



# *Office of the Inspector General*

*U. S. Nuclear Regulatory Commission*

*Annual Plan*

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*Fiscal Year 2001*

## FOREWORD

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I am pleased to present the Office of the Inspector General's (OIG) fiscal year (FY) 2001 Annual Plan. The Annual Plan provides summaries of the specific work planned for the coming year. The format for this year's plan is different from previous years, as I am providing more specific information regarding our schedule for planned audit work and a more detailed description of our planned investigative activities. Additionally, the Annual Plan's overall appearance and layout has been revised to be more user friendly.

The U.S. Nuclear Regulatory Commission's (NRC) mission is to regulate the Nation's civilian use of byproduct, source, and special nuclear material to ensure adequate protection of public health and safety. This Annual Plan is the OIG's formal strategy for identifying priority issues and managing workload and resources for FY 2001. To develop this Annual Plan, we obtained input from several sources, including the nuclear industry, NRC senior managers, the Commission, Congress, and OIG's Annual Planning Conference.

Rather than set aside time to respond to unanticipated high priority issues that inevitably arise, we have programmed all our available resources and will reassess those priorities as necessary. This approach ensures that we use our limited resources only on high priority work.

Hubert T. Bell  
Inspector General

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## MISSION AND AUTHORITY

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

OIG is committed to ensuring the integrity of NRC programs and operations. Developing an effective planning strategy is a critical aspect of accomplishing this commitment. Such planning assures that audit and investigative resources are used effectively. To that end, OIG developed a Strategic Plan for fiscal years (FY) 2000 - 2005 which includes four general goals and a number of supporting objectives that describe planned accomplishments.

The Annual Plan reflects the interests and concerns of the nuclear industry, Congress, and NRC senior managers, including the Chairman and Commissioners. The Annual Plan also serves as a basis for developing performance goals and measures envisioned by the Government Performance and Results Act. In particular, the Annual Plan addresses OIG's first Strategic Plan General Goal:

To add value to the NRC's technical and administrative programs, OIG will identify opportunities for improvement in the agency and conduct activities for the purpose of preventing and detecting fraud, waste, and abuse in NRC's programs and operations.

Additionally, the Inspector General responded to an August 1998 congressional request for information on what this office considered to be the most serious management challenges facing the NRC. In response to a subsequent September 1999 congressional request, the Inspector General developed and reaffirmed the following list of what this office considers to be the most serious management challenges facing the NRC:

1. Developing and implementing a risk-informed, performance-based approach to regulatory oversight.
2. Developing information management systems and being able to anticipate and measure the benefits to be gained.
3. Responding to the impact of industry deregulation and license transfers.

4. Administering and overseeing agency procurement under Government contracting rules. Government contracting rules allow the opportunity for fraud to occur.
5. Effectively communicating with the public and industry.
6. Maintaining an unqualified financial statement opinion in light of new and existing CFO requirements.
7. Ensuring that NRC's processes, such as spent fuel cask certification and license renewal, are responsive to industry needs.
8. Ensuring that NRC's enforcement program has an appropriate safety focus and reflects improved licensee performance.
9. Refocusing NRC's research program to reflect a mature industry.
10. Responding to external influences for changing NRC's operations. For example, the ability to meet NRC's mission and requirements of the Government Performance and Results Act, as the result of a proposed agency reorganization, poses a significant challenge to NRC.

In the September 1999 request regarding the management challenges, Congress also asked the Inspector General for a description of the relevant issues, related audit work, and significant open audit recommendations. Furthermore, the request asked the Inspector General to assess the agency's efforts to resolve the issues, compare/contrast this current listing with those of previous years, with some explanation, and identify programs that "have had questionable success in achieving results." To gather sufficient information to respond to the congressional request, OIG has initiated a special evaluation of NRC's most serious management challenges. That body of work is reflected as one of the current jobs described in this Annual Plan. As a result of this special evaluation currently underway, it is anticipated that the list of NRC's most serious management challenges will be revised. Future planning will address any revisions to the list.

## **AUDIT AND INVESTIGATION UNIVERSE**

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The NRC budget request for FY 2001 is \$488.1 million with a staffing level of 2,785 personnel. The agency's mission is to ensure that civilian uses of nuclear materials in the United States (in the operation of nuclear power plants, and in medical, industrial, and research operations) are carried out with adequate protection of the public health and safety, the environment, and national security. The agency also has a role in combating the proliferation of nuclear materials worldwide.

NRC is headquartered in Rockville, Maryland, and has four regional offices located throughout the United States. The agency also operates a technical training center located in Chattanooga, Tennessee.

NRC carries out its mission through various licensing, inspection, research, and enforcement programs. Currently, NRC responsibilities include regulating 104<sup>1</sup> commercial nuclear power reactors licensed to operate in 31 States; 37 non-power reactors licensed to operate in 24 States; 8 major uranium fuel fabrication and production facilities; 2 gaseous diffusion enrichment facilities; and approximately 5,300 licenses issued for medical, academic, and industrial uses of nuclear material. (The NRC also oversees the 31 Agreement States, which regulate approximately 15,500 such licenses.) The agency is also overseeing the decommissioning of 19 commercial nuclear power plants that it regulates. The audit and investigation universe is, therefore, composed of a myriad of programs, functions, and support activities established to implement NRC's mission.

## **PLANNING STRATEGY**

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The OIG Annual Plan reflects our strategic approach to planning. It identifies specific areas to be covered during the current year. The Annual Plan is considered a “living” document and is modified throughout the year as circumstances, priorities, and/or resource availability dictate.

## **AUDIT STRATEGY**

Effective audit planning requires extensive knowledge about the agency’s mission and the programs and activities used to carry out that mission. Accordingly, we continually monitor specific issue areas to strengthen our internal coordination and overall planning process. Under our Issue Area Monitor (IAM) program, staff designated as issue area monitors (IAM’s) are assigned responsibility for keeping abreast of major agency programs and activities. The IAM’s are a key component of our planning process. In addition, we align our planning efforts to the extent possible with the strategic arenas used by the agency in its planning process. Currently, NRC focuses on four strategic arenas: Nuclear Reactor Safety, Nuclear Materials Safety, Nuclear Waste Safety, and International Nuclear Safety Support. The agency also specifies goals and strategies for Management and Support, which cut across all NRC regulatory and support activities to accomplish the agency’s overall strategic goals. Appendix V contains a listing of our IAM’s and issue areas for which they are responsible.

The audit planning process is designed to yield assignments that will encourage efficiency, economy, and effectiveness of NRC programs and operations; detect and prevent fraud, waste, and mismanagement; improve program and security activities at headquarters and regional locations; and respond to unplanned priority requests and targets of opportunity. The priority for conducting audits is based on (1) mandatory legislative requirements, (2) emphasis by the President, Congress, NRC Chairman, or other NRC Commissioners, (3) a program’s susceptibility to fraud, manipulation, or other irregularities, (4) newness, changed conditions, or sensitivity of organization, program, or function activities, (5) dollar magnitude, duration, or resources involved in the proposed audit area, (6) prior audit experience, including the adequacy of internal controls, and (7) availability of audit resources.

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<sup>1</sup>NRC regulates 104 reactors, but one of these facilities (Browns Ferry 1) is not operating at the present time.

The OIG Strategic Plan is a critical part of the audit planning process. This long range plan describes the major NRC program areas subject to auditing, reflects the dollar and other resources budgeted for each of these program areas, and provides an overview of what audit staff have done in these areas, as well as where they are currently and plan to go with respect to these program areas. The Strategic Plan provides the foundation for identifying the most significant NRC programs so that audit resources may be directed in these areas in an optimum fashion. The Strategic Plan is updated every 3 years and is supported by a workload analysis. The workload analysis is a living document that is continuously updated by the audit teams to describe major NRC program areas and potential audits. The analysis is the connection between the Strategic Plan and the Annual Plan.

## **INVESTIGATIONS STRATEGY**

Our responsibility for detecting and preventing fraud, waste, and abuse within the NRC includes investigating possible violations of criminal statutes relating to NRC programs and activities, investigating misconduct by NRC employees, interfacing with the Department of Justice (DOJ) on OIG related criminal matters, and coordinating investigations and other OIG initiatives with Federal, State, and local investigative agencies and other OIG's. Investigations covering a broad range of criminal misconduct and wrongdoing affecting various NRC programs and operations may be initiated as a result of allegations or referrals from private citizens, licensee employees, NRC employees, Congress, other Federal, State, and local law enforcement agencies, OIG audits, the OIG Hotline, and proactive efforts directed at areas bearing a high potential for fraud, waste, and abuse.

As in the past, reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority in our use of available resources. Because the NRC's mission is to protect the health and safety of the public, one of the Investigations unit's, main concentrations of effort and resources will involve alleged NRC staff misconduct that could adversely impact on health and safety related matters. These investigations typically include allegations of:

- Misconduct by high ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact the public health and safety.
- Failure by NRC management to ensure that health and safety matters are appropriately addressed.
- Failure by the NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.
- Conflicts of interest by NRC employees with NRC contractors and licensees involving such matters as promises of future employment for favorable or inappropriate treatment and the acceptance of gratuities.
- Fraud in the NRC procurement program involving contractors violating Government contracting laws and rules.

Other reactive cases involving criminal and other wrongdoing, as well as proactive initiatives, will be pursued as resources allow. These include cases involving theft of property, Government credit card abuse, false travel and expense reimbursement claims, and fraud in the Federal Employees Compensation Act Program.

Appendix IV provides the OIG Investigations unit's FY 2001 objectives and initiatives. Specific investigations are not included in the plan because investigations are primarily based on reported violations of law and misconduct by NRC employees and contractors, as well as allegations of irregularities or abuse in NRC programs and operations.

## **PERFORMANCE GOALS**

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For FY 2001, we will continue to use a number of key performance indicators and targets for gauging our audit and investigative work. These are:

### **AUDITS**

1. Keep average cost per audit to one (1) full-time equivalent (FTE) or less.
2. Complete audits in 6 months or less, on average.
3. Obtain a satisfactory peer review.
4. Obtain customer feedback on timeliness and quality of audits.
5. Obtain agency agreement on at least 90 percent of audit recommendations.
6. Obtain final agency action on 80 percent of all audit recommendations within 1 year.

### **INVESTIGATIONS**

1. Complete non-fraud investigations in an average time frame of 6 months.
2. For 80 percent of fraud investigations, the number of hours worked (applied time) will not be less than 25 percent of the total number of hours in an open status (elapsed time).
3. For 80 percent of non-fraud investigations, the number of hours worked (applied time) will not be less than 50 percent of the total number of hours in an open status (elapsed time).
4. Achieve a minimum rate of 30 percent of investigations being referred for criminal prosecution.
5. Obtain agency action in response to at least 90 percent of investigative reports issued by OIG.

6. Obtain acceptance by NRC's Office of General Counsel of at least 70 percent of OIG-referred Program Fraud and Civil Remedies Act cases.
7. Address 80 percent of investigative issues raised in customer surveys.
8. Address all investigative issues identified in quality control reviews.

## **OPERATIONAL PROCESSES**

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

### **AUDITS**

The audit process employed represents the steps taken by OIG to conduct audits and involves several steps, ranging from annual audit planning to performing audit followup. The underlying goal of the audit process is to maintain an open channel of communication between the auditors and NRC officials to ensure that audit findings are accurate and fairly presented in the audit report. Audit coverage includes consideration of factors such as legislative requirements; interest expressed by different stakeholders; a program's susceptibility to fraud, waste, or abuse; the newness, changed conditions, or sensitivity of organization, program, or function activities; resources involved in the proposed audit area; prior audit experience, including the adequacy of internal controls; and the availability of audit resources.

The OIG performs the following types of audits:

**Performance** - These audits are conducted on selected NRC administrative and program operations to evaluate the effectiveness and efficiency with which managerial responsibilities are carried out. They focus on whether management controls, practices, processes, and procedures are adequate and effective. Performance audits also include reviews of selected programs and activities to evaluate their overall effectiveness in achieving anticipated results.

**Financial** - These audits include the financial statement audit required by the Chief Financial Officers Act and other financial-related audits. These audits include reviews of such items as internal control systems, transaction processing, financial systems, and contracts.

The key elements in the audit process are as follows:

**Audit Planning** - Each year, OIG holds an information and planning conference. Additionally, suggestions are solicited from OIG staff, agency management, and other external parties. An annual audit plan is developed and distributed to interested parties. It contains a listing of planned audits to be initiated during the year and the general objectives of the audits. The annual audit plan is a "living" document that may be revised as issues warrant, with a subsequent redistribution of staff resources.

**Audit Notification** - Formal notification is provided to the office responsible for a specific program, activity, or function, informing them of our intent to begin an audit of that program, activity, or function.

**Entrance Conference** - A meeting is held to advise agency officials of the purpose, objectives, and scope of the audit, and the general methodology to be followed.

**Survey** - Exploratory work is conducted before the more detailed audit commences to gather data for identifying audit objectives, documenting internal control systems, becoming familiar with the activities to be audited, and identifying areas of concern to management.

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

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

**Exit Conference** - A meeting is held with the appropriate agency officials to present and discuss the results of the audit. This meeting provides agency management the opportunity to confirm information, ask questions, and provide any necessary clarifying data.

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

**Final Audit Report** - The final report includes, as necessary, any revisions to the facts, conclusions, and recommendations of the draft report discussed in the exit conference or generated in written comments supplied by agency managers. Written comments are included as an appendix to the report.

**Response to Report Recommendations** - Action offices provide a written response on each recommendation (usually within 30 days) contained in the final report. Agency management responses include a decision for each recommendation indicating agreement or disagreement with the recommended action. For agreement, agency management provides corrective actions taken or planned, and actual or target dates for completion. For disagreement, agency management provides their reasons for disagreement and any alternative proposals for corrective action. If questioned or unsupported costs are identified in the audit report, agency management states the amount that is determined to be disallowed and the plan to collect the disallowed funds. If funds put to better use are identified, agency management states the amount that can be put to better use. If these amounts differ from OIG's, agency management states the reasons for the difference.

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

## **INVESTIGATIONS**

The investigative process usually begins with the receipt of an allegation of fraud or mismanagement. Because a decision to initiate an investigation must be made within a few days of each referral, OIG does not schedule specific investigations in its plan. Investigations are opened in accordance with OIG priorities and general guidelines and in consideration of prosecutorial guidelines that may be established by the local U.S. Attorneys for the Department of Justice. OIG investigations are governed by the President's Council on Integrity and Efficiency Quality Standards for Investigations, the OIG Special Agent Handbook, and various guidance provided on a periodic basis by the Department of Justice.

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

When an investigation is opened, it is assigned to a special agent who prepares a plan of investigation. This planning process includes a review of the criminal and civil statutes, program regulations, and agency policies that may be involved. The special agent then conducts the investigation, which may require interviewing witnesses and subjects, reviewing and analyzing records, obtaining physical evidence, and conducting surveillance and/or undercover operations. If the special agent determines that a crime may have been committed, he or she will discuss the investigation with a Federal and/or local prosecutor to determine if prosecution will be pursued. Upon completion of the investigation, the special agent prepares an investigative report summarizing the facts disclosed during the investigation.

The investigative report is distributed to prosecuting attorneys and to agency officials who may have an official interest in the results of the investigation. In those cases where a prosecuting attorney decides to proceed with a criminal or civil prosecution, the special agent assists the attorney in any preparation for court proceedings that may be required. This assistance may include serving subpoenas, locating witnesses, preparing exhibits, executing arrest/search warrants, and testifying before a grand jury or during trial.

At the conclusion of any court action, OIG advises the agency of the court results. For those investigations that do not result in a trial but are handled administratively by the agency, OIG monitors any corrective or disciplinary action that may be taken by the agency. OIG collects data summarizing the judicial and administrative results of its investigations and includes this data in its semiannual report to Congress.

As a complement to the investigation function, OIG also conducts a limited number of Event Inquiries. These Inquiries are investigative types of efforts that examine an event

or issue without focusing specifically on individual conduct. These reports identify institutional weaknesses that led to or allowed a problem to occur.

## **HOTLINE**

In 1991, the OIG at NRC established the Hotline Program to provide NRC employees, licensee employees, contract employees, and the public with a confidential means of reporting to the OIG instances of fraud, waste, and abuse relating to NRC programs and operations. The toll free number (1-800-233-3497) provides easy access for individuals to report any instance of fraud, waste, or abuse to well-trained Hotline Operators in the OIG. Trained staff are available to answer calls Monday through Friday between 9 a.m. and 4 p.m. (eastern standard time). At other times, callers may leave a message on the recorder. There is no caller identification feature associated with the Hotline.

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

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

## **DISTRIBUTION OF OIG RESOURCES**

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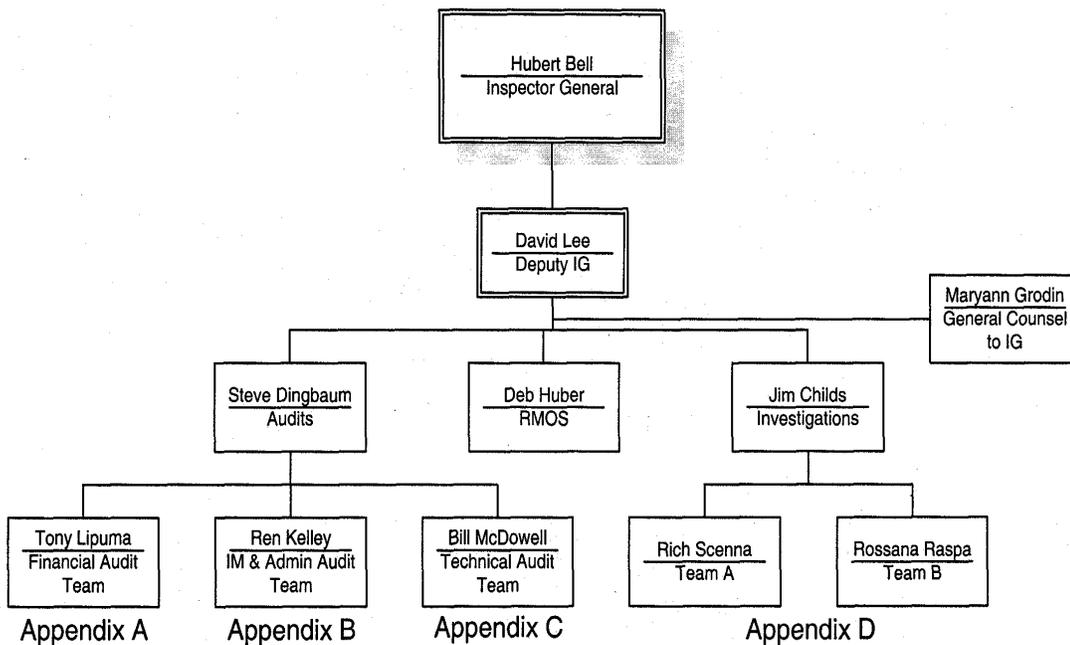
For FY 2001, the OIG will be operating with an appropriation of \$5.5 million and a total authorized staff of 44 FTE's. This request includes funding for the audit and investigation functions (18 FTE's for Audits and 18 FTE's for Investigations).

OIG work is planned through (1) a strategic audit planning process which includes IAM input and (2) a strategic investigations planning process using allegations and referrals from outside sources, and proactive efforts directed at areas bearing a high potential for fraud, waste, and abuse. This allows us to target our limited resources on NRC's most important issues and activities. As a result, this approach serves to lower overall costs, maximize coverage, optimize the use of audit and investigative staff, and provide the greatest benefit to agency management and the taxpayer.

The following organizational chart identifies how the OIG is structured to cover the agency's activities. Appendices identified within the chart provide detailed descriptions of the FY 2001 audit and investigative work planned.

# OIG Organizational Chart

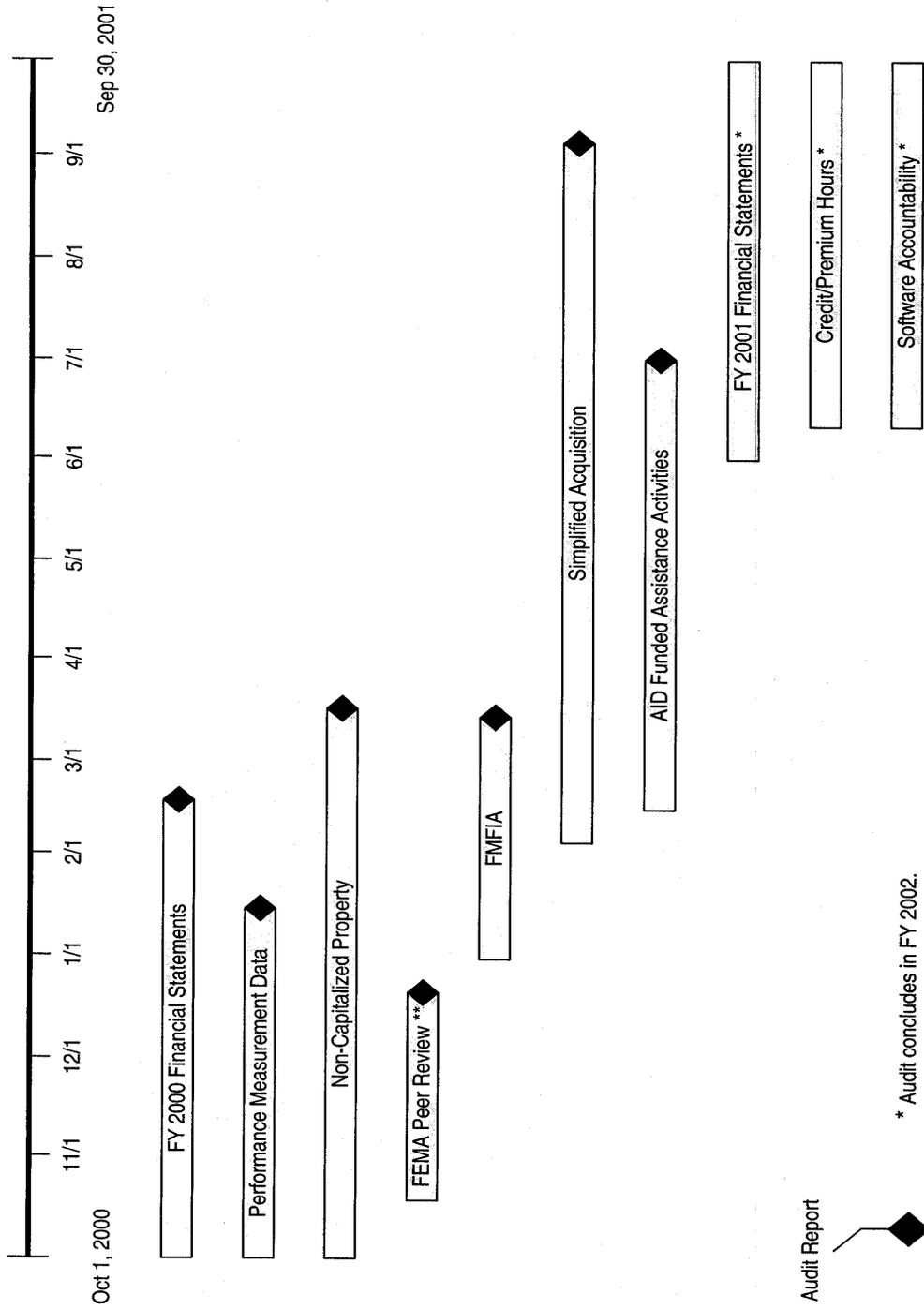
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**Financial Management Team Audits  
Planned for FY 2001**

Fiscal Year 2001

# Financial Audits



Audit Report

\* Audit concludes in FY 2002.

\*\* This effort will not result in a report to NRC.

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## **Audit of NRC's FY 2000 Financial Statements**

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### **DESCRIPTION AND JUSTIFICATION:**

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. This audit will allow the OIG to assist the NRC in preparing accurate and timely financial statements. We will be able to measure the agency's improvements by comparing the timeliness and reliability of the financial statements to those prepared and audited in prior years.

### **SCOPE AND OBJECTIVES:**

The OIG will audit NRC's financial statements in accordance with applicable auditing standards. The audit will express an opinion on the agency's financial statements, evaluate internal controls, review compliance with applicable laws and regulations, review the performance measures included in the financial statements for compliance with OMB guidance, and review the controls in the NRC's computer systems that are significant to the financial statements.

**SCHEDULE:** Started in the 2<sup>nd</sup> quarter of FY 2000 and should be completed in the 2<sup>nd</sup> quarter of FY 2001.

## **Review of NRC Processes for Providing Performance Measure Data**

### **DESCRIPTION AND JUSTIFICATION:**

On May 10, 2000, Senator Fred Thompson, Chairman, Committee on Governmental Affairs, requested the NRC Inspector General to analyze key aspects of the agency's FY 1999 reported performance data. On June 27, 2000, OIG responded to Senator Thompson and advised that the reliability of performance data was under continuing review. OIG advised Senator Thompson that we would forward him our work when completed.

### **SCOPE AND OBJECTIVES:**

The objectives of this review are to determine (1) if NRC's processes used to report its FY 1999 performance measures were based on valid and reliable data, and (2) how the FY 2000 strategic and performance plans alter the FY 1999 processes.

**SCHEDULE:** Started in the 4<sup>th</sup> quarter of FY 2000 and should be completed in the 2<sup>nd</sup> quarter of FY 2001.

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## **Review of Accountability and Control Over Noncapitalized Government Property**

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### **DESCRIPTION AND JUSTIFICATION:**

It is NRC's policy to effectively and efficiently manage and use property and supplies, and to provide sufficient controls to deter or eliminate loss through fraud, waste, or misuse. This policy applies to NRC property and supplies in the agency's possession and in the possession of NRC's contractors. NRC personal property records are maintained in an online interactive computer system that serves as the official database for agency property transactions. The Property and Supply System (PASS) accounts for approximately 27,000 pieces of noncapitalized equipment with an acquisition cost of approximately \$75.3 million.

### **SCOPE AND OBJECTIVES:**

The overall objectives of this review are to determine whether (1) NRC policies governing the accountability and control of noncapitalized NRC property adhere to applicable laws and regulations, (2) these policies, as implemented, provide reasonable safeguards to deter and prevent loss through fraud, waste, or misuse, and (3) the official database for NRC property transactions reflects accurate information.

**SCHEDULE:** Started in the 4<sup>th</sup> quarter of FY 2000 and should be completed in the 2<sup>nd</sup> quarter of FY 2001.

## **External Quality Control Review of the Federal Emergency Management Agency**

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### **DESCRIPTION AND JUSTIFICATION:**

In January 1986, the President's Council and Integrity and Efficiency (PCIE) adopted and published *Quality Standards for Federal Offices of Inspector General*. These standards covered the entire OIG organization of the Federal Government and were considered advisory in nature. Subsequently, beginning with the 1988 edition, *Government Auditing Standards* required Government audit organizations to have an appropriate internal quality control system in place and undergo an external quality control review. The 1988 amendments to the Inspector General Act of 1978 require that these external quality control reviews be performed exclusively by an audit entity of the Federal Government, including the GAO or another OIG, every 3 years. The PCIE assigned the OIG at NRC the responsibility for performing an external quality control review at the OIG of the Federal Emergency Management Agency (FEMA) in FY 2001.

### **SCOPE AND OBJECTIVES:**

The objective of this review is to determine if the FEMA Audits Division has an internal quality control system that provides reasonable assurance that the organization has adopted and is following applicable Government auditing standards, and has established and is following adequate audit policies and procedures.

The scope of the review will cover the elements of the OIG's internal quality control system that are designed to provide reasonable assurance that the audits it performs, or for which it contracts, are carried out in accordance with Government auditing standards and established policies and procedures. These elements include staff qualifications, independence, audit performance, and internal reviews. We will select audits issued between October 1, 1999, and September 30, 2000.

The final audit report will be issued to the FEMA OIG. This audit work is shown in the FY 2001 Annual Plan because it will impact the resources of the OIG at NRC.

**SCHEDULE:** To begin in the 1<sup>st</sup> quarter of FY 2001.

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## **Review of NRC's Implementation of the Federal Managers' Financial Integrity Act for FY 2000**

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### **DESCRIPTION AND JUSTIFICATION:**

Management controls, in the broadest sense, include the organization, methods, and procedures adopted by management to ensure that it meets its goals. According to OMB Circular A-123 revised, *Management Accountability and Control*, management controls are the organization, policies, and procedures used by agencies to reasonably ensure that (1) programs achieve their intended results, (2) resources are used consistent with agency mission, (3) programs and resources are protected from waste, fraud, and mismanagement, (4) laws and regulations are followed, and (5) reliable and timely information is obtained, maintained, reported, and used for decision making.

### **SCOPE AND OBJECTIVES:**

The objectives of this review will be to survey and interview NRC managers to determine their training in, and understanding of, the basic precepts of management controls and to determine how they implement the controls identified.

**SCHEDULE:** To begin in 1<sup>st</sup> quarter of FY 2001.

## **Review of AID-Funded Assistance Activities**

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### **DESCRIPTION AND JUSTIFICATION:**

The NRC conducts several formal assistance programs for the regulators of the following four countries in the former Soviet Union (FSU): Russia, Ukraine, Kazakhstan, and Armenia. These programs are funded through the Foreign Assistance Act, as amended by the Freedom of Support Act. The Russia and Ukraine programs were initiated in the early 1990's, with Armenia and Kazakhstan starting a few years later. As of FY 2000, the agency had received nearly \$36 million through fund transfers from Agency for International Development (AID) Funded Assistance Activities to NRC, and the agency has requested additional funding from AID for FY 2001. The assistance activities are coordinated by the Office of International Programs with technical support provided by NRC program offices.

### **SCOPE AND OBJECTIVES:**

The overall objective of the review will be to determine if the assistance programs are being managed efficiently and effectively and to determine the adequacy of the management controls over the use of AID funds.

**SCHEDULE:** To begin in the 2<sup>nd</sup> quarter of FY 2001.

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## **Review of NRC's Implementation of Its Simplified Acquisition Process**

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### **DESCRIPTION AND JUSTIFICATION:**

Simplified acquisition is defined by the Federal Acquisition Streamlining Act of 1994 as purchases not exceeding the maximum threshold of \$100,000, using procedures prescribed in the Federal Acquisition Regulation Part 13. The procedures are intended to reduce administrative costs, improve opportunities for small business, promote efficiency and economy in contracting, and avoid unnecessary burden for agencies and contractors.

### **SCOPE AND OBJECTIVES:**

The overall objectives are to determine whether (1) NRC policies governing simplified acquisitions adhere to applicable laws and regulations, (2) these policies, as implemented, provide the controls needed to ensure the integrity of the process, and (3) established controls provide reasonable assurance to protect NRC assets from loss through fraud, waste, or misuse.

**SCHEDULE:** To begin in the 2<sup>nd</sup> quarter of FY 2001.

## **Audit of NRC'S FY 2001 Financial Statements**

### **DESCRIPTION AND JUSTIFICATION:**

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. This audit will allow the OIG to assist the NRC in preparing accurate and timely financial statements. We will be able to measure the agency's improvements by comparing the timeliness and reliability of the financial statements to those prepared and audited in prior years.

### **SCOPE AND OBJECTIVES:**

The OIG will audit NRC's financial statements in accordance with applicable auditing standards. The audit will express an opinion on the agency's financial statements, evaluate internal controls, review compliance with applicable laws and regulations, review the performance measures included in the financial statements for compliance with OMB guidance, and review the controls in the NRC's computer systems that are significant to the financial statements.

**SCHEDULE:** To begin in the 3<sup>rd</sup> quarter of FY 2001.

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## **Review of NRC's Use of Credit Hours and Premium Hours, Including Overtime and Compensatory Time**

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### **DESCRIPTION AND JUSTIFICATION:**

Credit hours is a concept created and codified into law by Congress in 1982 as a means by which employees are permitted to work extra hours before or after their ordinary work day to be able to take time off at a later date.

Premium pay is pay for overtime, night, Sunday, and holiday work, paid in addition to basic pay for salaried employees. For General Schedule (GG graded) employees, premium pay includes compensatory time, if applicable, in place of actual payment for irregular or occasional overtime.

### **SCOPE AND OBJECTIVES:**

The overall objectives are to determine (1) whether NRC's credit hour policies comply with applicable laws and regulations, (2) if established policies provide adequate controls over the use of credit hours, and (3) how NRC managers determine the need for, and approve, overtime and compensatory time.

**SCHEDULE:** To begin in the 3<sup>rd</sup> quarter of FY 2001.

## **Review of Nuclear Regulatory Commission Accountability and Control of Software Including Compliance with Software Licensing Agreements**

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### **DESCRIPTION AND JUSTIFICATION:**

The purpose of this audit is to review NRC policies and procedures governing the accountability and control of software, including compliance with software licensing agreements.

It is NRC policy to manage and use agency property in its possession or its contractors' possession effectively and efficiently and to provide sufficient controls to deter or eliminate loss through fraud, waste, or misuse. Since the agency's use of and investment in software is significant, NRC's software must be properly accounted for and controlled. Accordingly, adequate policies and procedures must be effectively implemented to safeguard NRC software and ensure compliance with applicable laws and regulations.

### **SCOPE AND OBJECTIVES:**

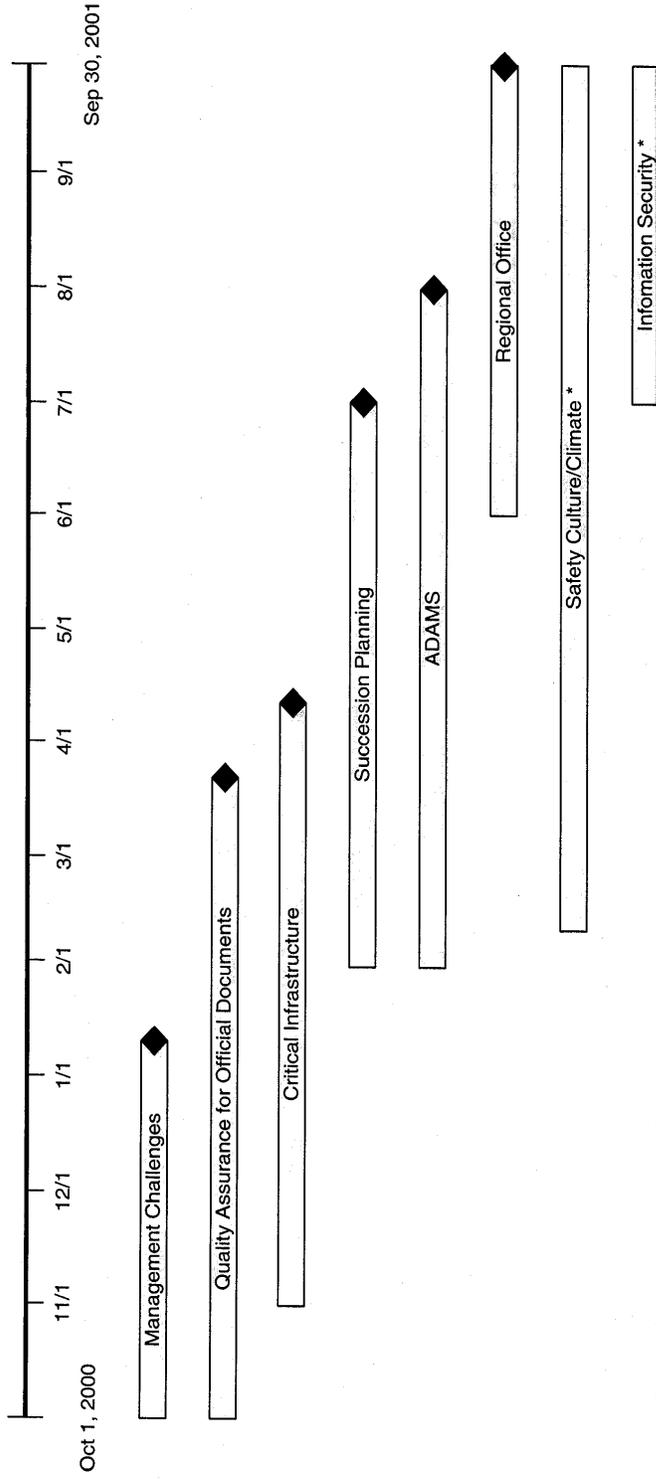
The objectives are to determine whether (1) NRC policies governing the accountability and control of software and compliance with software licensing agreements adhere to applicable laws and regulations, and (2) these policies, as implemented, provide reasonable safeguards to deter and prevent loss through fraud, waste, or misuse, and provide for adherence to the relevant criteria.

**SCHEDULE:** To begin in the 3<sup>rd</sup> quarter of FY 2001.

**INFORMATION TECHNOLOGY AND  
ADMINISTRATIVE TEAM AUDITS  
PLANNED FOR FY 2001**

Fiscal Year 2001

# Information Management & Admin Audits



Audit Report

\* Audit concludes in FY 2002.

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## **Special Evaluation of the NRC's Most Serious Management Challenges**

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### **DESCRIPTION AND JUSTIFICATION:**

In response to congressional requests, and consistent with the goal of improving agency programs and operations, the Inspector General developed and updated what he considered to be the most serious management challenges facing the NRC. The Inspector General evaluated the overall work of the OIG, the OIG staff's general knowledge of agency operations, and other relevant information to develop his list of management challenges.

In September 1999, congressional members requested that Inspectors General update the lists of the most serious management challenges facing their agencies. Additionally, they requested that Inspectors General assess their agencies' efforts to address the challenges, compare and contrast the new management challenges listings with previous listings, and identify programs that "have had questionable success in achieving results." The congressional members also stated that the information provided by Inspectors General in the past had been extremely valuable in focusing congressional and agency attention on mission-critical management problems and stimulating action to resolve the problems. To be responsive to the congressional request, the Inspector General stated that OIG would conduct a special evaluation to review, in depth, the areas of congressional interest and to determine the extent to which the NRC is addressing the management challenges.

### **SCOPE AND OBJECTIVES**

The overall scope and objectives for the special evaluation are to assess the agency's efforts to address the management challenges and to identify any related agency programs that have had questionable success in achieving results. Criteria for OIG's internal process for selecting and removing challenges from the list will also be determined. Furthermore, this special evaluation will help OIG update the annual list to Congress of NRC's most serious management challenges, which is usually due in December.

**SCHEDULE:** Started in the 4<sup>th</sup> quarter of FY 2000 and should be completed in the 2<sup>nd</sup> quarter of FY 2001.

## **Review of NRC's Quality Assurance Process for Official Documents**

### **DESCRIPTION AND JUSTIFICATION:**

NRC relies heavily on information to accomplish its regulatory mission. The Commission and Congress base key decisions regarding NRC programs and operations on the information provided in official NRC documents. These decisions are only as good as the information on which they are based. It is imperative that NRC's information be accurate and fairly reflect the true status of the matter being portrayed.

As part of previous audit and investigative work, OIG identified instances in which the information provided to the Commission and/or Congress in documents did not fairly represent the status of a given matter. For example, as part of its work involving the Office of the Chief Financial Officer, OIG identified inaccurate information in a SECY paper to the Commission and in another document related to the subject matter of the SECY paper. Also, the preliminary examination of other investigative and audit work disclosed about 15 other potential examples of inaccurate information in official NRC documents issued to Congress, the Commission, the industry, and other Federal agencies.

### **SCOPE AND OBJECTIVES:**

This audit will assess the agency's quality control processes for ensuring the accuracy of the information in its official documents. This audit will involve program and regional offices. Objectives of this review are to determine and evaluate NRC's processes for ensuring that official NRC documents contain accurate information, identify and assess the impact of the differences in the concurrence and other quality control processes among NRC offices, and identify and communicate "good" control practices within and external to NRC.

**SCHEDULE:** Started in the 4<sup>th</sup> quarter of FY 2000 and should be completed in the 2<sup>nd</sup> quarter of FY 2001.

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## **Review of NRC's Critical Infrastructure -- Phase III**

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### **DESCRIPTION AND JUSTIFICATION:**

In May 1998, President Clinton issued *The Clinton Administration's Policy on Critical Infrastructure Protection: Presidential Decision Directive 63* (PDD 63) to initiate a national effort to ensure the security of the Nation's critical infrastructures. PDD 63 requires NRC and other agencies to develop a plan to eliminate any significant vulnerability to both physical and cyber attacks on their critical infrastructures. Critical infrastructures are those physical and cyber-based systems essential to the minimum operations of the economy and Government. They include, but are not limited to, telecommunications, banking and finance, energy, transportation, and essential Government services.

Because of the importance of this effort, OIG reviewed NRC's efforts to meet the requirements of the Directive. The review was conducted in conjunction with a national review being performed under the President's Council on Integrity and Efficiency (PCIE), and the Executive Council on Integrity and Efficiency (ECIE), addressing planning and assessment for cyber-based infrastructures. That audit effort disclosed that NRC has made good progress toward meeting the goals of PDD 63; however, the agency will need to more carefully examine the full scope of the Directive's requirements to complete its planning and assessment efforts. Additional senior management support will also help to ensure that the agency's effort to protect the Nation's critical infrastructure is efficiently and effectively planned and implemented.

This audit will cover the agency's planning and assessment activities for protecting its critical, physical (non-cyber-based) infrastructures and will again be performed in conjunction with the national PCIE and ECIE review of this area.

### **SCOPE AND OBJECTIVES:**

We will review the adequacy of the NRC's planning and assessment activities for protecting its critical physical (non-cyber-based) infrastructures. The objective of this review will be to determine the adequacy of agency plans, asset identification efforts, and initial vulnerability assessments for physical infrastructures.

**SCHEDULE:** To begin in the 1<sup>st</sup> quarter of FY 2001.

## **Special Evaluation of the NRC's Safety Culture and Climate**

### **DESCRIPTION AND JUSTIFICATION:**

In 1998, OIG competitively selected International Survey Research (ISR) to assist in completing an assessment of the agency's safety culture and climate. ISR is a recognized expert in the field and has thoroughly developed and tested the process for conducting surveys and providing feedback of the results. OIG surveyed NRC employees from late February 1998 through March 1998. ISR compiled the survey results and shared the information with the agency in an oral briefing on June 25, 1998. Through this survey, OIG gained a thorough understanding of NRC's organizational safety culture and climate as perceived by its employees. This information also helped the Inspector General program his available resources to the most beneficial work for the agency.

A primary objective of the first Safety Culture and Climate Survey was to establish a baseline for future measurements of the NRC's safety culture and climate. The Inspector General believed this baseline was needed to understand agency staff perceptions regarding the safety culture and climate in which they worked.

### **SCOPE AND OBJECTIVES:**

The overall scope of this work is to survey NRC's entire workforce to measure the agency's organizational safety culture and climate. The survey will give each NRC employee the opportunity to provide his or her opinion in an anonymous and confidential way. OIG will share the results of the survey with NRC.

The overall objectives are to (1) compare the results from this survey with the benchmark results developed from the survey conducted in 1998, and (2) facilitate OIG's programming of its resources to be most beneficial to the agency.

**SCHEDULE:** To begin in the 2<sup>nd</sup> quarter of FY 2001.

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## **Review of Workforce Planning**

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### **DESCRIPTION AND JUSTIFICATION:**

The various aspects of human capital management pose one of the most serious management challenges for NRC. Recent studies show that technical expertise in nuclear fields is dwindling and that some colleges and universities have eliminated the nuclear programs from their curriculum.

The goal of workforce planning is labor continuity. That is, when employees leave the agency, there are candidates that have been developed who are able to effectively fill these positions. Personnel data shows that a substantial number of NRC employees will be eligible for retirement in the next 3 to 5 years. As reported by the agency in April 1998, succession planning efforts aimed at preparing senior managers for future positions are continuing. However, employee responses to questions in the Safety Culture and Climate Survey suggest that the agency may not be doing a very good job at succession planning. For example, of the NRC employees who responded to the survey, 52 percent answered unfavorably to the statement: "I think the NRC is doing a good job of developing its people to their full potential." Agency employees also responded unfavorably at the rate of 54 percent to the statement: "I think the NRC is doing a good job of retaining its most talented people."

### **SCOPE AND OBJECTIVES:**

The objectives of this review are to determine (1) the effectiveness of the agency's workforce plan and (2) whether the plan is receiving the management attention it warrants.

**SCHEDULE:** To begin in the 2<sup>nd</sup> quarter of FY 2001.

## **Review of the Agencywide Documents Access and Management System (ADAMS)**

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### **DESCRIPTION AND JUSTIFICATION:**

The ADAMS document management system has substantially changed the way NRC staff and external stakeholders manage and retrieve documents. The implementation of ADAMS impacts essentially all of the corporate management strategies aimed at helping the NRC accomplish its strategic and performance goals. The Office of the Chief Information Officer (OCIO) plans to prepare a lessons learned study to evaluate whether ADAMS has met its objectives and whether it adequately supports the agency's public confidence goal.

On May 22, 2000, the Chairman requested that OCIO conduct an assessment of issues affecting the implementation of ADAMS and provide an action plan for addressing the issues identified during the assessment by July 21, 2000. Based on the action plan, the Chairman requested that the Chief Information Officer (CIO) take the following actions:

- conduct an independent assessment of ADAMS to determine whether the agency is on an appropriate pathway to establish an electronic document management system to meet NRC's long-term needs by March 2001;
- work with NRC staff and the public to address the issues affecting the public's ability to use ADAMS; and
- make the ADAMS Assessment Plan available to the staff on the NRC website and in ADAMS, and maintain the Plan as a "living document."

### **SCOPE AND OBJECTIVES:**

This audit will assess the extent to which the CIO has successfully implemented the requests from the Chairman and to assess what went wrong during the ADAMS project and why. Objectives of this review are to determine how effectively the Chairman's requests have been carried out, assess whether the lessons learned and system fixes resulted in adequate improvements to the system to justify its continued use, and determine if ADAMS places an increased burden on NRC's stakeholders.

**SCHEDULE:** To begin in the 2<sup>nd</sup> quarter of FY 2001.

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## **Management Review of an NRC Regional Office**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC regional offices execute established agency policies and assigned programs relating to inspection, licensing, incident response, governmental liaison, resource management, and human relations. Each regional office implements an array of technical and administrative programs, and activities through three technical and one administrative division. The Divisions of Reactor Projects, Reactor Safety, and Nuclear Materials Safety carry out a substantial part of NRC's safety mission. Also, the Division of Resource Management and Administration provides various administrative support functions for the entire regional office.

Although the OIG has audited various aspects of regional operations, OIG has not performed a management review of a regional office in its entirety.

### **SCOPE AND OBJECTIVES:**

This management review will cover the full range of a region's operations and offer opportunities for OIG to identify issues uniquely related to NRC's regional offices. The objectives of this audit will be to assess the efficiency and effectiveness of a regional office's operations, identify regional operations that unnecessarily duplicate those of NRC headquarters, and focus attention on any program, management, or resource issues that potentially hamper the office's accomplishment of its mission.

**SCHEDULE:** To begin in the 3<sup>rd</sup> quarter of FY 2001.

## **Review of Information Security**

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### **DESCRIPTION AND JUSTIFICATION:**

Vital national interests are increasingly vulnerable to computer attack by hackers and cyber-terrorists, warned a House of Representatives Panel as it rated Federal agencies a “dismal” D- grade for poor computer security. One of the factors considered during this assessment was the recency of independent audits of key aspects of the computer security measures. The computer information security area covers a wide range of issues, potential vulnerabilities, hardware, software, and architectural frameworks.

A proposed Government Information Security Act of 1999 seeks to strengthen information security practices throughout the Federal Government. Many Government agencies are plagued by poor information security and all face this challenge. The dramatic rise in computer interconnectivity has increased the risk of severe disruptions to Government operations. Government officials are increasingly worried about attacks from individuals and groups with malicious intentions, such as terrorists and nations engaging in information warfare. The bill would update the legal framework that supports Federal information security requirements and would address widespread Federal information security weaknesses. In particular, the bill would prescribe a risk-based approach to information security and independent audits of security controls. It also would approach security from a Government-wide perspective, taking steps to accommodate the varying information needs of both national security and civilian agency operations. OIG views the information security as a timely audit area and would be required to conduct independent audits should this legislation pass.

### **SCOPE AND OBJECTIVES:**

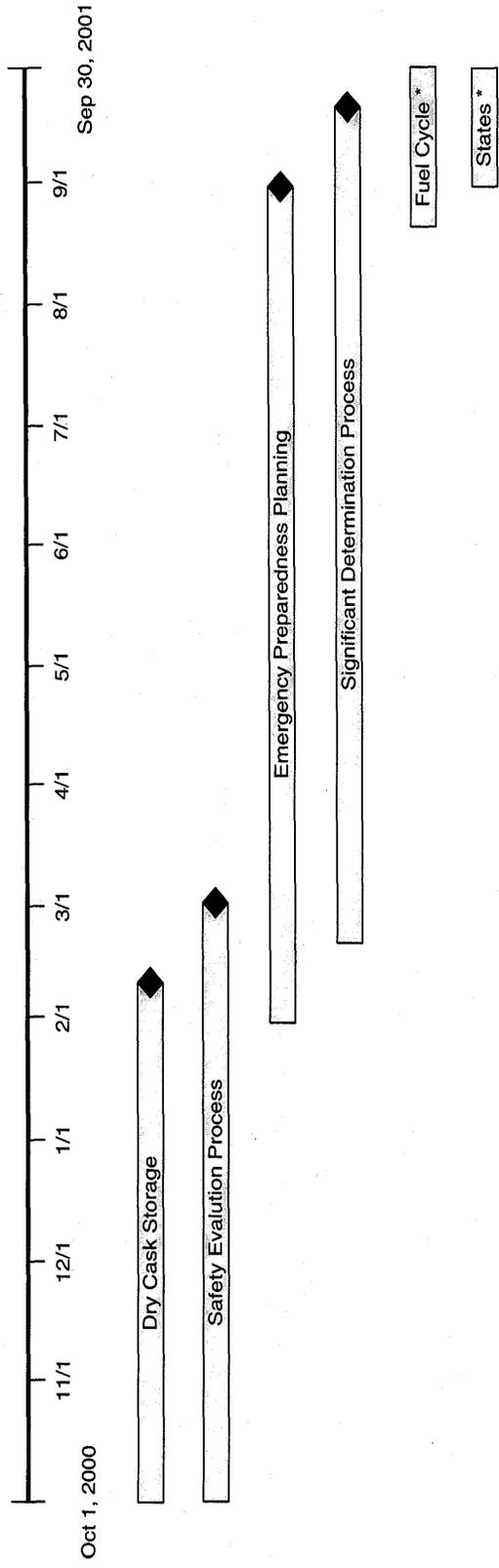
The overall objective of this review will be to determine the effectiveness of the NRC’s information security policies, procedures, and practices.

**SCHEDULE:** To begin in the 4<sup>th</sup> quarter of FY 2001.

**TECHNICAL PROGRAM TEAM AUDITS  
PLANNED FOR FY 2001**

Fiscal Year 2001

# Technical Audits



Audit Report

\* Audit concludes in FY 2002.

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## **Review of NRC's Dry Cask Storage Program**

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### **DESCRIPTION AND JUSTIFICATION:**

When nuclear fuel can no longer sustain power production for economic or other reasons, the spent fuel is removed from the reactor and placed in a spent fuel pool. The need for alternative storage space has become apparent as spent fuel pools reach their capacity. Dry casks, which are heavily shielded containers used to store radioactive material, are currently being used for interim storage, and their use is expected to grow considerably in the near future. OIG is conducting this survey due to the increased attention to dry cask storage, changes in the program, and the industry's need for additional dry cask storage facilities.

### **SCOPE AND OBJECTIVES:**

The objectives of this audit are to evaluate the efficiency and effectiveness of NRC's dry cask storage program and determine whether programmatic adjustments are needed to ensure the agency is responsive to changing licensee needs for dry cask storage. Work to be conducted includes (1) a review of regulatory and program criteria governing the use of dry casks, (2) discussions with selected NRC managers in headquarters and the regions, (3) conducting on-site visits and interviews at dry cask manufacturing facilities, (4) interviewing industry representatives and licensees using dry cask storage, and (5) attending public meetings.

**SCHEDULE:** Started in the 4<sup>th</sup> quarter of FY 2000 and should be completed in the 2<sup>nd</sup> quarter of FY 2001.

## **Review of NRC's Safety Evaluation Process**

### **DESCRIPTION AND JUSTIFICATION:**

NRC regulates the Nation's 103 operating nuclear power plants by establishing regulatory requirements that govern their design, construction, and operation. Licensees follow plant-specific technical specifications to ensure the plants operate safely within these requirements. Licensees submit approximately 1,500 applications per year to amend certain aspects of their operating licenses. NRC staff representing various technical and legal disciplines review these requests and develop Safety Evaluation Reports that provide the agency's basis for approving, modifying, or rejecting licensee amendment requests. The review of license amendment applications is one of the primary mechanisms for overseeing changes in licensee operations at their facilities. Recent events at a nuclear power plant, as well as previous OIG audit reports, suggest the need for improvements in NRC's safety evaluation process.

### **SCOPE AND OBJECTIVES:**

The objectives of this audit are to evaluate the efficiency and effectiveness of NRC's safety evaluation process and determine whether refinements are needed to strengthen it. Work to be conducted includes (1) a review of regulatory and program criteria governing the processing of safety evaluations, (2) discussions with senior NRC technical managers, (3) interviewing industry representatives, and (4) conducting statistical and qualitative analyses of program outputs.

**SCHEDULE:** Started in the 4<sup>th</sup> quarter of FY 2000 and should be completed in the 2<sup>nd</sup> quarter of FY 2001.

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## **Review of NRC's Emergency Planning Program**

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### **DESCRIPTION AND JUSTIFICATION:**

A recent incident at an operating nuclear power plant highlighted numerous long-standing weaknesses in the licensee's event notification system. These weaknesses contributed to the licensee not providing timely notification of the event to appropriate State and local officials. As a result, there has been heightened public concern regarding the adequacy and reliability of NRC's and licensee emergency planning programs.

### **SCOPE AND OBJECTIVES:**

The objectives of this audit are to determine (1) the adequacy of NRC's oversight of licensee emergency programs to ensure that licensees respond appropriately when emergencies arise, (2) how NRC ensures that licensees take corrective action when program weaknesses are identified, and (3) whether licensee programs contain necessary and sufficient information to ensure timely and accurate notification to appropriate State and local officials if an emergency arises.

During the audit, staff will gain an understanding of NRC's emergency preparedness program by reviewing agency guidelines, interviewing agency officials responsible for promulgating regulations, and interviewing licensee staff affected by the regulations. Audit staff will interview agency and licensee staff to assess the adequacy of NRC's requirements and whether they meet the needs of emergency situations. The initial phase of the audit will be conducted at NRC headquarters. Staff will conduct trips to regional offices and licensee facilities during the latter phase of the audit to determine whether regulations are responsive to emergency situations.

**SCHEDULE:** To begin in the 2<sup>nd</sup> quarter of FY 2001.

## **Review of the Significant Determination Process**

### **DESCRIPTION AND JUSTIFICATION:**

The Office of Nuclear Reactor Regulation (NRR) is installing a new reactor oversight and assessment program to gauge licensee performance and cite violations where appropriate. A critical element of this process is the Significant Determination Process (SDP), which staff are supposed to use to assess inspection findings and determine whether additional enforcement action is warranted. NRC's objective in using the SDP is to achieve better consistency in the way agency staff measure and respond to licensee performance and inspection findings.

### **SCOPE AND OBJECTIVES:**

The objectives of this audit are to determine (1) whether NRC staff clearly understand the SDP process, (2) NRC staff are using the process in accordance with agency guidance, and (3) the process is achieving desired results.

During the audit, staff will gain an understanding of the new process by reviewing agency documentation and selected outputs of the new system and interviewing agency and licensee staff who have participated in the process. The initial phase of the audit will be conducted at NRC headquarters. Staff will conduct trips to regional offices and licensee facilities during the latter phase of the audit.

**SCHEDULE:** To begin in the 2<sup>nd</sup> quarter of FY 2001.

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## **Review of NRC's Nuclear Fuel Cycle Facility Safety Inspection Program**

### **DESCRIPTION AND JUSTIFICATION:**

NRC licenses and inspects about 25 commercial facilities that convert uranium ore into fuel used in nuclear power plants. These facilities include gaseous diffusion plants, highly enriched uranium fuel fabrication facilities, low-enriched uranium fuel fabrication facilities, and one uranium hexafluoride production facility. Each facility possesses large quantities of materials that could pose a significant threat to the public and the environment. An accident in September 1999 at a fuel conversion plant in Tokaimura, Japan, raised concerns about the safety of nuclear fuel production.

The agency's nuclear fuel cycle facility safety inspection program seeks to ensure that licensees adequately protect public health and safety and the environment when source or special nuclear material is used to produce nuclear fuel. In 1999, the NRC launched an initiative to substantially revise its regulatory oversight at fuel cycle facilities and reduce unnecessary regulatory burden.

### **SCOPE AND OBJECTIVES:**

The objective of this audit is to determine whether NRC's new fuel cycle facility safety inspection program adequately addresses safety concerns at the facilities while reducing unnecessary regulatory burden. Staff will gain an understanding of NRC's fuel cycle program by reviewing agency guidelines, and interviewing staff responsible for promulgating regulations. The initial phase of the audit will be conducted at NRC headquarters. Staff will conduct trips to fuel cycle facilities during the latter phase of the audit to observe their operations and interview licensee staff affected by NRC regulations.

**SCHEDULE:** To begin in the 4<sup>th</sup> quarter of FY 2001.

## **Review of the Impact of Changes in the Agreement States Program**

### **DESCRIPTION AND JUSTIFICATION:**

Agreement States are those that have signed agreements with NRC that allow the State to regulate the use of radioactive material within that State. Under the Agreement State Program, the Office of State and Tribal Programs is responsible for establishing and maintaining communications and working relationships between NRC and local governments, Native American tribes, and the 32 Agreement States. The Agreement State Program has grown in recent years. Currently, Agreement States regulate about 75 percent of the material licensees in the United States with the potential of reaching 80 percent by fiscal year 2003.

Although NRC's presence in the Agreement State Program has been reduced, the agency maintains a significant infrastructure of regulations and supporting guidance for material licensees. NRC is also placing increased emphasis on activities supporting a national infrastructure such as rulemaking, technical support, developing additional program guidance, event followup, and the Integrated Material Performance Evaluation Program. Under this initiative, NRC reviews Agreement State and regional office programs to ensure they are compatible and adequate to protect public health and safety.

### **SCOPE AND OBJECTIVES:**

The objectives of this audit are to determine (1) how changes in the Agreement State Program are affecting NRC's operations in critical areas such as fees the agency charges to licensees, and (2) whether the agency is appropriately adjusting its resources and operations to reflect the transfer of materials licenses to new Agreement States. During the audit, staff will review regulatory and program criteria governing the Agreement State Program, discuss recent developments and changes in the Program with NRC senior managers, and interview State officials to obtain insights on potential Program improvements.

**SCHEDULE:** To begin in the 4<sup>th</sup> quarter of FY 2001.

**INVESTIGATIONS UNIT  
PRIORITIES, OBJECTIVES, AND INITIATIVES  
FOR FY 2001**

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## INTRODUCTION

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

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

To focus OIG investigative priorities and use available resources most effectively, this plan has been developed to provide strategies and planned investigative work for FY 2001 in conjunction with the OIG Strategic Plan for Fiscal Years 2000-2005 and the OIG's budget submission as reflected in NRC's *Budget Estimates and Performance Plan* for FY 2001. The Most Serious Management Challenges facing the NRC are also reflected in the development of this plan.

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## INVESTIGATIONS UNIT PRIORITIES

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The OIG will conduct between 50 and 70 investigations and Event Inquiries in FY 2001. As in the past, reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority in our use of available resources. Because the NRC's mission is to protect the health and safety of the public, one of the Investigations unit's main concentrations of effort and resources will involve investigations of alleged NRC staff misconduct that could adversely impact on health and safety related matters. These investigations typically include allegations of:

1. Misconduct by high ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact public health and safety.
2. Failure by NRC management to ensure that health and safety matters are appropriately handled.
3. Failure by the NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.
4. Conflicts of interest by NRC employees with NRC contractors and licensees involving such matters as promises of future employment for favorable or inappropriate treatment and the acceptance of gratuities.

5. Fraud in the NRC procurement program involving contractors violating Government contracting laws and rules.

Other reactive cases involving criminal and other wrongdoing, as well as proactive initiatives, will be pursued as resources allow. These include cases involving theft of property, Government credit card abuse, false travel and expense reimbursement claims, and fraud in the Federal Employees Compensation Act Program.

## **INVESTIGATIONS UNIT OBJECTIVES**

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To facilitate the most effective and efficient use of limited resources, the Investigations unit has established specific objectives aimed at preventing and detecting fraud, waste and abuse, as well as optimizing NRC effectiveness and efficiency. To that end, the Investigations unit will focus its investigative efforts in 6 broad based areas which contain 21 specific investigative objectives, as follows:

### **Employee Misconduct**

- Focus on situations where NRC employees improperly disclosed alleged's (mainly licensee employees) identities and their allegations; the improper handling of allegations by NRC employees, and on instances where NRC failed to properly address retaliation issues involving licensee employees on health and safety issues at nuclear power plants.
- Focus on instances where the NRC has not maintained an appropriate "arms length" distance from licensees, particularly in the inspection process.
- Focus on instances where NRC employees released predecisional or confidential information to the nuclear industry that may impact on the operation of power plants or interfere with litigation involving agency decisions.
- Focus on instances where NRC employees had improper personal relationships with licensees and where NRC employees violated Government-wide ethics regulations concerning the solicitation of employment.

### **Fraud Program**

- Attempt to detect possible wrongdoing in NRC's procurement and contracting program by maintaining a close working relationship with the NRC's Division of Contracts and Property Management. This will include periodic meetings between OIG and DCPM management officials and developing a fraud awareness presentation by OIG special agents to be given to DCPM contract specialists, NRC project managers, NRC project officers, and other identified employees.

- Aggressively pursue investigations appropriate for Program Fraud Civil Remedies Act action which include abuses involving false travel and expense reimbursement claims and false statements by materials licensees in an effort to obtain a reduced annual NRC license fee.
- Attempt to detect possible instances of NRC employees improperly receiving FECA benefits. This will include periodic meetings between OIG and Office of Human Resources management officials and the periodic examination of agency and Department of Labor records pertaining to this program.
- Coordinate with NRC property custodians and the Division of Facilities and Security in instances involving the theft of computers and other items of equipment from the agency.
- Coordinate with the Division of Contracts and Property Management regarding accountability issues surrounding property purchased with NRC funds by a contractor or property furnished by the NRC to a contractor.
- Coordinate with the Office of the Chief Financial Officer in instances involving the abuse of individual credit cards issued to agency employees as well as credit cards issued for the procurement of supplies and equipment.
- Coordinate with the OIG Audit unit's Issue Area Monitors in an effort to identify areas or programs with indicators of possible fraud, waste, and abuse.
- Conduct fraud awareness and information presentations regarding the role of the OIG at the NRC to NRC employees as scheduled by the Inspector General.
- Conduct Event Inquiries to examine events or agency actions that indicate the agency did not appropriately accomplish its regulatory mandate. Prepare Management Implications Reports identifying root causes of problems as requested by the NRC Chairman.

#### **OIG Hotline**

- Promptly process complaints received via the OIG Hotline. Initiate investigations when warranted and properly dispose of those allegations that do not warrant OIG investigation, to include referral to other organizations.

#### **FOIA/Privacy Act**

- Promptly process all requests for information received under the Freedom of Information Act. Coordinate as appropriate with OIG Counsel and the Freedom of Information/Local Public Document Room Branch.

#### **NRC Support**

- Participate as observers on Incident Investigation Teams or Accident Investigation Teams when requested by NRC senior management.

### **Liaison Program**

- Maintain close relationships with other law enforcement bodies, public interest groups, and the Congress. This will be accomplished through periodic meetings with AIGI's, pertinent congressional staff, public interest groups, and appropriate law enforcement organizations.
- Take an aggressive stand to protect NRC infrastructure against both internal and external computer intrusions by working in close coordination with Office of the Chief Information Officer and NRC systems administrators. This will include developing and disseminating criminal intelligence to assist in protecting NRC computer systems, aggressively pursuing suspected cyber fraud cases and training an OIG criminal investigator as a Seized Computer Evidence Recovery Specialist.
- Establish and maintain a viable regional liaison program to foster a closer working relationship with NRC regional offices.
- Establish and maintain NRC-OIG active participation in OIG community fraud working groups, multi-agency fraud task forces, and multi-agency undercover operations where a nexus to NRC programs and operations has clearly been established.

## **INVESTIGATIONS UNIT INITIATIVES**

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The OIG Investigations unit established the following initiatives to increase productivity and improve the effectiveness and efficiency of the OIG investigations program:

1. **Quality Assurance (QA)** - The Investigations unit will use an outside consultant to conduct periodic QA reviews of the investigative program. In FY 2001, these reviews will address such areas as adherence to investigative guidelines, quality of investigative reports and their adherence to standards of the President's Council on Integrity and Efficiency. These reviews will be accomplished through examination of OIG investigative files, and will be augmented by interviews with OIG and NRC officials, congressional staff, officials of other agencies, and a customer satisfaction survey.
2. **Case Management and Information Systems** - The Investigations unit will use an outside consultant to evaluate the effectiveness of its current management information systems. The consultant will be tasked to review all systems used by the unit with an eye toward consolidating systems, making them more accessible to those who require their use, and making systems more user friendly. A requirements package and a plan for implementation and cost estimates will be completed in FY 2001 with a target date to go online in late FY 2001.

3. **Health Improvement Program** - The OIG Health Improvement Program (HIP) is designed as a mandatory program for all employees in the GG-1811 series. Other OIG employees are eligible to participate in the HIP if they meet the medical standards and fitness levels required for participation. The objectives of the HIP are to improve and maintain the fitness level of special agents and other OIG employees and encourage lifestyle changes to increase productivity and decrease disability within the workforce.
4. **Revisions to Investigative Guidelines** - A complete review of the Special Agent's Handbook, with appropriate revisions, was last done in December 1997. All investigative guidelines, particularly the Handbook, are being continually analyzed by the investigators and managers to ascertain if improvements or clarifications are appropriate. Amendments to the Handbook text are issued throughout the year by AIGI Memoranda. A complete review of the Handbook will again be completed by the end of FY 2001.
5. **OIG Fraud Awareness Bulletin** - The OIG Investigations unit will publish a quarterly bulletin focused on sensitizing NRC employees to fraud impacting NRC programs and operations as well as creating an awareness of the personal vulnerability of NRC employees to Internet fraud schemes.

## **ALLOCATION OF RESOURCES**

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The Investigations unit will undertake proactive initiatives where resources allow. Of the resources available for direct investigative activities, it is anticipated that approximately 80 percent will be spent on reactive investigations. We have planned for 20 percent of investigative time to be allocated to proactive investigative efforts such as reviews of NRC license fee and contract files, participation in interagency task forces and working groups, reviews of delinquent Government credit card accounts, and other initiatives.

**LISTING OF ISSUE AREAS  
AND DESIGNATED ISSUE AREA MONITORS**

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## **ISSUE AREAS AND DESIGNATED ISSUE AREA MONITORS**

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### **Nuclear Reactor Safety Arena**

Bill McDowell

Cathy Colleli

### **Nuclear Materials Safety Arena**

Robert Moody

Sherri Miotla

### **Nuclear Waste Safety Arena**

Russ Irish

Judy Gordon

### **Nuclear Regulatory Research**

David Horn

### **Management and Support:**

#### **Information Management and Security**

Ren Kelley

Beth Serepca

#### **Financial**

Tony Lipuma

Camilla Barror

#### **Administration/Other**

Steve Zane

Michael Steinberg

#### **Contract and Procurement**

Kathy Stetson

**LISTING OF ABBREVIATIONS  
AND ACRONYMS**

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**ABBREVIATIONS AND ACRONYMS**

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AIGA	Assistant Inspector General for Audits
AGI	Assistant Inspector General for Investigations
ADAMS	Agencywide Documents Access and Management System
FTE	full-time equivalent
FY	fiscal year
IAM	Issue Area Manager
IG	Inspector General
NRC	U.S. Nuclear Regulatory Commission
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget