-18-A-18)

1 of 1 recommendations open since September 12, 2018

Recommendation 1: Conduct a cost-benefit analysis to evaluate alternative Agreement State reimbursement options, such as establishment of contracts with individual Agreement States to facilitate reimbursement at the State per diem rate not to exceed the Federal per diem rate.

Audit of NRC's Force-on-Force Security Inspection of Fuel Cycle Facilities (OIG-18-A-21)  
2 of 2 recommendations open since September 27, 2018

Recommendation 1: Develop and implement a procedure to ensure classified information is handled and secured properly on force-on-force inspections for Category I fuel cycle facilities.

Recommendation 2: Update Inspection Procedure 96001 to revise how and when the target area inspection is conducted and consider options such as: (a) Allow Region II to conduct target area inspection prior to the force-on-force inspection, or (b) Conduct target area inspection during planning week.

Audit of NRC's Exercise of Its Early Out/Buyout Authority (OIG-19-A-04)

2 of 2 recommendations open since December 3, 2018

Recommendation 1: Conduct formal evaluation assessing the value of VERA/VSIPs as workforce restructuring tools at NRC. This evaluation could include (a) Program costs; (b) Impact of buyout incentives on employees' decision to separate; (c) Historical attrition rates compared to attrition rates during the years NRC ran a VERA/VSIP program; (d) Timing of employee separations; (e) VERA/VSIPs' impact on NRC and program offices' long-term restructuring goals; (f) If the formal evaluation concludes that VERA/VSIPs are the right workforce restructuring tool for NRC to use to achieve its workforce goals, then formally assess the VERA/VSIP program after each future round for potential ways to improve program implementation.

Recommendation 2: Develop written procedures for implementing a VERA/VSIP program, which include (a) Integrating the strategic workforce plan into VERA/VSIP planning and requests to OPM; (b) Determining surplus positions at the office-level; and (c) Developing a single tracking system to link VERA/VSIP separations to specific positions identified for elimination and restructuring, where possible.

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**Audit of NRC’s License Amendment Request Acceptance Review Process (OIG-19-A-05)**  
3 of 3 recommendations open since December 13, 2018

Recommendation 1: Strengthen data verification and validation measures to ensure completed acceptance review reports and data are processed accurately.  
Recommendation 2: Identify a single, consistent process for calculating the number of workdays for the acceptance review metric and communicate it to DORL staff.  
Recommendation 3: Complete the Replacement Reactor Program System-Licensing Module upgrade efforts to generate automated reports.

**Audit of NRC’s Process for Developing and Coordinating Research Activities (OIG-19-A-06)**  
4 of 4 recommendations open since December 13, 2018

Recommendation 1: Involve RES and requesting office senior managers earlier in the work request development process to ensure work requests are properly understood, resourced, and achievable before they are formally submitted to RES.  
Recommendation 2: Implement a standard template for RES staff to use when preparing acceptance memorandum or email responses to all work request types.  
Recommendation 3: Implement a single agencywide tracking system with the capabilities needed to effectively and efficiently keep the agency aware of research activities.  
Recommendation 4: Develop and implement a process for obtaining and using feedback from requesting offices. The process should include, but not be limited to, guidance on obtaining feedback during interim project milestones, creating access controls, and roles and responsibilities.

**Audit of NRC’s Screening and Assessment of Proposed Generic Issues (OIG-19-A-07)**  
3 of 3 recommendations open since January 23, 2019

Recommendation 1: Clarify, finalize, and implement guidance for timely proposed Generic Issue initial screening.  
Recommendation 2: Implement office guidance for displaying Generic Issues Program milestone documentation on the Dashboard website.  
Recommendation 3: Update applicable procedures to emphasize appropriate use, reporting, and monitoring of Generic Issues CACs for staff time spent on Generic Issues work.

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# UNIMPLEMENTED AUDIT RECOMMENDATIONS

## Defense Nuclear Facilities Safety Board

Audit of DNFSB's Resident Inspector Program (DNFSB-17-A-05)

1 of 2 recommendations open since June 5, 2017

Recommendation 2: Develop and implement a formal, transparent process for annually determining which defense nuclear sites will have resident inspectors, along with the staffing of those sites.

Audit of DNFSB's Telework Program (DNFSB-17-A-06)

3 of 3 recommendations open since July 10, 2017

Recommendation 1: Revise the telework directive and operating procedure to a) clarify the process for telework denials, b) list information technology security training as part of the requirements, and c) incorporate a requirement to update agency telework training to reflect changes made in policy.

Recommendation 2: Finish updating all telework agreements in accordance with the telework agreement template.

Recommendation 3: Develop and implement a checklist for telework recordkeeping to ensure the employee telework files are consistent.

Independent Evaluation of DNFSB's Implementation of FISMA 2014 for FY 2017 (DNFSB-18-A-02)

1 of 2 recommendations open since October 30, 2017

Recommendation 2: Develop an information system contingency plan for the DNFSB GSS.

Audit of DNFSB's Implementation of Its Governing Legislation (DNFSB-18-A-05)

2 of 2 recommendations open since May 29, 2018

Recommendation 1: Develop and implement agency guidance for issuing reporting requirements.

Recommendation 2: Develop and implement a plan of action to address the issues of low employee morale and Board collegiality as documented in the FEVS surveys, LMI Report, and Towers Watson Report.

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Audit of DNFSB's Issue and Commitment Tracking System (IACS) and Its Related Processes (DNFSB-19-A-02)

8 of 8 recommendations open since November 1, 2018

Recommendation 1: Provide training for the agency, including Board members, focusing on effective communication and trust in the workplace.

Recommendation 2: Develop a set of principles/values, with input from staff, to help provide the agency a more unified direction relative to DOE safety oversight.

Recommendation 3: Clarify and update IACS procedures.

Recommendation 4: Clarify and update RFBA procedures.

Recommendation 5: Create and implement a policy to consistently track RBAs through a tracking mechanism or through IACS.

Recommendation 6: Implement a policy for Board members to communicate to staff the basis for their RBA submissions, votes on technical items that oppose staff opinion, and voting abstentions or non-participation.

Recommendation 7: Create and implement a policy to conduct self-assessments for common Board member processes (e.g., RBAs, notational voting, Yellow Folder process, etc.) to determine how these processes could be improved.

Recommendation 8: Examine and update the Board Procedure to ensure greater communication and coordination within the Board.

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# ABBREVIATIONS AND ACRONYMS

ADAMS	Agencywide Document Access Management System
AIGA	Assistant Inspector General for Audits
CFR	Code of Federal Regulations
DNFSB	Defense Nuclear Facilities Safety Board
DOE	Department of Energy
DOJ	Department of Justice
DPO	Differing Professional Opinion
FISMA	Federal Information Security Modernization Act of 2014
FY	Fiscal Year
GAO	Government Accountability Office
GC	General Counsel
IACTS	Issue and Commitment Tracking System
IAM	Issue Area Monitoring
IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act
IPIA	Improper Payments Information Act
LAR	License Amendment Request
MD	Management Directive
NMSS	Office of Nuclear Material Safety and Safeguards
NNSA	National Nuclear Security Administration
NOED	Notices of Enforcement Discretion
NRC	Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation
NSIR	Office of Nuclear Security and Incident Response
OGC	Office of the General Counsel
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
RES	Office of Nuclear Regulatory Research
RFBA	Request for Board Action
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Payment
VoIP	Voice Over Internet Protocol

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# REPORTING REQUIREMENTS

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

<b>Citation</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of legislation and regulations	6-7
Section 5(a)(1)	Significant problems, abuses, and deficiencies	13-20, 30, 34, 37-38, 41
Section 5(a)(2)	Recommendations for corrective action	13-20, 37-38
Section 5(a)(3)	Prior significant recommendations not yet completed	51
Section 5(a)(4)	Matters referred to prosecutive authorities	46, 53
Section 5(a)(5)	Listing of audit reports	47-48, 54
Section 5(a)(6)	Listing of audit reports with questioned costs or funds put to better use	48
Section 5(a)(7)	Summary of significant reports	13-20, 30-34, 37-39, 40-43
Section 5(a)(8)	Audit reports — questioned costs	49, 55
Section 5(a)(9)	Audit reports — Funds put to better use	50, 56
Section 5(a)(10)	Audit reports issued before commencement of the reporting period (a) for which no management decision has been made, (b) which received no management comment within 60 days, and (c) with outstanding, unimplemented recommendations, including aggregate potential costs savings	57-65
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which OIG disagreed	None
Section 5(a)(19)	Significant revised management decisions	None
Section 5(a)(13)	FFMIA section 804(b) information	None
Section 5(a)(14)(15)(16)	Peer review information	68
Section 5(a)(17)	Investigations statistical tables	45-46, 52-53
Section 5(a)(18)	Description of metrics	46, 53
Section 5(a)(19)	Investigations of senior Government officials where misconduct was substantiated	31-32, 34
Section 5(a)(20)	Whistleblower retaliation	None
Section 5(a)(21)	Interference with IG independence	None
Section 5(a)(22)(A)	Audits not made public	None
Section 5(a)(22)(B)	Investigations involving senior Government employees where misconduct was not substantiated and report was not made public	32-34, 42-43

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# APPENDIX

## Peer Review Information

### *Audits*

The NRC OIG Audit Program was peer reviewed by the OIG Board of Governors of the Federal Reserve System and Bureau of Consumer Financial Protection. The review was conducted in accordance with Government Auditing Standards and Council of the Inspectors General on Integrity and Efficiency requirements. In a report dated September 4, 2018, the NRC OIG received an external peer review rating of pass. This is the highest rating possible based on the available options of pass, pass with deficiencies, or fail.

The NRC OIG reviewed the system of quality control for the audit organization of the Office of Inspector General (OIG) for the U.S. Department of State and the U.S. Agency for Global Media in effect for the year ended September 30, 2018. The review was conducted in accordance with Government Auditing Standards and Council of the Inspectors General on Integrity and Efficiency requirements. In a report dated February 12, 2019, the U.S. Department of State and the U.S. Agency for Global Media received an external peer review rating of pass. This is the highest rating possible based on the available options of pass, pass with deficiencies, or fail.









## **OIG STRATEGIC GOALS FOR NRC**

1. Strengthen NRC's efforts to protect public health and safety and the environment.
2. Strengthen NRC's security efforts response to an evolving threat environment.
3. Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

## **OIG STRATEGIC GOALS FOR DNFSB**

1. Strengthen DNFSB's efforts to oversee the safe operation of DOE defense nuclear facilities.
2. Strengthen DNFSB's security efforts in response to an evolving threat environment.
3. Increase the economy, efficiency, and effectiveness with which DNFSB manages and exercises stewardship over its resources.

## The NRC OIG Hotline

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

### What should be reported:

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

## Ways To Contact the OIG



### Call:

**OIG Hotline**

**1-800-233-3497**

**TTY/TDD: 7-1-1, or 1-800-201-7165**

7:00 a.m. – 4:00 p.m. (EST)

After hours, please leave a message.



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### Write:

U.S. Nuclear Regulatory Commission

Office of the Inspector General

Hotline Program, MS 05 E13

11555 Rockville Pike

Rockville, MD 20852-2738



@NRCgov

