
**OFFICE OF
THE INSPECTOR GENERAL**

**U.S. NUCLEAR
REGULATORY COMMISSION**

Management Audit of Region III

OIG-03-A-08 February 26, 2003

AUDIT REPORT



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February 26, 2003

MEMORANDUM TO: William D. Travers
Executive Director for Operations

FROM: Stephen D. Dingbaum/**RA**/
Assistant Inspector General for Audits

SUBJECT: MANAGEMENT AUDIT OF REGION III (OIG-03-A-08)

Attached is the Office of the Inspector General's audit report titled, *Management Audit of Region III*.

This report reflects the results of our review to assess a wide range of Region III's technical and administrative activities. Regional action is needed to improve the (1) the validity and reliability of the metrics and reported results, and (2) management controls in several administrative areas including facilities management, information management, and new employee orientation.

OIG also conducted interviews with reactor site-based inspectors and region-based inspectors and technical staff. The purpose of the interviews was to gain information for evaluating regional management's support for the full range of regional activities. Overall, the inspectors and technical staff indicated they are able to perform their responsibilities and are generally satisfied with regional office management support. However, the inspectors and technical staff raised specific issues concerning NRC operations. Although OIG made no recommendations on these issues, many will be included in future audits.

On January 27, 2003, the Deputy Executive Director for Reactor Programs provided a response to the four regional reports and this report. The Deputy Executive Director generally agreed with OIG's observations and recommendations and made specific comments where he believed the reports needed clarification. His response is included as Appendix C. We have incorporated the Deputy Executive Director's comments, as appropriate, in the report

If you have any questions, please contact Anthony Lipuma at 415-5910 or me at 415-5915.

Attachment: As stated

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EXECUTIVE SUMMARY

BACKGROUND

Located in Lisle, Illinois, the Nuclear Regulatory Commission (NRC) Region III office operates under the direction of the Regional Administrator and covers an eight-State area, including six States with nuclear power plants. Region III provides oversight for about 1,600 materials licenses covering medical, academic, general, and industrial uses of radioactive materials. For FY 2002, Region III had 202 FTE and \$26.9 million to support regional operations.

Region III uses strategic and performance goals consistent with NRC's mission. These goals fall into four areas: nuclear reactor safety, nuclear materials safety, nuclear waste safety, and corporate management strategies. To monitor its performance relative to these areas, Region III has an operating plan that identifies specific performance measures — or metrics — which the region strives to accomplish. The region reports its metric data to headquarters in its quarterly operating plan updates. Headquarters and regional managers use metric data to assess regional performance.

During May 2002, the Office of the Inspector General (OIG) reviewed the full range of operations in the Region III office. Prior to initiating the review, the Office of the Executive Director for Operations staff advised that they use regional operating plans (including the performance metrics contained therein) as one of the primary tools to evaluate regional performance. Therefore, in conducting this work we primarily used operating plans and performance metrics to assess regional performance. The agency also has other assessment tools to evaluate how it meets its mission-related goals. These other tools include the Reactor Oversight Process and headquarters reviews of specific regional activities such as the allegation program and the operating licensing program. OIG did not examine how the agency uses these tools. However, OIG's Annual Plan for fiscal year 2003 includes an audit of the ROP. We plan to initiate that audit later this year.

PURPOSE

The overall purpose of the audit was to assess the full range of regional operations. To accomplish this objective, OIG (1) assessed whether performance goals and objectives were being met as measured by the performance metrics, (2) assessed whether internal management controls had been instituted to ensure quality of performance, and (3) obtained the views of resident and region-based inspectors and technical staff on regional operations.

RESULTS IN BRIEF

Region III (1) generally met the metrics for its performance goals in the public health and safety area, although a few metrics had data reliability and validity issues; (2) cannot consistently rely on metric data to assess performance in its internal operating areas; (3) needs to strengthen management controls over facilities management, physical security, and information management; and (4) generally is responsive to inspectors' technical needs, but may need to provide more support with regard to training and administrative matters.

Operating Plan Metrics

Metric data reported in Region III's FY 2001 fourth quarter operating plan is not consistently valid or reliable. Specifically, 12 of 49 metrics reviewed were either unreliable and/or invalid. These problems are due to lack of (1) quality control procedures to ensure data validity and reliability and (2) documentation to support metric results. In addition, two internal performance measures did not measure what they were intended to measure. As a result, the usefulness of this information for decision making is limited.

Management Controls

The region fulfills its internal operating functions and responsibilities, but some management controls need to be enhanced. The region's occupant emergency plan needs to be updated. The region also needs to update its security plan to reflect current practices, document its licensee site access process, implement security measures to adequately protect sensitive data processed on standalone systems, and enhance its orientation for new employees.

Region III Inspectors and Technical Staff

Based on interviews with 34 Region III inspectors and technical staff, they generally have the required training and resources needed to perform their jobs. However, the inspectors raised questions pertaining to (1) training (e.g., timing and notification), (2) technical issues (e.g., inspection finding results process, inspection report contents), and (3) administrative support. Some of these issues were beyond the scope of this audit and will be addressed in future audits. Consequently, no recommendations were made regarding issues raised by the Region III inspectors and technical staff.

AGENCY COMMENTS

On January 27, 2003, the Deputy Executive Director for Reactor Programs provided a response to this report. We have incorporated the Deputy Executive Director's comments as appropriate. The Deputy Executive Director's transmittal letter and the specific comments on this report are included as Appendix E.

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ABBREVIATIONS AND ACRONYMS

EEO	equal employment opportunity
FOIA	Freedom of Information Act
FTE	full-time equivalent
FY	fiscal year
LAN	local area network
NRC	U.S. Nuclear Regulatory Commission
OIG	Office of the Inspector General (NRC)
TTC	Technical Training Center

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I. BACKGROUND

The U.S. Nuclear Regulatory Commission (NRC) regulates the Nation's civilian use of byproduct, source, and special nuclear materials to (1) ensure adequate protection of public health and safety, (2) promote the common defense and security, and (3) protect the environment.

NRC has four regional offices that constitute the agency's front line in carrying out its mission and implementing established agency policies and programs nationwide. The Region III office operates under the direction of the Regional Administrator and is located in Lisle, Illinois, about 30 miles west of Chicago. The region covers an eight-State area, including six States with nuclear power plants. When fully staffed, there are 35 resident inspectors working at 16 nuclear power plants and 2 gaseous diffusion plants under the region's jurisdiction. Region III also provides oversight for 1,600 materials licenses covering industrial, medical, academic, and general uses of radioactive materials. For FY 2002, Region III had 202 FTE and \$26.9 million to support regional operations.

Region III uses strategic and performance goals consistent with NRC's mission. These goals fall into four areas, three of which coincide with the agency's strategic goals: nuclear reactor safety, nuclear materials safety, and nuclear waste safety. Consistent with the NRC Strategic Plan, the region also uses a fourth area, the corporate management strategies, to accomplish strategic and performance goals. The region uses operating plans and performance measures — referred to as metrics in this report — to achieve various goals. The region reports this metric data to headquarters in its quarterly operating plan updates. Headquarters and regional managers use metric data as an indicator of performance in the public health and safety areas. Headquarters also uses regional metric data to assess performance of the region.

Region III has four divisions covering the public health and safety and internal operating areas. The public health and safety programs and operations are carried out by three divisions — the Divisions of Reactor Safety, Nuclear Material Safety, and Reactor Projects. These divisions conduct inspection, enforcement, licensing, and incident response activities for nuclear reactors, fuel facilities, and materials licensees. The Division of Resource Management and Administration conducts internal operating support activities including time and labor coordination, financial management, facilities management, travel, procurement, information technology, and human resources functions.

Region III tracks its accomplishments in the public health and safety areas against performance metrics established jointly by headquarters and regional managers. Region III's fourth quarter operating plan for FY 2001 contained 61 metrics for these areas.

On its own initiative, Region III recently began using metrics as performance indicators for its internal operating areas. The region uses these metrics to monitor and improve performance in these areas and reports this information in its operating plans. However, headquarters managers do not require the region to include internal operating metrics in the regional operating plan. Region III's fourth quarter operating plan for FY 2001 contained 34 such metrics.

During May 2002, the Office of the Inspector General (OIG) reviewed the full range of operations in the Region III office. Prior to initiating the review, the Office of the Executive Director for Operations staff advised that they use regional operating plans (including the performance metrics contained therein) as one of the primary tools to evaluate regional performance. Therefore, in conducting this work we primarily used operating plans and performance metrics to assess regional performance. The agency also has other assessment tools to evaluate how it meets its mission-related goals. These other tools include the Reactor Oversight Process and headquarters reviews of specific regional activities such as the allegation program and the operating licensing program. OIG did not examine how the agency uses these tools. However, OIG's Annual Plan for fiscal year 2003 includes an audit of the ROP. We plan to initiate that audit later this year.

II. PURPOSE

The overall purpose of the audit was to assess the full range of regional operations. To accomplish this objective, the OIG (1) assessed whether performance goals and objectives were being met as measured by the performance metrics, (2) assessed whether internal management controls have been instituted to ensure quality of performance, and (3) obtained the views of resident and region-based inspectors and technical staff on regional operations. Appendix A provides additional information on the audit's scope and methodology.

III. FINDINGS

Problems exist in the methods used by Region III to collect and report on metric data. This is because the region lacks effective, specific instructions, policies, or procedures for compiling, reviewing, and reporting metric data. Region III (1) generally met the metrics reviewed by OIG for its performance goals in the public health and safety area, although a few metrics had data reliability and validity issues; (2) cannot consistently rely on metric data to assess performance in its internal operating area; (3) needs to strengthen some management controls in its support functions; and (4) generally provides adequate support to inspectors and technical staff or has plans underway to correct known problems. In addition, inspectors and technical staff interviewed for this audit identified areas of potential improvement that the region should consider in its future planning.

A. OPERATING PLAN METRICS

Performance data reported in Region III's FY 2001 fourth quarter operating plan is either not reliable or not valid¹ for 12 of the 49 metrics reviewed. In 1 of these 12 instances, the performance measure itself is not valid and the data is not reliable. Only 3 of the 22 public health and safety measures reviewed were problematic, while 9 of 27 internal operating performance measures reviewed had validity and/or reliability problems. The following table provides a summary of the performance metrics reviewed.

Summary of Metrics Reviewed					
Type of Performance Goal	Number of Metrics in the Operating Plan	Number of Metrics Reviewed	Problems Identified		
			Not Reliable	Not Valid	Not Valid and Not Reliable
Public Health and Safety	61	22	2	0	1
Internal Operating	34	27	8	1	0
Totals	95	49	10	1	1

The problems identified during this audit were due to the lack of (1) quality control procedures to ensure data reliability (e.g., no tracking system, data inaccuracies) and (2) poorly developed performance measures. As a result, agency decision makers cannot rely on operating plan information to evaluate program effectiveness, make resource allocation decisions, or evaluate the performance of program managers. Details of the reliability and validity problems follow. Appendix B lists the metrics reviewed by OIG and Appendix C provides narrative descriptions pertaining to each metric OIG found problematic.

Reliability

Reliability was undermined by (1) inaccurate data and (2) missing support data. These problems were caused by the lack of quality control procedures in Region III for compiling, reviewing, and reporting performance results. These functions are delegated to the individuals that report results for their respective areas. The process, therefore, relies primarily on individuals, rather than a documented methodology for reporting data. Although some Region III staff could explain how

¹ *Reliability* pertains to the quality of the data, i.e., that the information is complete, accurate, consistently collected, and verifiable. *Validity* pertains to whether the metric is appropriate for the performance measure, i.e., that the metric is measuring what it is intended to measure.

they developed the performance data, the data analysis was not always reliable. Consequently, performance data for 10 of 49 metrics reviewed in Region III's operating plan were not reliable.

Inaccurate Data

Five metrics contained inaccurate information.

- **Baseline Inspection Program (Appendix B, metric 3).** Region III inaccurately reported that it met the metric for the 1-year inspection cycle that ended March 31, 2001. NRC's inspection manual describes the baseline inspection program as the minimum inspection oversight that should be conducted at each plant. The baseline inspection program is composed of approximately 40 procedures, each with a specified frequency and some that can only be performed when the plant is shut down. Auditors reviewed baseline inspection records pertaining to 3 of the region's 16 nuclear power plants and identified 1 case where a required inspection procedure was not completed as planned before the end of the inspection cycle. Regional staff were unaware that the inspection procedure in question was not completed within the cycle. By not completing just one inspection procedure within the inspection cycle, Region III missed its target for completing the minimum NRC inspection oversight requirement; however, the region reported that it met its goal of conducting 100 percent of its baseline inspections.
- **Effectiveness of quarterly reviews (Appendix B, metrics 27 and 32).** While Region III tracked the percentage of managers and supervisors that conducted quarterly performance reviews and discussed Equal Employment Opportunity (EEO) issues and Individual Development Plans, the region did not include all those who should have been included in calculating the metric outcome. Region III reported that it met or exceeded its goals for these two effectiveness metrics for FY 2001 quarters 1-3.² However, OIG found that the regional staff was basing its calculations on the number of managers and supervisors that acknowledged whether they conducted the reviews and discussions and not the total number of managers and supervisors in Region III responsible for completing the tasks. Because the instructions for compiling and reporting metric data are not well defined, staff had different interpretations of the metrics. As a result, Region III inaccurately reported that it exceeded its goals for these metrics.

²Due to the events of September 11, 2001, Region III's fourth quarter appraisals and discussions were delayed and not reported in the FY 2001 operating plan.

These metrics as well as the two other metrics that had inaccuracy issues are discussed in Appendix C.

Lack of Supporting Documentation

Region III did not maintain adequate documentation to support metric calculations for at least six performance measures. Documentation is a basic quality control procedure. It should be complete and accurate and should facilitate tracking the transaction or event and related information. Documentation should be purposeful and useful to managers in controlling their operations and to others involved in analyzing operations or decision making. Without adequate documentation, senior management does not know if metric data is reliable and can be used for making meaningful decisions. Specific examples concerning the lack of documentation follow.

- Timeliness of orientation on EEO topics (Appendix B, metric 23). While Region III provides an orientation on the agency's EEO Policy Statements, Affirmative Employment Plan, EEO Complaint Process, and EEO Advisory Committees, it does not have a tracking system to verify the completion of this task. A responsible Region III official stated that this orientation is generally provided to new employees within a day or two of the new employee coming on board. Because there has been a limited number of new employees in the past, the regional official was able to mentally track that each new employee received the information. However, because the region lacks a system to track this data, OIG was unable to verify that the orientation had occurred.
- Personnel action processing (Appendix B, metric 41). Region III reported it met its metric to process 95 percent of personnel actions without errors, however, OIG was unable to verify this claim due to a lack of supporting documentation. The region maintains a log to track action processing and error corrections. Regional staff advised that "system" errors are not included when assessing compliance with the stated goal, however, regional staff could not identify which errors were excluded because of system errors. Based on the action tracking log, which does not distinguish system errors from other types of errors, OIG determined the compliance rate for two quarters to be below the 95-percent goal.

These metrics as well as the four other metrics that lacked adequate documentation are discussed in Appendix C.

Validity

Two metrics were not adequately designed to capture the attributes they were intended to measure. One of these metrics also had reliability problems related to inconsistent source documentation.

- Employee benefits processing metric (Appendix B, metric 34). The employee benefits processing metric is not adequately designed to capture the timeliness and accuracy attributes. While the metric contains accuracy and timeliness goals (e.g., process 98 percent accurately and timely), the region reported success as a single percentage rather than breaking out the percentages for accuracy and timeliness. The problem is that the benefits and personnel actions might be inaccurate but timely, or accurate but untimely. With only one data point, these metrics do not provide valid data on the measure intended and should be broken into two metrics.
- Reactor inspection report timeliness metric (Appendix B, metric 10). This metric contains two separate timeliness goals (i.e., issue 90 percent of routine reports within 30 days and 90 percent of team reports within 45 days). Nonetheless, Region III reported a cumulative, 98-percent single data point leading to the question of which goal had 98-percent completion, i.e., the 30-day reports, the 45-day reports, or both. Reporting a combined, cumulative total does not address the performance of the two measures as intended. Consequently, the region's reported result is rendered invalid. Without conducting an audit of the timeliness of all reports from the first through the fourth quarter, auditors could not verify that the performance goals were met for both parts of this metric or that the 98-percent year-to-date reported result was accurate. Furthermore, inaccuracies and missing information (e.g., not all inspection reports were included in calculating results for this metric) in the source documentation raised additional questions concerning the reliability of the reported data.

Summary

Region III's metric data is not consistently reliable and in two instances the performance measure itself was not valid. While the problems are more pronounced in the internal operating areas, some public health and safety metrics also had problems with data reliability and validity. Region III did not have quality control procedures in place to ensure data reliability and did not maintain documentation to support metric calculations. The validity problems appear to be caused by poorly designed metrics. As a result, agency decision makers cannot rely on this information to evaluate program effectiveness, make resource allocation decisions, report accomplishments to Congress, or measure the performance of program managers.

RECOMMENDATIONS

OIG recommends that the Region III Administrator:

1. Develop and implement quality control procedures to ensure that metric data is valid and reliable.
2. Maintain documentation to support metric data reported in Region III operating plans.

B. MANAGEMENT CONTROLS

The region fulfills its internal operating functions and responsibilities, but some management controls need enhancing. The administrative staff accounts for property; provides financial management, accounting, procurement, and travel services; and conducts various information resources management and human resources functions. During the course of this audit, a number of management control issues regarding facilities management, physical security, information management, and communications emerged. Management of the region could be enhanced by strengthening management controls to ensure quality of performance.

Management Controls Over Facilities Management

Overall, Region III appears to be managing its facility effectively. The region reports and follows up on issues related to building management and workplace conditions. However, the region needs to update its occupant emergency plan to reflect current information about members of the occupant emergency team and needs to fulfill certain requirements in the plan which are not being met.

Occupant Emergency Plan

The region needs to update its *Occupant Emergency Plan and Safety and Health Program*, dated November 13, 1996, to reflect current information about members of the occupant emergency team (e.g., hallway and stair monitors). In addition, the region is not fulfilling the plan's requirement to develop individual procedures pertaining to disabled staff, visitors, and staff assigned to assist these individuals. According to a Region III staff member, the plan is currently undergoing revision and will address these issues. Furthermore, while training has not been provided to members of the occupant emergency team in recent years, such training will be provided once the new members have been identified.

RECOMMENDATIONS

OIG recommends that the Region III Administrator:

3. Update the *Occupant Emergency Plan and Safety and Health Program* to reflect current information about members of the occupant emergency team.
4. Develop individual procedures pertaining to disabled staff, visitors, and staff assigned to assist these individuals.
5. Train members of the occupant emergency team on their responsibilities in an emergency situation.

Management Controls Related to Physical Security

Region III needs to update its security plan to reflect current practices pertaining to badge control, contractors, and staff access to licensee facilities. Without accurate documentation, confusion could result if knowledgeable staff are not present to carry out or verbally convey information pertaining to these processes.

Security Plan

While the region appears to have an effective security program in place — which includes training for employees and contractors, effective relationships with the local police and fire departments, quarterly testing of the security system, and control over badges — the security plan needs to be updated to reflect current practice with regard to contractors and badge control. Procedures in the current plan, dated July 29, 1997, pertaining to contractors are either undocumented or outdated and guidance concerning badge control is not current with practice.

Site Access Procedures

Region III appears to have a good process for ensuring that staff permitted unescorted access to licensee sites meet the necessary requirements, however, this process is undocumented. Staff reported they are working to document this process so that staff not currently familiar with it would be able to carry out the necessary duties, and that the information will be incorporated into the region's security plan.

RECOMMENDATIONS

OIG recommends that the Region III Administrator:

6. Update the regional security plan to reflect current practice with regard to contractors and badge control.
7. Document the site access process.

Management Controls Over Information Management

Overall, the region was carrying out its information management function; however, the region needs to modify its security measures to adequately protect sensitive information processed on its standalone systems. Requirements include the assignment of a System Security Officer and the preparation of a System Security Plan for automated information systems that process classified information, safeguards information, and sensitive unclassified information. The region has not assigned a System Security Officer or prepared a System Security Plan for the security of its standalone systems that process classified and unclassified safeguards information because the staff believed that storage of the units inside an approved security container or operation of the units while disconnected from the network was sufficient protection. As a result, the absence of security controls over Region III systems used to process classified and unclassified safeguards information increases the risk and harm that could result from the loss, misuse, or unauthorized access to information resources.

RECOMMENDATIONS

OIG recommends that the Region III Administrator:

8. Assign a System Security Officer for the security of standalone systems used to process unclassified safeguards information.
9. Prepare a System Security Plan for the security of the standalone system used to process unclassified safeguards information.

Management Controls Over New Employee Orientation

Improvement is needed in Region III's new employee orientation. New employee orientation is used to acquaint new staff members with NRC and its operations. New employees at Region III are provided with the basic policies and procedures that govern NRC and the region; however, new employees may not be fully aware of OIG services. Region III staff provide new employees with a checklist of subjects they need to learn about. For example, in accordance with the checklist, new employees meet with the regional counsel who discusses the high points of the ethics rules and the seriousness with which the agency takes sexual harassment and the regional procedure for handling allegations of

employee misconduct. With regard to the latter, the regional counsel explains the process that is followed if an allegation of misconduct is brought against them. It is in this regard that the regional counsel explains the formal OIG investigative process. The regional counsel does not discuss other components of OIG, such as the audit function. As a result, employees may not be fully aware of their responsibility to report waste, fraud, and abuse to OIG. Region III's Regional Procedure on the orientation process has not been updated since the early 1990s.

RECOMMENDATION

OIG recommends that the Region III Administrator:

10. Develop and implement guidance for a thorough, up-to-date employee orientation process.

C. INTERVIEWS WITH REGION III INSPECTORS AND TECHNICAL STAFF

OIG interviewed 34 Region III inspectors (19 resident or senior resident inspectors and 15 region-based inspectors and technical staff). Details of the interviews can be found in Appendix D. The following briefly summarizes comments and concerns in four areas. OIG followed up on several concerns and those results are noted. Appendix D, *Region III Interview Results*, provides a breakdown of responses to OIG questions. Some issues raised by the inspectors and technical staff were beyond the scope of this audit and will be addressed in future audits. Consequently, no recommendations were made regarding the issues raised by the inspectors and technical staff.

Training

- Region management is supportive of training for inspectors and technical staff.
- The region could provide additional support in ensuring that required training is obtained.
- Technical Training Center (TTC) courses need to be updated.
- It takes too long to get some training courses.
- Senior Resident Inspectors have a hard time getting supervisory training when needed.

Technical

- The region provides quick responses to technical issues.
- Headquarters is slow to respond to technical issues. (OIG found that Headquarters is currently evaluating this issue.)
- Feedback on suggestions could be improved.
- Inspectors should have more flexibility in the inspection process.
- Inspection reports do not contain enough information on inspections performed.

Administrative

- Additional secretarial support is needed at resident inspector sites.
- Many inspectors are under time pressure due to resource constraints.
- The distribution of supplies to residents could be improved.
- Having the same software as licensees would be helpful.

Licensee Management

- The working relationship with licensee management is good to excellent given the position NRC must maintain as a regulator.

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IV. CONSOLIDATED LIST OF RECOMMENDATIONS

OIG recommends that the Region III:

1. Develop and implement quality control procedures to ensure that metric data is valid and reliable.
2. Maintain documentation to support metric data reported in Region III operating plans.
3. Update the *Occupant Emergency Plan and Safety and Health Program* to reflect current information about members of the occupant emergency team.
4. Develop individual procedures pertaining to disabled staff, visitors, and staff assigned to assist these individuals.
5. Train members of the occupant emergency team on their responsibilities in an emergency situation.
6. Update the regional security plan to reflect current practice with regard to contractors and badge control.
7. Document the site access process.
8. Assign a System Security Officer for the security of standalone systems used to process unclassified safeguards information.
9. Prepare a System Security Plan for the security of the standalone systems used to process unclassified safeguards information.
10. Develop and implement guidance for a thorough, up-to-date employee orientation process.

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V. OIG RESPONSE TO AGENCY COMMENTS

On January 27, 2003, the Deputy Executive Director for Reactor Programs provided a response to the four regional reports and this report. The Deputy Executive Director generally agreed with OIG's observations and recommendations and made specific comments where he believed the reports needed clarification. The response includes the Deputy Executive Director's transmittal letter and the specific comments on this report and is included as Appendix E. We have incorporated the Deputy Executive Director's comments as appropriate in the report.

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SCOPE AND METHODOLOGY

The overall purpose of this audit was to review the full range of regional operations and for the Office of the Inspector General (OIG) to identify issues unique to the U.S. Nuclear Regulatory Commission's (NRC) regional offices — specifically Region III for this review. NRC's Region III office is located in Lisle, Illinois.

The audit team reviewed relevant criteria such as Region III's Operating Plan for FY 2001, Regional Procedures, and Management Directives. Furthermore, the audit team reviewed 49 of the 95 metrics that Region III had in its fourth quarter operating plan for FY 2001. OIG (1) identified and evaluated the policies for these metrics; (2) assessed the management controls used to compile, review, and report results; and (3) determined whether the region had documented evidence to support the reported results. OIG also examined the policies, management controls, and operational processes, and drew conclusions regarding the adequacy of regional oversight for programs associated with communications, facilities management, physical security, and information management.

To supplement the information obtained from reviewing program performance data, OIG also interviewed 34 Region III inspectors and technical staff. The interviews included 15 region-based staff (such as health physicists, project engineers, and region-based inspectors) and 19 resident and senior resident inspectors stationed at 13 different nuclear power plants within Region III's boundaries. The interviews consisted of 28 questions to gain the staff's perspectives regarding the adequacy of training programs, the extent that managers provide support to staff in technical areas, the adequacy of administrative support, and relationships with licensees. OIG also gave staff the opportunity to surface other issues of importance that were not specifically addressed through the interview questions.

Throughout the review, the audit team was aware of the possibility of fraud, waste and misuse in regional programs. OIG conducted the audit from March 2002 to June 2002 in accordance with Generally Accepted Government Auditing Standards.

The major contributors to this report were Cathy Colleli, Shyrl Coker, Vicki Foster, Judy Gordon, Russ Irish, Corenthis Kelley, Debra Lipkey, Tony Lipuma, Bill McDowell, Sherri Miotla, Bob Moody, Beth Serepca, Michael Steinberg, Kathleen Stetson, Rebecca Underhill, and Steve Zane.

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Region III Metrics
(Fiscal Year 2001 Operating Plan)
Reviewed During OIG Audit (April 2002)

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
1	Outputs	(Operator Licensing) Examinations at facilities.	Meet licensee's demand (approximately 10 examinations per year) with no docketed exceptions.			
2	Quality	(Operator Licensing) Written examination not invalidated due to preventable post exam changes.	No invalidated exams.			
3	Outputs	(Reactor Inspection) Extent of baseline program completion at each operating power reactor annually.	100% of procedures completed at end of cycle. Q1 Target: On track Q2 Target: 100% End of Cycle Q3 Target: On track Q4 Target: On track	✓		
4	Quality	(Reactor Inspection) Number of enforcement actions successfully disputed based on requirement interpretation, facts previously available, or application of enforcement policy.	<4 cited or non-cited violations retracted due to NRC error.			

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
5	Outputs	(Reactor Inspection) Assessments of plant performance for each licensee on a periodic basis including mid-cycle and end-of-cycle assessment. Agency Action Review Meeting. End-of-cycle public meeting.	Twice per year. Annually. Held annually within required timeframe.			
6	Quality	(Reactor Inspection) % of examiners and inspectors who maintain qualifications.	95% of inspectors and examiners.			
7	Quality	(Reactor Inspection) Allegation follow-up appropriately captures and responds to each issue raised.	90% of cases reviewed as determined by Agency Allegation Advisor Audit.			
8	Quality	(Reactor Inspection) Number of instances where identity of allegor is not adequately protected.	0			
9	Timeliness	(Reactor Inspection) ARB meetings held within 30 days. Average time to complete review of allegation technical concerns. Acknowledgment letters in 45 days. Acknowledgment letters in 30 days.	100% <180 days 100% 90%			

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
10	Timeliness	(Reactor Inspection) Issuance of inspection reports.	90% routine within 30 days. 90% team within 45 days. (Data Cumulative)			✓
11	Timeliness	(Operator Licensing) Issuance of examination reports.	90% routine within 45 days.			
12	Quantity	(Reactor Inspection) Senior management site visits to obtain feedback.	Each operating reactor site receives a visit by SES managers at a minimum once per year.	✓		
13	Timeliness	(Fuel Facilities, GDP) Timeliness of fuel facility and GDP inspections.	Complete inspections scheduled in the Fuel Cycle Master Inspection Plan (MIP) such that no more than one inspection is completed outside of the time specified in the MIP, or less than 10% of the inspections are completed outside of the time specified in the MIP if more than 9 inspections are scheduled (cumulative).			
14	Timeliness	(Inspection) Timeliness of safety inspections of materials licensees.	Complete core inspections with less than 10% overdue as defined in Inspection Manual Chapter 2800.			
15	Timeliness	(Licensing) Review of new applications and amendment requests.	Complete 80% of the reviews within 90 days.			
16	Timeliness	(Licensing) Review and issuance of renewal licenses.	Complete 80% of the reviews within 180 days.			

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
17	Quality	(OE) Number of enforcement actions successfully disputed based on requirement interpretation, facts previously available, or application of enforcement policy.	<4 cited or non-cited violations retracted due to NRC error.			
18	Quality	(GDP, Fuel Facilities, Allegations) Procedures followed per Management Directive 8.8 as determined by annual audit.	Audit results.			
19	Timeliness	(Allegations) Conduct allegation review boards within 30 days of receipt of the allegation.	100% within 30 days.			
20	Timeliness	(OE) Average timeliness of 90% of escalated enforcement cases.	90 days or less.			
21	Timeliness	(GDP, Fuel Facilities, Allegations) Timeliness of allegation reviews of allegations concerning all types of materials licensees or certificates and their contractors, measured from receipt of allegation to date of closure of allegation.	Average 180-day turnaround and does not include those allegations involving wrongdoing.			
22	Timeliness	(GDP, Fuel Facilities, Allegations) Acknowledgment letters to concerned individuals.	Letters sent within 30 days of receipt for 90% of cases. Letters sent within 45 days for 100% of cases.			

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
23	Timeliness	Provide an orientation on the Agency's EEO Policy Statements, Affirmative Employment Plan, EEO Complaint Process, and EEO Advisory Committees.	80% of all new NRC employees within 30 days. 100% of all new NRC employees within 6 months.	✓		
24	Effectiveness	Provide Managing Diversity Training to RIII employees.	80% of RIII employees receive training (cumulative).			
25	Effectiveness	Provide training on the Prevention of Sexual Harassment to RIII employees.	80% of RIII employees receive training (cumulative).			
26	Effectiveness	Attend video conferencing of the semiannual commission briefing of NRC's EEO Program.	75% of available managers and supervisors at each session. All staff are encouraged to attend each session.			
27	Effectiveness	Discuss EEO issues and IDPs with employees during each quarter, including midyear and end of year appraisals.	80% of supervisors/managers hold EEO/IDP discussions with staff each quarter.	✓		
28	Other	Contact site secretaries to ensure concerns are being addressed.	100% of site secretaries contacted every 6 months.			
29	Effectiveness	Recognize and reward innovative equal opportunity accomplishments of supervisors and staff.	Report number of awards given per quarter (tracking purposes only).			
30	Effectiveness	Meet with the Regional EEO Advisory Committee on a quarterly basis to discuss ongoing issues.	Report on number of meetings held during quarter.			

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
31	Effectiveness	Ensure appropriate consideration for equitable distribution of awards.	Report quarterly to RA on the number of awards given per quarter to women, minorities, persons with targeted disabilities, and persons over/under 40 years of age.			
32	Effectiveness	Conduct quarterly review of staff performance.	100% of managers, supervisors, and required team leaders.	✓		
33	Other	Conduct all staff meetings to enhance communications.	A minimum of 1 meeting per quarter is required.			
34	Quality	Employee benefits (FEGLI/HEALTH).	98% processed accurately and timely.		✓	
35	Timeliness	Processing of travel voucher examinations.	95% of completed/proper vouchers processed and FedEx to headquarters within 7 calendar days of receipt (cumulative).	✓		
36	Effectiveness	Travel authorizations prepared in advance of actual travel.	95% of processed travel vouchers received have travel authorizations prepared in advance.			
37	Timeliness	Routine Micro/GSA procurement actions (less than \$2,500).	95% of purchasing actions are completed within 14 calendar days of receipt of approved forms by procurement or other bank card holders.	✓		

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
38	Effectiveness	Competitive procurement actions (greater than \$2,500).	95% of purchasing actions are completed within 30 calendar days of receipt of approved forms by procurement or bank card holders.	✓		
39	Timeliness	Freedom of Information Act (FOIA) requests (estimates) are processed within established time frames.	90% of estimates are provided to the FOIA Management Branch within 4 business days.			
40	Timeliness	Freedom of Information Act (FOIA) requests (responses) are processed within established time frames.	90% of responses are provided to the FOIA Management Branch within 10 business days after notice to proceed from headquarters.			
41	Quality	Processing of all personnel actions.	95% of personnel actions processed without errors.	✓		
42	Timeliness	Responses to applications with acknowledgment letters.	98% of letters are responded to within 2 weeks of receipt.			
43	Timeliness	Timely posting of vacancy announcements.	98% of vacancy announcements are posted within 10 business days of receipt of approved vacancy announcements from division.			
44	Timeliness	Issuance of internal selection certificates.	98% of selection certificates should be issued within 5 business days of receipt of final certification from rating panel/rating official.			

No.	Metric	Description	Goal	Problems Identified		
				Not Reliable	Not Valid	Not Valid and Not Reliable
45	Timeliness	Send 145b, security packages to HQ personnel security within set guidelines upon receipt of complete package from applicant.	Send 98% of security packages to headquarters within 5 business days.			
46	Timeliness	IT Help Desk tickets are closed within established time frames.	80% of tickets are closed on the day received (within 8 business hours) (cumulative).			
47	Timeliness	IT Help Desk tickets are closed within established time frames.	90% of tickets are closed within 3 business days from day received (cumulative).			
48	Effectiveness	Results of semiannual Help Desk survey on customer satisfaction.	75% of "respondents" are satisfied with the level of help received from Help Desk services (cumulative).			
49	Effectiveness	Network and server availability (6:30 a.m. – 5 p.m., 7 days per week (except holidays and maintenance).	LAN is 99% available for regional and remote site use (except during scheduled maintenance changes) (cumulative).	✓		
Totals				10	1	1

DETAILS OF PROBLEMS IDENTIFIED WITH OPERATING PLAN METRICS

Metric 3: Baseline Inspection Metric Reported Inaccurately

Region III inaccurately reported that it met the metric for the 1-year inspection cycle that ended March 31, 2001. NRC's inspection manual describes the baseline inspection program as the minimum inspection oversight that should be conducted at each plant. The baseline inspection program is composed of approximately 40 procedures, each with a specified frequency and some that can only be performed when the plant is shut down. Auditors reviewed baseline inspection records pertaining to 3 of the region's 16 power plants and identified 1 case where a required and planned inspection procedure was not completed as planned before the end of the inspection cycle. Regional staff were unaware that the inspection procedure in question was not completed within the cycle. By not completing just one inspection procedure within the inspection cycle, Region III missed its target for completing the minimum NRC inspection oversight requirement; however, the region reported that it met its goal of conducting 100 percent of its baseline inspections.

Metric 10: Reactor Inspection Report Timeliness Metric Does Not Distinguish Between 30- and 45-Day Reports

This metric contains two separate timeliness goals (i.e., issue 90 percent of routine reports within 30 days and 90 percent of team reports within 45 days). Nonetheless, Region III reported a cumulative, 98-percent single data point leading to the question of which goal had 98-percent completion, i.e., the 30-day reports, the 45-day reports, or both. Reporting a combined, cumulative total does not address the performance of the two measures as intended. As a result, the region's reported result is rendered invalid. Without conducting an audit of the timeliness of all reports from the first through the fourth quarter, auditors could not verify that the performance goals were met for both parts of this metric or that the 98-percent year-to-date reported result was accurate. Furthermore, inaccuracies and missing information (e.g., not all inspection reports were included in calculating results for this metric) in the source documentation raised additional questions concerning the reliability of the reported data.

Metric 12: Senior Management Site Visit Metric — Inaccurate Quarterly Results

Region III correctly reported its fourth quarter, cumulative result for meeting its metric to have senior managers conduct annual reactor site visits; however, quarterly results for at least one quarter were inaccurate. To document senior manager site visits, senior managers are expected to complete regulatory impact forms, however, auditors found forms were missing for three plants. Auditors relied on supplemental supporting documentation (e.g., travel vouchers) to verify that Region III met its performance target.

Metric 23: EEO Orientation Metric Lacked Supporting Data

While Region III provides an orientation on the agency's Equal Employment Opportunity (EEO) Policy Statements, Affirmative Employment Plan, EEO Complaint Process, and EEO Advisory Committees, it does not have a tracking system to verify the completion of this task. A responsible Region III official stated that this orientation is generally provided to new employees within a day or two of the new employee coming on board. Because there has been a limited number of new employees in the past, the regional official was able to mentally track that each new employee received the information. However, because the region lacks a system to track this data, OIG was unable to verify that the orientation had occurred.

Metrics 27 and 32: Metrics on Quarterly Performance Reviews and EEO/IDP Discussions Did Not Include All Who Should Have Been Included

While Region III tracked the percentage of managers and supervisors that conducted quarterly performance reviews and discussed Equal Employment Opportunity issues and Individual Development Plans (IDP), the region did not include all those who should have been included in calculating the metric outcome. Region III reported that it met or exceeded its goals for these two effectiveness metrics for FY 2001 quarters 1-3.³ However, OIG found that the regional staff was basing its calculations on the number of managers and supervisors that acknowledged whether they conducted the reviews and discussions and not the total number of managers and supervisors responsible for completing the tasks. Because the instructions for compiling and reporting metric data are not well defined, staff had different interpretations of the metrics. As a result, Region III inaccurately reported that it exceeded its goals for these metrics.

Metric 34: Employee Benefits Processing Metric Fails To Capture Timeliness and Accuracy Attributes

The employee benefits processing metric is not adequately designed to capture the timeliness and accuracy attributes. While the metric contains accuracy and timeliness goals (e.g., process 98 percent accurately and timely), the region reported success as a single percentage rather than breaking out the percentages for accuracy and timeliness. The problem is that the benefits and personnel actions might be inaccurate but timely, or accurate but untimely. With only one data point, these metrics do not provide valid data on the measure intended and should be broken into two metrics.

³Due to the events of September 11, 2001, Region III's fourth quarter appraisals and discussions were delayed and not reported in the FY 2001 operating plan.

Metric 35: Timeliness of Travel Voucher Processing Metric Lacked Support Data

The region reported it exceeded its metric to process and send 95 percent of completed/proper vouchers via Federal Express to headquarters within 7 calendar days of receipt. The region batches vouchers and sends them to headquarters. Although regional staff asserted that a date at the bottom of each batch report is the date sent to headquarters, there is no Federal Express documentation or receipt to support this assertion. Therefore, OIG was unable to verify the reported outcome.

Metrics 37 and 38: Timeliness of Purchase Action Processing Metrics Used Incorrect Date

Region III reported it exceeded two metrics related to processing purchase orders. One metric calls for 95 percent of purchasing actions less than \$2,500 to be processed within 14 days of receiving approved forms. The other goal is that 95 percent of actions greater than \$2,500 be processed within 30 days. Region III uses an EXCEL spreadsheet that automatically calculates the processing time and indicates if the transaction met the goal. A total of 14 transactions were reviewed for these two metrics. On 13 of 14 transactions reviewed, one of the dates used to calculate timeliness did not agree with the source documentation. As a result, the compliance rates stated by the region for all transactions in all quarters may be incorrect. Furthermore, during discussions with Region III staff, OIG learned that the reported results were cumulative by quarter, and not reported separately for each quarter as implied.

Metric 41: Personnel Action Processing Metric Lacked Supporting Documentation

Region III reported it met its metric to process 95 percent of personnel actions without errors, however, OIG was unable to verify this claim due to a lack of supporting documentation. The region maintains a log to track action processing and error corrections. Regional staff advised that “system” errors are not included when assessing compliance with the stated goal, however, regional staff could not identify which errors were excluded because of system errors. Based on the action tracking log, which does not distinguish system errors from other types of errors, OIG determined the compliance rate for two quarters to be below the 95-percent goal.

Metric 49: Network and Server Availability Metric Excludes Data on Resident Inspector Sites

Region III reported having met its metric to have its local area network (LAN) available 99 percent of the time (or better) for regional and remote site use, however, the outcome reported does not actually include information concerning the resident inspector sites. Furthermore, Region III measures connectivity related only to the server under its direct control, and not overall LAN connectivity as the metric wording suggests. Therefore, this metric is not capturing the attributes it is intended to measure.

REGION III INTERVIEW RESULTS

BACKGROUND

As part of the Region III management audit, OIG conducted 34 interviews with 19 reactor site-based inspectors and 15 region-based inspectors and technical staff. Reactor site-based employees consisted of resident inspectors and senior resident inspectors, while region-based employees were made up of reactor inspectors, project engineers, operations engineers, and health physicists. The purpose of the interviews was to help OIG gain information to evaluate regional management's support for one of the region's primary missions — the reactor oversight process.

DESCRIPTION

OIG developed this appendix from information obtained during the Region III interviews. Of the 28 questions asked, 25 had *yes*, *no*, or *not applicable* as possible answers. A *not applicable* response is not included with the results shown for each question, except for question 15.

OIG allowed those interviewed to provide explanations for their answers and/or caveats for clarifying their responses. From these 28 questions, OIG performed analysis of the responses. The questions were also divided into categories: training (1-5), technical (6-10), administrative (11-23 and 28), and licensee management (24-27). The answers were first categorized based on location (region- or reactor site-based). OIG did this because it was believed that residents and region-based inspectors might have different perspectives. OIG then separated the answers into three categories: positive (denoted by green in the chart), negative (denoted by red), and conditional (denoted by yellow). Conditional responses contained positive and negative aspects, with additional explanations provided by the inspectors. A positive response could be measured with "yes" or "no" answers, depending on the nature of the question. This also applied to negative responses.

In developing the charts that follow, OIG believed it would be helpful to provide exemplars of the types of comments provided by the interviewees in the explanations for their answers and/or caveats for clarifying their responses. The horizontal bars in the charts always appear in the following order from top to bottom: green (positive response), yellow (conditional response), and red (negative response).

Question 1: Is the region ensuring you receive all required training: If no, why?

- Up to individuals to track their own training.
- Need training flexibility at TTC to accommodate job needs.
- Some courses not available, e.g., management courses.
- Two weeks not enough time for training on non-required courses.

Question 2: Are you receiving the correct training needed to accomplish your job? If no, why, and what additional training is needed?

- More training needed in SDP, ROP, CITRIX, and on RPS.
- TTC training is out of date.
- Weakness in providing training for inspectors transitioning from one discipline to another.
- Too much training.

Question 3. Do you receive training on time? If no, why?

- Difficult to get classes at TTC.
- Courses generally only offered once a year or not when needed.
- Not receiving SDP training on time.
- Supervisory and cross training is hard to receive.
- A lot of “in-the-field” training.

Question 4. Is there a pattern of rescheduling for training? If yes, why?

- Unable to get required course.
- Management reschedules courses at TTC.
- Training is canceled due to other priorities.
- When insufficient technical staff are available, training is rescheduled.

Question 5. Are there any other training issues for which you have concerns? If yes, what are they?

- Need better training in RPS.
- Depth of some training is not sufficient.
- TTC instructors' knowledge and course material are outdated.
- People get promotions based on success, not on management skills.
- Need to define required training.

Question 6. Does the region provide timely responses to your requests for technical assistance? If no, why?

- Headquarters does not provide timely responses.
- Some inspectors lack technical depth.
- Have to wait for regional expert when they are out of the office in the field.
- Lacks confidence in the region's technical experts.

Question 7. Do aspects of the inspection process need to be improved? If yes, what are they?

- Inspectors need more latitude on what to inspect.
- ROP is a work in progress.
 - Areas not adequately addressed by ROP:
 - SDP process is not clear, also does not address barrier integrity
 - Security
 - Emergency preparedness
 - Licensed operator re-qualifications
 - Maintenance risk assessments
 - Licensees' management
 - Inspection procedures where most findings do not rise to a reportable level
 - Inspection procedures are too prescriptive
 - Insufficient resources to conduct the full program
- More guidance is needed on writing inspection reports.
- More details are needed in inspection reports.
- Regulatory basis for preparing PRAs is lacking.
- Too much emphasis on recording hours of inspection.

Question 8. Have you suggested these improvements to your supervisor? If no, why?

- No comments.

Question 9. Did your supervisor respond to your suggested improvements? If no, why?

- Told that “that is just the way things are.”
- Programs are headquarters driven, so little that regional managers can do.
- You can not always expect a change.

Question 10. Are there any other technical assistance issues that need to be addressed? If yes, what are they?

- Task Interface Agreements take too long to get a response.
- Training needs to improve in SDP for SRAs.
- Reliability of the data in ADAMS and RPS is questionable (i.e., does not agree).
- Staffing is a huge concern.
- Requirements for steam generators are too loose and non-enforceable.
- Generic concerns are not addressed at headquarters.

Question 11. Do you receive timely reimbursement for travel expenses? If no, why?

- Because inspectors must send vouchers to headquarters, it takes longer.
- Region III travel staff are not easy to work with.
- Interprets per diem rates on plant location in Region III.

Question 12. Do the various regional office administrative functions meet your needs? If no, why?

- Could use more secretaries.
- IT has some problems not resolved adequately.
- Sites feel like the stepchild.
- Too many administrative requirements put on sites.

Question 13. Do you have enough information technology equipment to do your job? If no, why?

- IT tools needed: individual printers, a good fax machine, scanner, and PDAs.
- More timely training on new technology/programs implemented.
- Need a more reliable CITRIX connection.

Question 14. Are there any computer/software problems that require resolution? If yes, what are they?

- Word vs. Word Perfect.
- ADAMS and STARFIRE.
- LAN connection needs to be improved at remote sites.

Question 16. Does your computer have adequate links to headquarters/the region for your work purposes? If no, why?

- CITRIX is slow.
- Hard to access documents after 9/11.
- Difficulty accessing FAQs on NRC's Internet site.

Question 17. Does the telephone system provide adequate communications for your work? If no, why?

- Need speaker phones.
- Experienced problems when the service provider switched.
- Phone lines are horrible.
- Pager system sometimes is out of range.

Question 18. Are there other administrative assistance issues that should be addressed? If yes, what are they?

- Travel on weekends without provision for compensatory time.
- Copiers at resident sites are slow.
- Advanced planning in rehiring for site-based secretary positions.
- STARFIRE.

Question 19. Do other aspects of regional office operations need to be improved? If yes, what are they?

- Supplies must be shipped, need local accounts near site.
- Need better communication with managers.
- Morale.
- More staff needed to ease travel burden.

Question 20. Do you have any major problems in completing your job? If yes, why?

- N+1 vs. N; staffing problems.
- Need more time for inspections.
- Need to work overtime in order to meet job responsibilities.
- Need better training.

Question 21. Can the region/NRC do more to improve your effectiveness? If yes, what?

- Allow more time to complete assignments.
- Allow more flexibility in inspection process; inspection procedures need to be less prescriptive.
- Provide better tools such as PDAs.
- Improve inspection scheduling.
- Provide timely technical support.

Question 22. Are there any other areas in which regional management needs to improve to help you do your job more effectively? If yes, what?

- Management needs to be more available and visit sites more often.
- SDP training.
- Communication (e.g., timely responses) needs improvement.
- Overwhelming focus on “counting beans.”

Question 23. Is the Differing Professional View/Differing Professional Opinion process working correctly? If no, why?

- Not viable vehicle for achieving change.
- Filing a DPV would hurt promotion potential.

Question 26. Is your region responsive to licensee concerns and issues? If no, why?

- No comments.

Question 27. Does regional management assist you, as needed, when you can resolve issues with plant management? If no, why?

- Managers are not technically astute.
- Staff are not able to address non-failure issues.

Question 28. Are there other areas that management needs to provide you with more information/support in order to perform your duties? If yes, what?

- There is a negative management style in Region III.
- More communication is needed.
- SDP training.
- Restore flexibility in ROP by revisiting the N+1 vs. N decision.
- Inconsistent expectations; each branch has their own expectations.

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January 27, 2003

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits

FROM: William F. Kane/**RA**/
Deputy Executive Director for Reactor Programs

SUBJECT: DRAFT OFFICE OF THE INSPECTOR GENERAL REPORTS ON
MANAGEMENT AUDITS OF NRC'S REGIONAL OFFICES

This memorandum provides the staff's written comments on the subject draft reports, in accordance with your email transmittal dated December 17, 2002. We appreciate the opportunity to comment on these reports.

In general, we agree with many of your observations and recommendations and have already implemented various improvements and are planning others. We have a number of comments on areas in the reports that we feel require revision or further clarification. Specific comments on individual reports are provided in the attachment to this memorandum.

We are available to answer any questions you may have about our comments and to work with your staff to provide additional clarification, as appropriate. Please contact Melinda Malloy at (301) 415-1785 for assistance.

Attachment: As stated

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STAFF COMMENTS ON OIG'S DRAFT REPORTS ON MANAGEMENT AUDITS OF NRC'S REGIONAL OFFICES

General

1. NRC managers assess their management controls consistent with Management Directive and Handbook 4.4, "Management Controls," and the General Accounting Offices's "Standards for Internal Controls." Is the basis for the OIG's discussions on management controls in the audit reports consistent with the direction and guidance in Management Directive and Handbook 4.4?

Draft Audit Report, "Headquarters Action Needed On Issues Identified From the Office of the Inspector General's Management Audits of Regional Offices"

1. Page iii, Results in Brief, Operating Plan Metrics.
We believe that the last sentence before the section on Management Controls overstates the problem, and suggest that it be revised to read as follows:

"By exercising only limited oversight of the regions' administrative metrics, headquarters is missing an opportunity to **strengthen** ~~provide guidance;~~ ~~leadership,~~ and performance assessment **guidance** for the regions' management and support functions."

2. Page 1, Section I, Background.
The 3rd sentence of paragraph 3 identifies the regions' Division of Resource Management and Administration (DRMA) activities to include payroll. Regional DRMA activities include Time and Labor, but not full payroll duties. In addition, DRMA is responsible for several other functions. Therefore, we recommend that this sentence be revised as follows:

"The Division of Resource Management and Administration (DRMA) conducts internal operating support activities including **time and labor coordination,** **financial management,** facilities management, travel, ~~payroll,~~ **procurement,** **information technology,** and human resource functions."

It should be noted that there is a similar statement on pages 1 or 2 in Section I of the individual regions' reports, and the statements are inconsistent among reports. We recommend that they be revised to ensure consistency with the summary report and among the individual regions' reports.

3. Page 8, Section III.A, Operating Plan Metrics, Public Health and Safety Metrics.
The 3rd sentence of the 1st full paragraph states that NRC's inspection manual discusses completion of the baseline inspection program as the estimated number of inspection hours to be expended and/or a minimum sample of items or occurrences to be inspected. This statement is not factually correct. NRC's Inspection Manual Chapter 2515 states that the estimate of inspection hours included in each inspection procedure (IP) is for resource

planning only. These hours refer to the estimated average times to complete the inspections for cornerstone areas at dual-unit sites, and are not goals, standards, or limitations. They are included in the IPs to assist in planning resource allocations and are revised periodically, based on experience. Inspectors should inspect the number of samples specified by the baseline IPs because the baseline program provides the insights necessary to assess performance, with performance indicators, in each cornerstone of safety.

Since initial implementation of the inspection program, the program office has emphasized that an IP is completed when all inspection requirements stated in the procedure have been performed, i.e., the minimum number of samples have been inspected. We recognize that this might not have been fully understood and, therefore, have reemphasized this information in a memorandum dated July 16, 2002, from Bruce Boger, NRR to Deputy Regional Administrators (see ML0201920501).

We recommend that this paragraph of the report be clarified by revising it as follows:

“Regional managers stated that they have received limited guidance on definition of terms, results presentation, procedures for data collection and computations, and expectations for quality control. For example, while the operating plans requires that each region report on the extent of completion of the baseline inspection program, ~~headquarters does not define “completion”~~ **the conditions for completion of a procedure may not have been completely understood. Even though NRC’s inspection manual and individual procedures provide guidance for determining procedure** ~~discusses completion, as the estimated number of inspection hours to be expended and/or a minimum sample of items or occurrences to be inspected~~ **one** region assesses completion based on hours, while another region assesses completion based on sample size. Regional managers expressed confusion about which of these two attributes to apply, and some believe it is a combination of the two.”

4. Page 10, Section III.A, Operating Plan Metrics, Public Health and Safety Metrics. In the 1st full paragraph before the section on Summary, the 3rd, 4th, and 5th sentences give the impression that all senior managers in headquarters have little or no interest or involvement in regional management and support activities, which is not the case. In fact, the OIG found several administrative areas to be operating effectively with the current level of oversight. (See page 11, discussion at the beginning of section III.B on Management Controls.) We think it would be more appropriate to replace these sentences with the following:

“There is wide variance among the regions in the use of operating metrics for administrative activities.”

Draft Audit Report, “Management Audit of Region I”

1. Page 1, Section I, Background.
The last sentence of the 3rd paragraph, which describes the functions performed by the region’s Division of Resource Management, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Headquarters Action Needed On Issues Identified From the Office of the Inspector General’s Management Audits of Regional Offices.”

Draft Audit Report, “Management Audit of Region II”

1. Page i, Executive Summary, Background and Page 1, Section I, Background.
The 1st paragraph on page i indicates that the Region II office operates and covers a 9 State area. A similar statement appears in the 2nd paragraph of page 1. The Region II office actually covers a 10 State area. Part of the confusion may be in the fact that Region IV has regulatory oversight for the Grand Gulf nuclear power plant, which is in the State of Mississippi, but the Region II office maintains regulatory oversight for all other uses of radioactive materials and of the Agreement State program for the State of Mississippi. These sections should be revised accordingly to reflect this information.
2. Page 1, Section I, Background.
The 3rd paragraph, which describes the structure of the region’s strategic and performance goals consistent with the NRC’s mission, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Management Audit of Region III.”
3. Page 2, Section I, Background.
The sentence beginning on line 2, which describes the functions performed by the region’s Division of Resource Management and Administration, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Headquarters Action Needed On Issues Identified From the Office of the Inspector General’s Management Audits of Regional Offices.”
4. Page 5, Section III.A, Operating Plan Metrics, Inaccurate Data
The last two sentences of the 1st bullet state:

“Moreover, OIG’s review identified two additional inspection procedures that were not completed at one of the sampled plants. The region was not aware these procedures were not completed.”

During the region’s review of the draft report findings, it was determined that these sentences do not appear to be correct. The two inspection procedures (IPs) identified to the region by the OIG audit team (IPs 71122.01 and 71130.04 at Oconee) were not required to be completed. Both are biennial procedures and were not required to be completed for the inspection cycle ending March 31, 2001. For the next cycle, ending December 31,

2001, they were chosen as part of the procedures to not complete, which was allowed by the program office requirement of completing only 60 to 80 percent of the procedures. Subsequent to the OIG audit, the cognizant regional Branch Chief indicated he was aware that these procedures were not completed, however, he was not available during the OIG audit of this area. We request that the report be revised to reflect this new information.

5. Page 9, Section III.B, Management Controls, Management Controls Over Information Management.

The last sentence in the section on Systems Processing Classified and Unclassified Safeguards Information indicates that as a result of not specifically assigning a System Security Officer or preparing a specific System Security Plan, there is an absence of security controls over Region II's systems. While we agree with the report's conclusions and recommendations that the controls should be enhanced (e.g., there is not a specific security officer for the standalone systems processing and not a specific security plan for the standalone systems), it is incorrect to state that there are no controls over Region II's systems. Region II does have a Security Officer assigned for processing classified information and a Regional Office Security Plan, which covers processing of classified and unclassified safeguards information, including by the use of standalone systems.

Draft Audit Report, "Management Audit of Region III"

1. Page 1, Section I, Background.

The 4th sentence of the 2nd paragraph incorrectly lists the number of resident inspectors assigned to Region III as 34. Region III has 35 resident inspectors—32 at power reactor facilities and 3 at the gaseous diffusion plants. We recommend that this sentence be revised to read as follows:

"When fully staffed, there are 35 ~~34~~ resident inspectors working at 16 nuclear power plants and two gaseous diffusion plants under the region's jurisdiction."

2. Page 1, Section I, Background.

The 3rd paragraph, 3rd sentence identifies corporate management strategies as a fourth area, which appears to indicate that this area is unique to the region and outside of the Strategic Plan. For clarification, we recommend that this sentence be revised as follows:

"Consistent with the NRC Strategic Plan, the region also uses ~~has~~ a fourth area called, the corporate management strategies, to accomplish strategic and performance goals."

It should be noted that there is a similar statement on page 1 Section I of the reports for Regions II and IV. We recommend that these statements also be revised.

3. Page 2, Section I, Background.

The sentence beginning on line 2, which describes the functions performed by the region's Division of Resource Management, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, "Headquarters Action Needed On Issues Identified From the Office of the Inspector General's Management Audits of Regional Offices."

4. Page 5, Section III.A, Operating Plan Metrics, and Page 29, Appendix B, Region IV Metrics. The sections on Inaccurate Data (page 5) and Metric 3: Baseline Inspection Metric Reported Inaccurately (page 29) have the same wording to describe an error with the region's inspection procedure completion records. The current writeup would lead one to believe that the inspection procedure (IP) was not completed at the time of the audit, which is not correct. The IP was completed on June 30, 2001, after the end of the inspection cycle (i.e., March 31, 2001) at the Davis-Besse facility (reference Inspection Report 50-346/01-10). Consequently, we recommend changing the last three sentences of both of these sections to read as follows:

“Auditors reviewed baseline inspection records pertaining to 3 of the region's 16 nuclear power plants and identified one case where a required ~~and-planned~~ inspection procedure was not completed **as planned before the end of the inspection cycle**. Regional staff were unaware that the inspection procedure in question was not completed **until June 30, 2001**. By not completing just one inspection procedure **before the end of the inspection cycle**, Region III missed its target for completing the *minimum* NRC inspection oversight requirement; however, the region reported that it met its ~~annual~~ goal of conducting 100 percent of its baseline inspections **during the inspection cycle ending March 31, 2001.**”

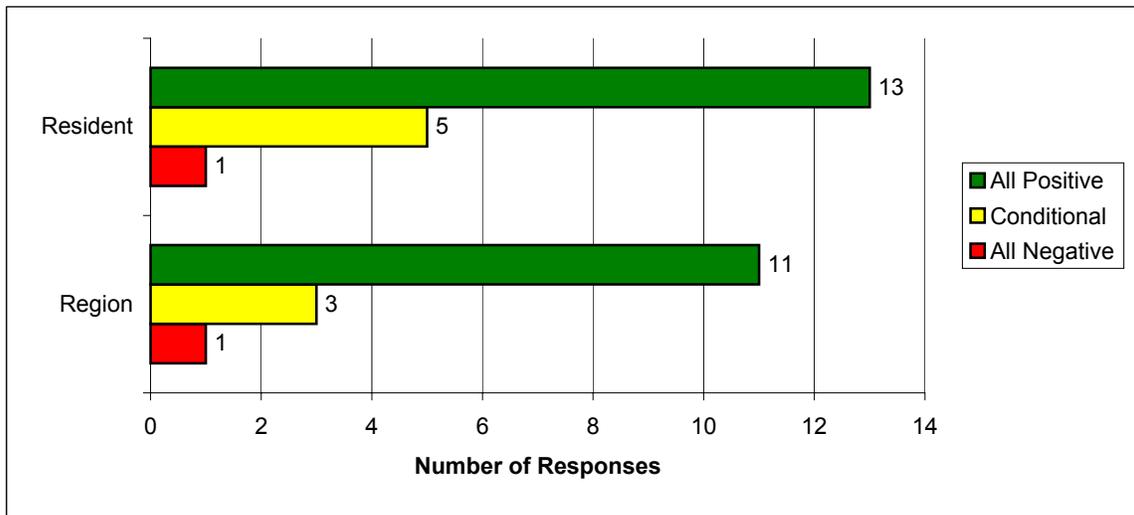
5. Page 13, Section III.C, Interviews with Region III Inspectors and Technical Staff. The 1st sentence of the 1st paragraph identifies that the OIG interviewed 19 of 32 resident or senior resident inspectors and 15 of 33 region-based inspectors and technical staff. These numbers appear to be inconsistent with Region III's staffing plan. Region III currently has 35 resident inspectors assigned to its sites as noted in item 2. Additionally, the region has over 90 region-based inspectors and technical staff (current count is 94 plus 8 interns). This includes the technical staff in Division of Reactor Safety (DRS), Division of Reactor Projects (DRP), Division of Nuclear Materials Safety (DNMS), and the Enforcement and Investigation Coordination Staff. Therefore, we recommend that the first sentence of Section III.C be revised to either account for the total population of region-based inspectors and technical staff or better define the population of 33 as a subset of the total population.

Draft Audit Report, “Management Audit of Region IV”

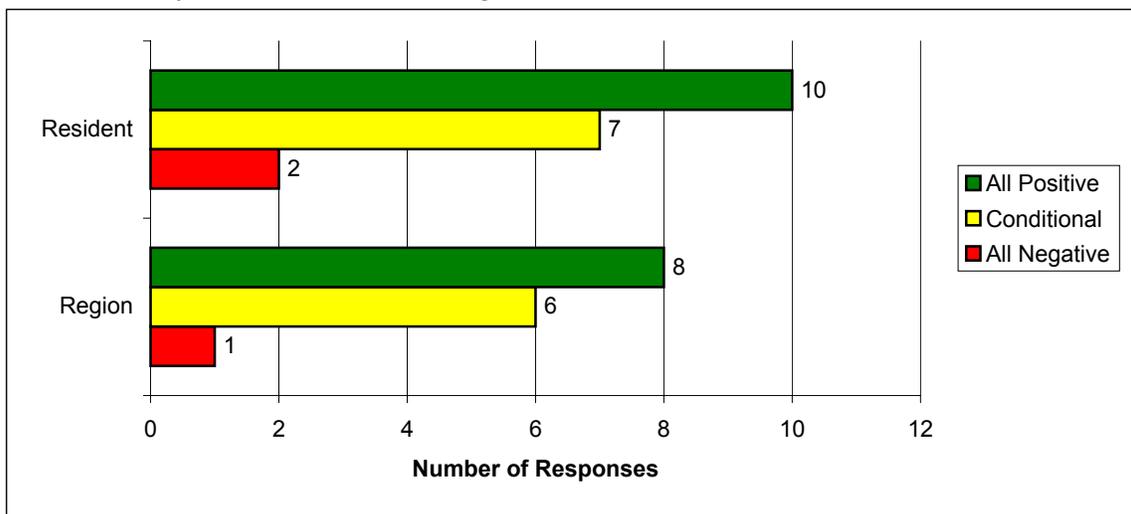
1. Page 1, Section I, Background. The 3rd paragraph, which describes the structure of the region's strategic and performance goals consistent with the NRC's mission, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Management Audit of Region III.”
2. Page 2, Section I, Background. The last sentence of the 3rd paragraph, which describes the functions performed by the region's Division of Resource Management and Administration, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Headquarters Action Needed On Issues Identified From the Office of the Inspector General's Management Audits of Regional Offices.”

REGION III INTERVIEW RESULTS

Question 1: Is the region ensuring you receive all required training? If no, why?

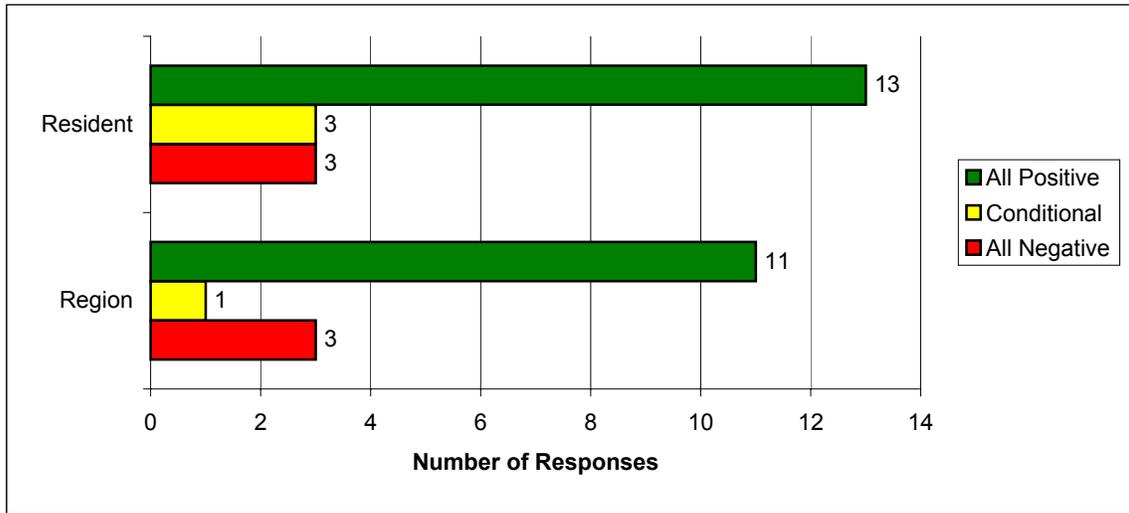


Question 2: Are you receiving the correct training needed to accomplish your job?
If no, why, and what additional training is needed?



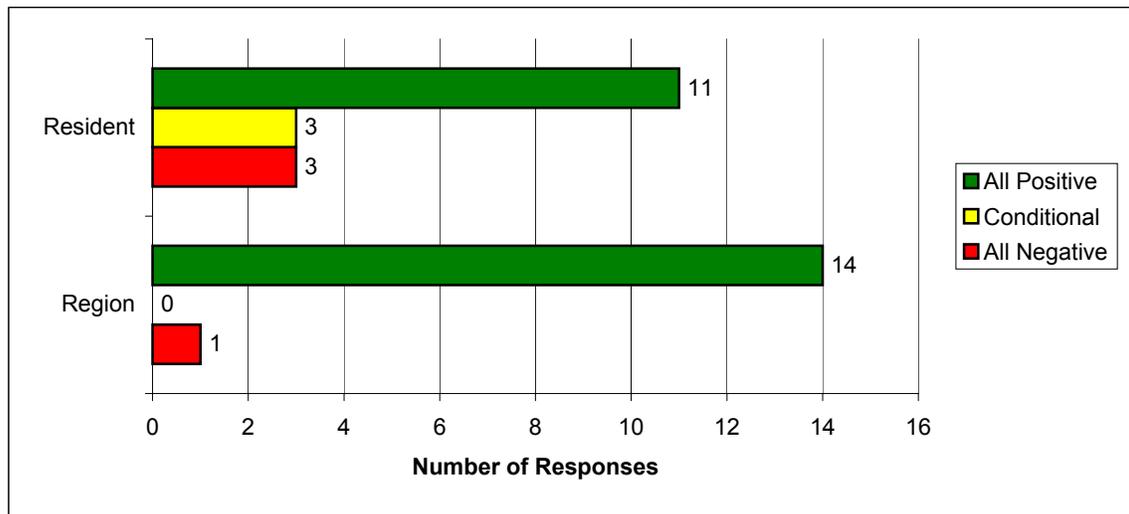
REGION III INTERVIEW RESULTS

Question 3: Do you receive training on time? If no, why?



Question 4: Is there a pattern of rescheduling for training? If yes, why?

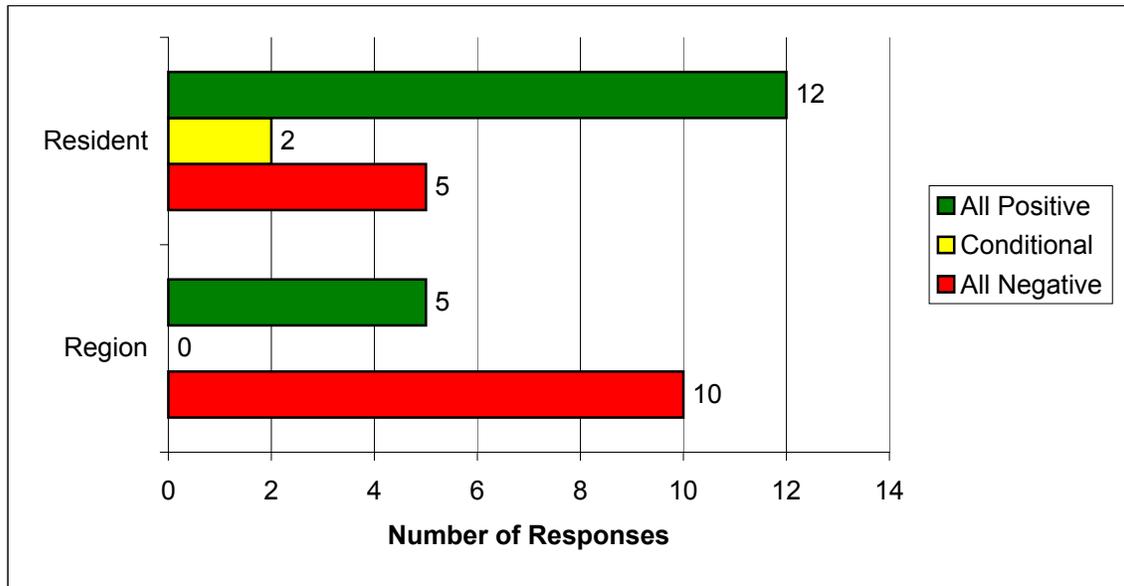
Note: In this situation, a yes answer denotes a negative response (measured in red).



REGION III INTERVIEW RESULTS

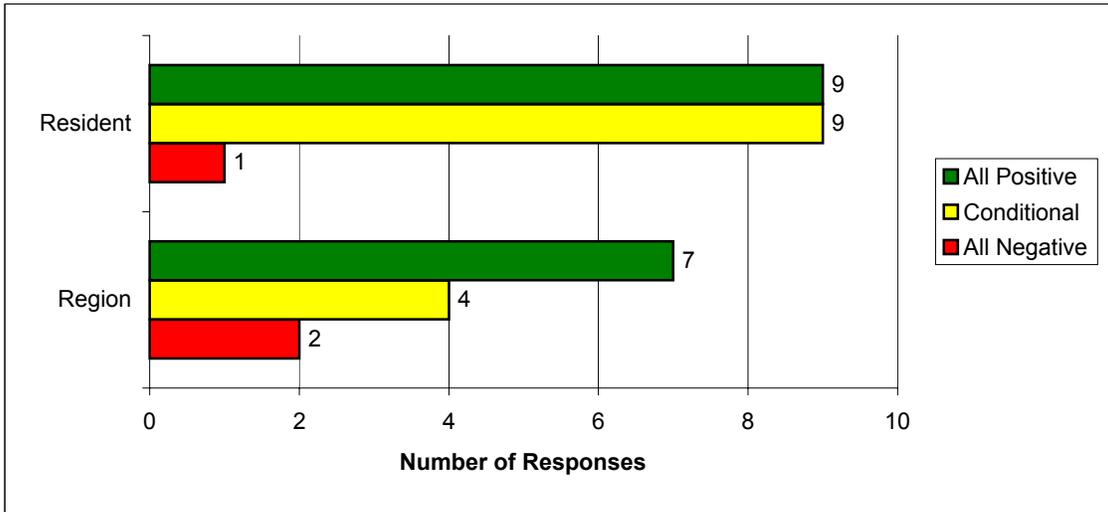
Question 5: Are there any other training issues for which you have concerns? If yes, what are they?

Note: In this situation, a yes answer denotes a negative response (measured in red).



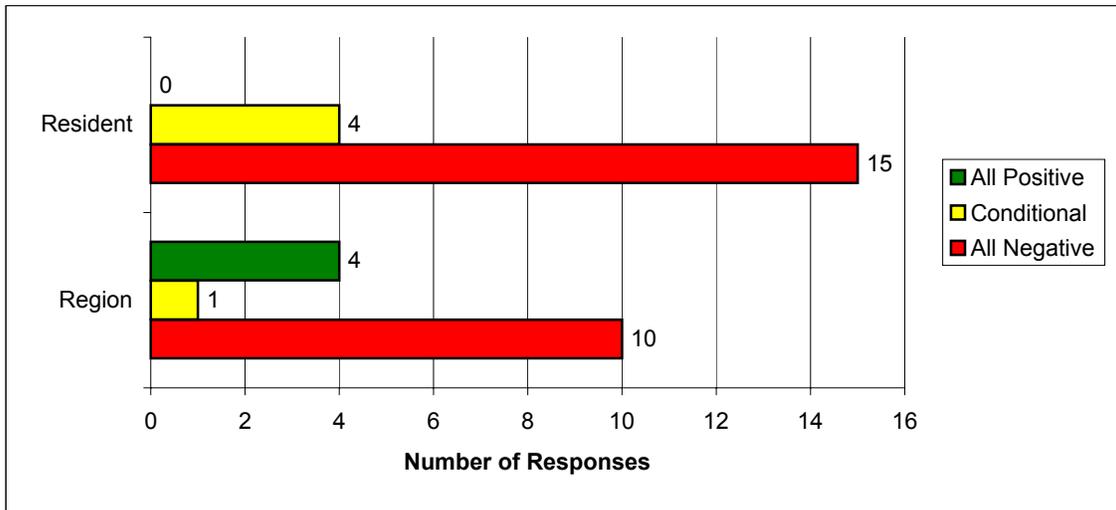
REGION III INTERVIEW RESULTS

Question 6: Does the region provide timely responses to your requests for technical assistance? If no, why?



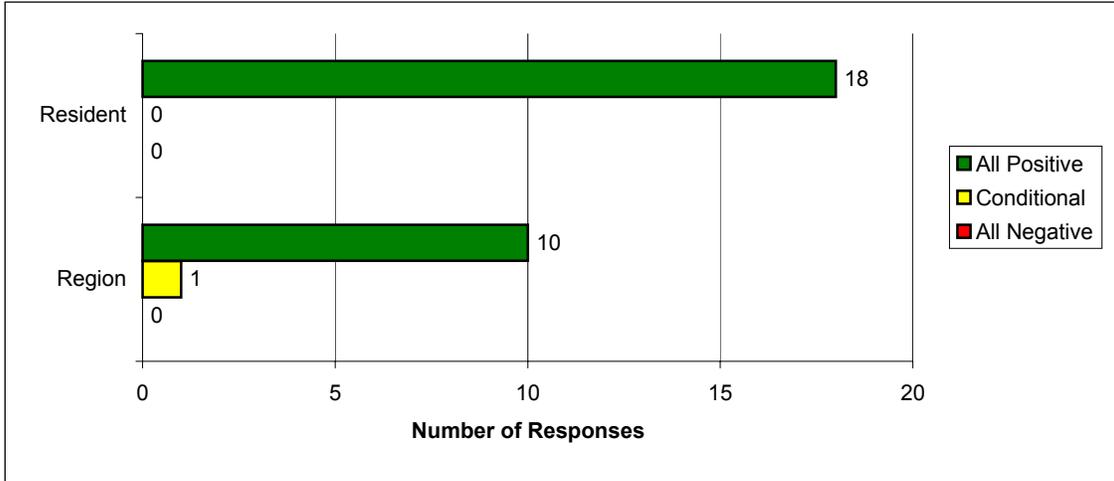
Question 7: Do aspects of the inspection process need to be improved? If yes, what are they?

Note: In this situation, a yes answer denotes a negative response (measured in red).

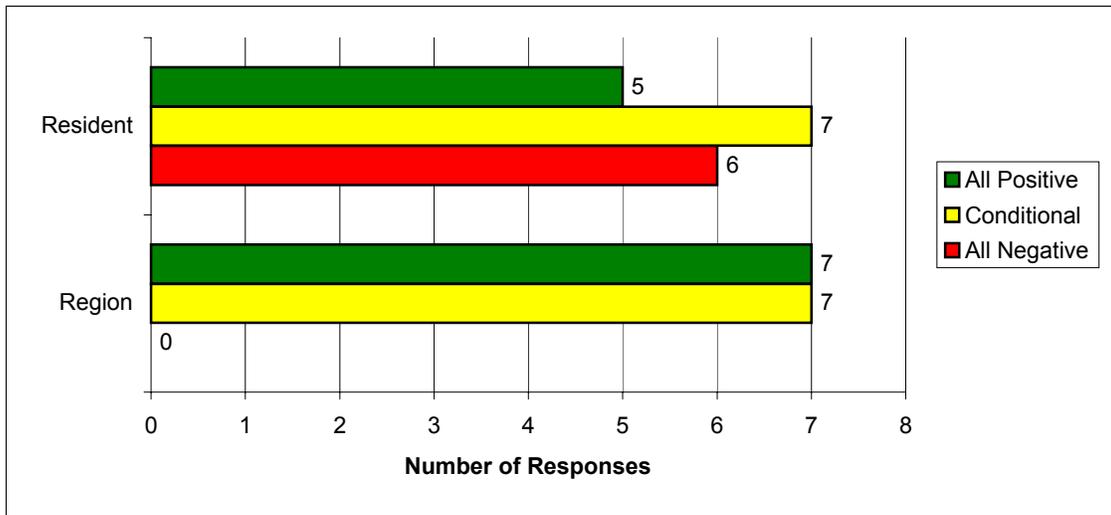


REGION III INTERVIEW RESULTS

Question 8: Have you suggested these improvements to your supervisor? If no, why?



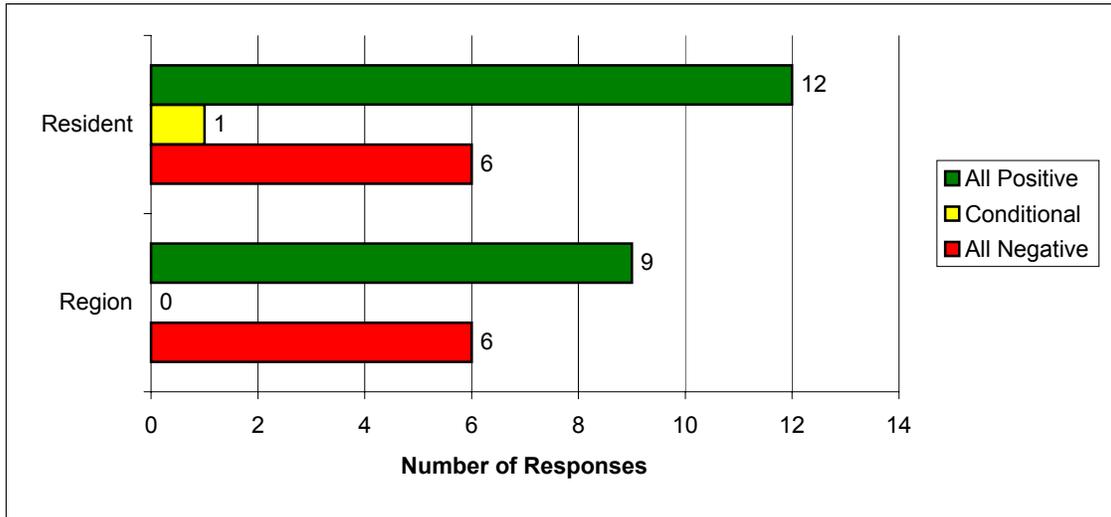
Question 9: Did your supervisor respond to your suggested improvements? If no, why?



REGION III INTERVIEW RESULTS

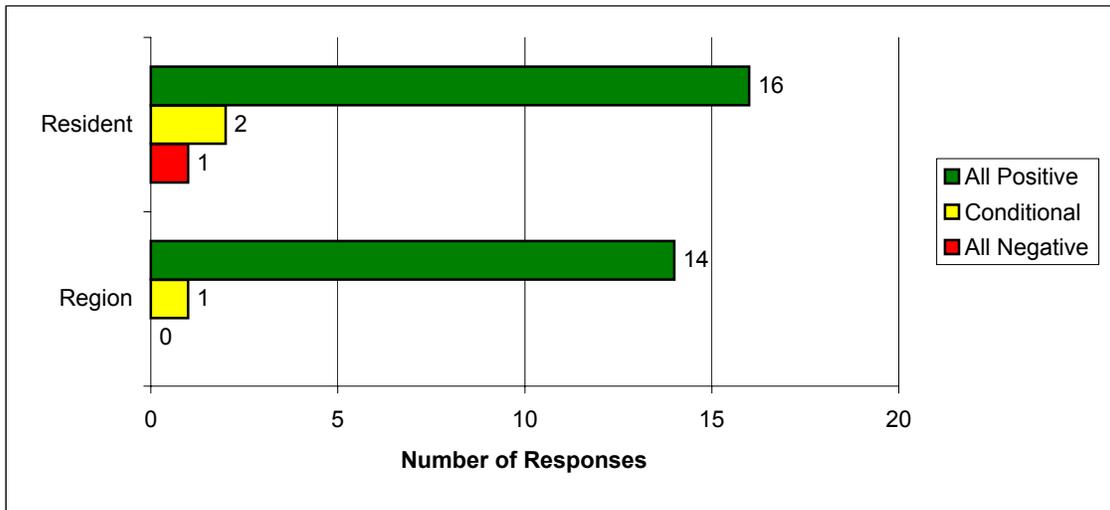
Question 10: Are there any other technical assistance issues that need to be addressed? If yes, what are they?

Note: In this situation, a yes answer denotes a negative response (measured in red).

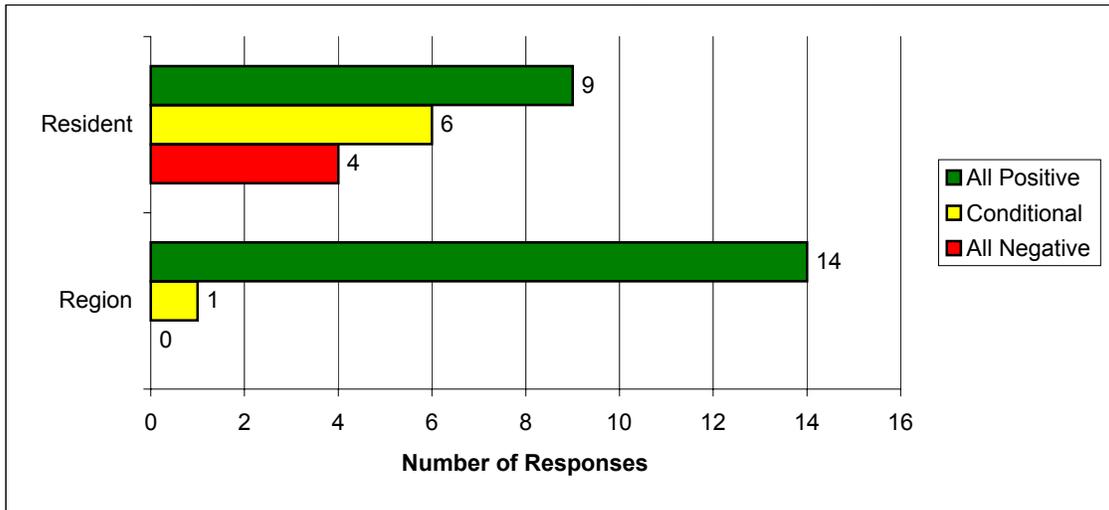


REGION III INTERVIEW RESULTS

Question 11: Do you receive timely reimbursement for travel expenses? If no, why?

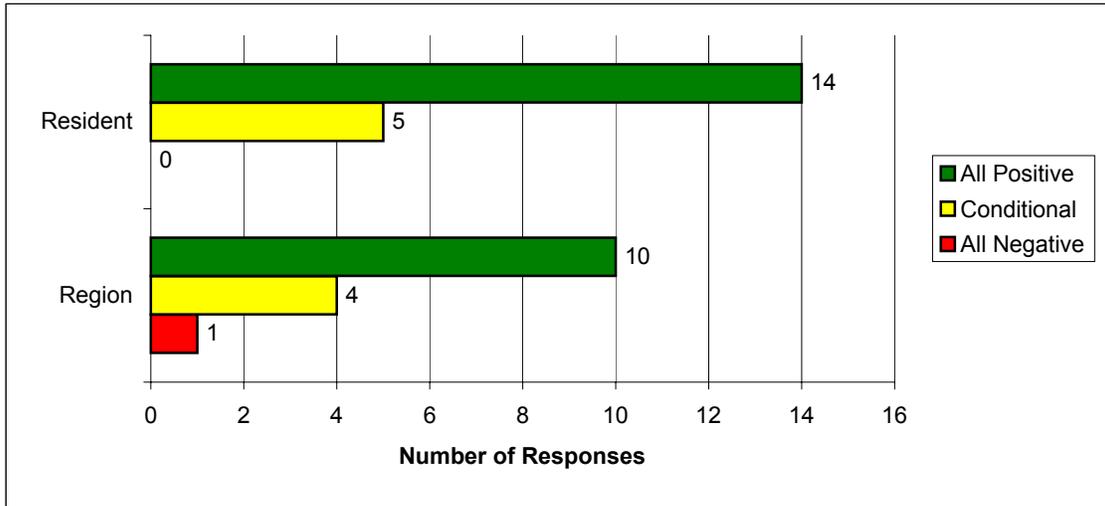


Question 12: Do the various regional office administrative functions meet your needs? If no, why?



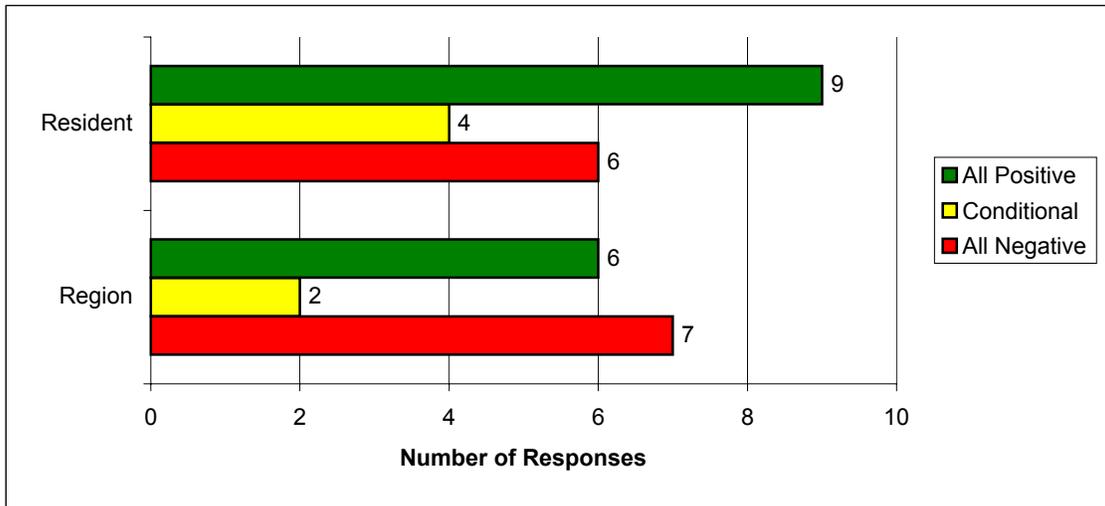
REGION III INTERVIEW RESULTS

Question 13: Do you have enough information technology equipment to do your job? If no, why not?



Question 14: Are there any computer/software problems that require resolution? If yes, what are they?

Note: In this situation, a yes answer denotes a negative response (measured in red).



REGION III INTERVIEW RESULTS

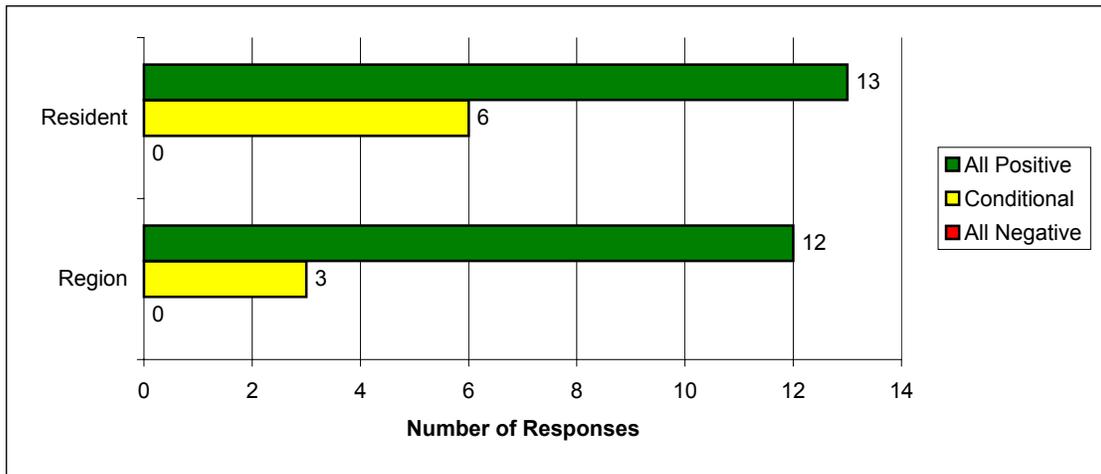
Question 15: How do your computer/software problems get fixed?

Comments:

Resident
almost all positive
call region help desk
answer questions over phone

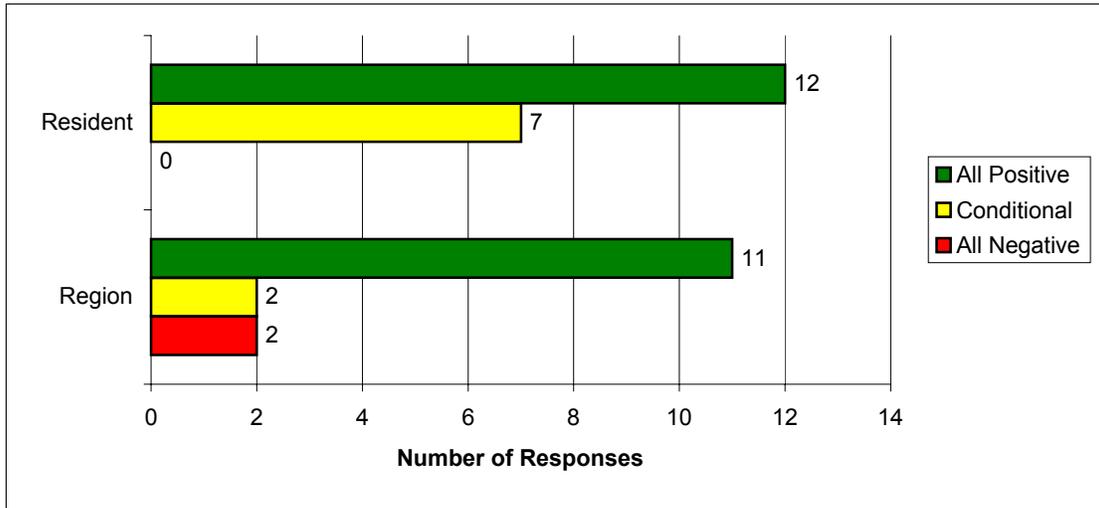
Region
almost all positive
call help desk, staff prompt and competent

Question 16: Does your computer have adequate links to headquarters/the region for your work purposes? If no, why?



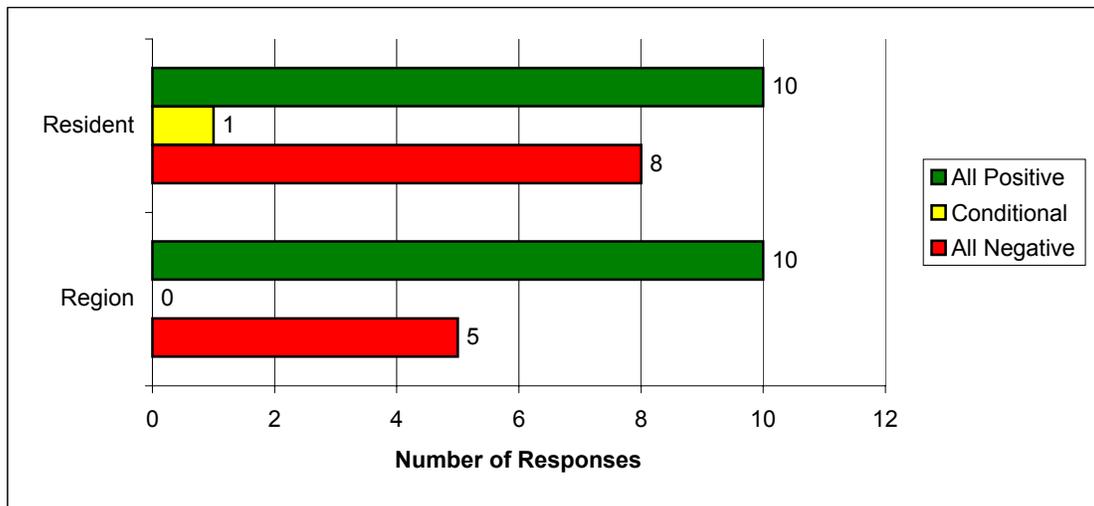
REGION III INTERVIEW RESULTS

Question 17: Does the telephone system provide adequate communication for your work? If no, why?



Question 18: Are there other administrative assistance issues that should be addressed? If yes, what are they?

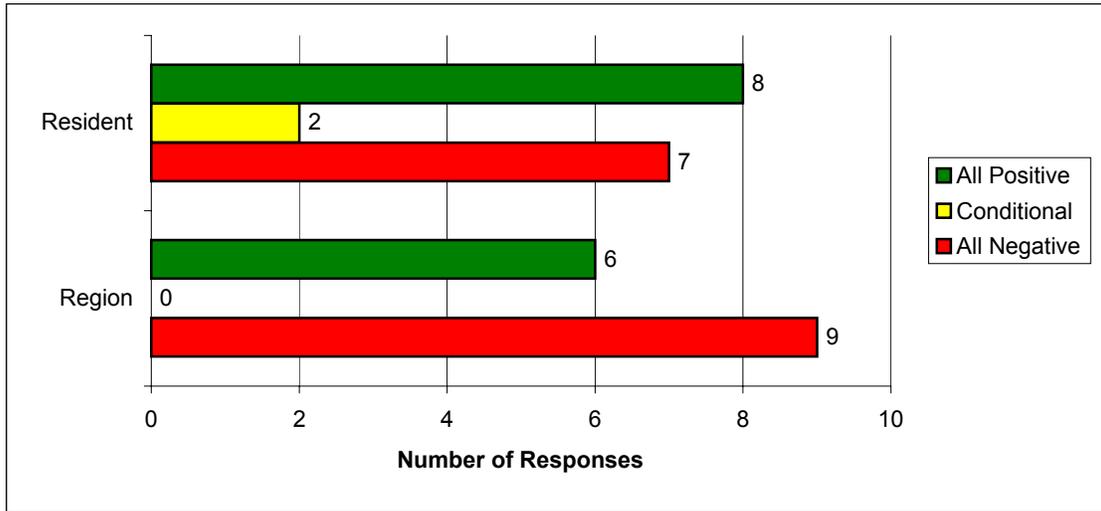
Note: In this situation, a yes answer denotes a negative response (measured in red).



REGION III INTERVIEW RESULTS

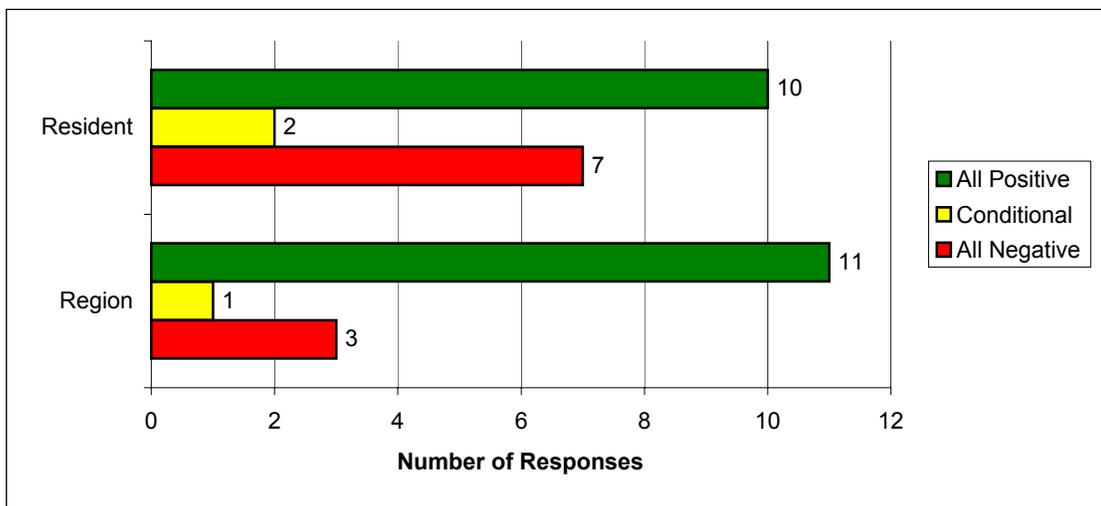
Question 19: Do other aspects of regional office operations need to be improved? If yes, what are they?

Note: In this situation, a yes answer denotes a negative response (measured in red).



Question 20: Do you have any major problems in completing your job? If yes, why?

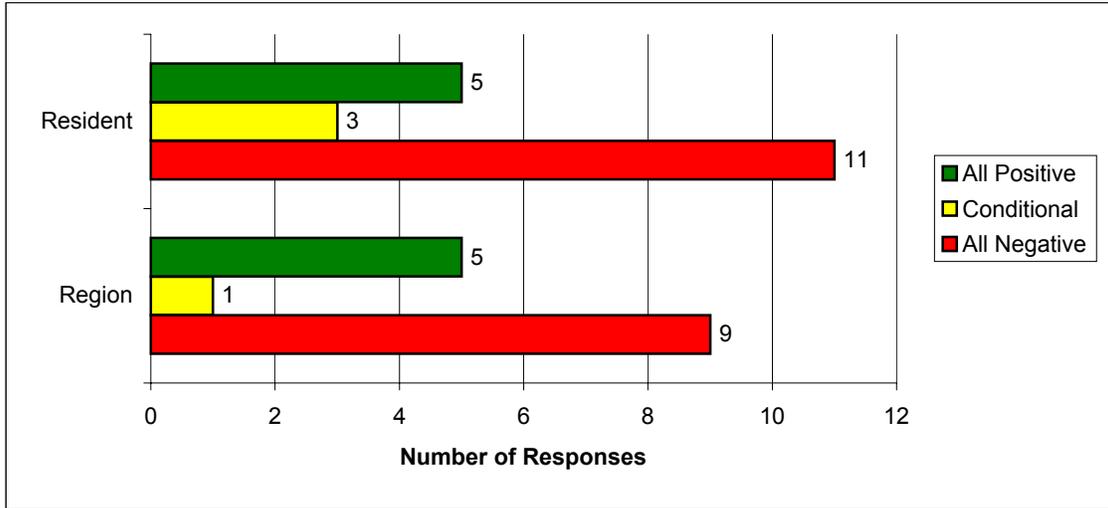
Note: In this situation, a yes answer denotes a negative response (measured in red).



REGION III INTERVIEW RESULTS

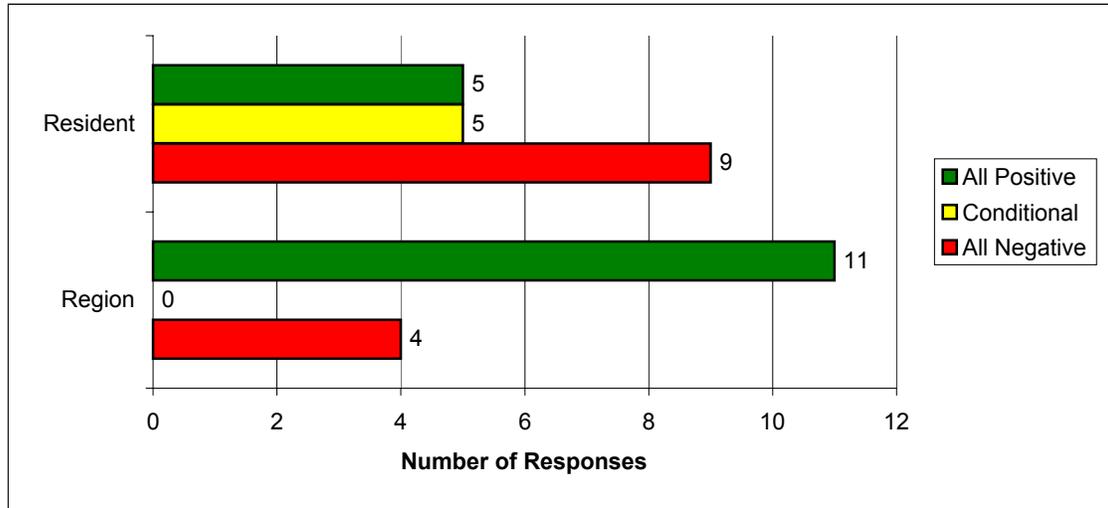
Question 21: Can the region/NRC do more to improve your effectiveness? If yes, what?

Note: In this situation, a yes answer denotes a negative response (measured in red).



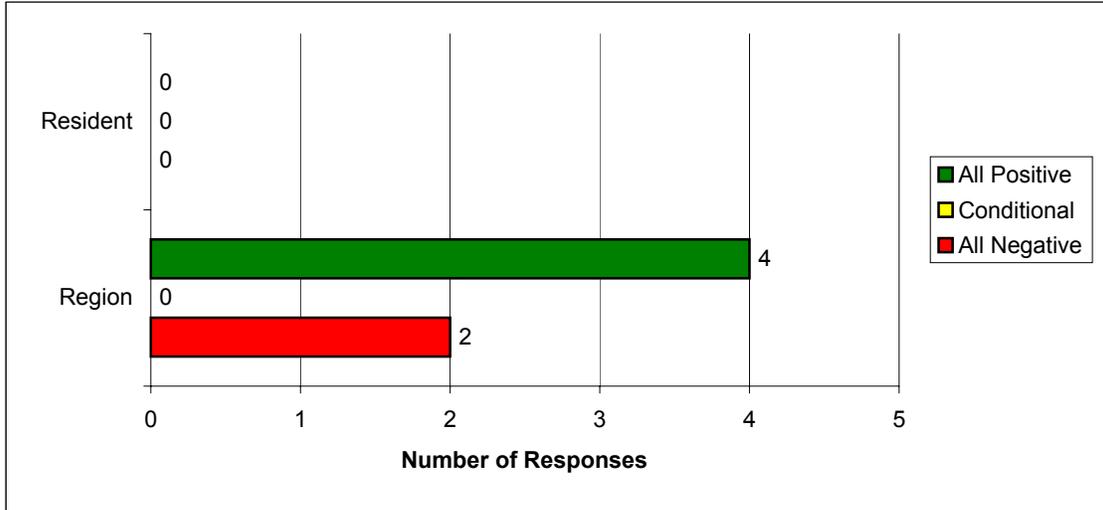
Question 22: Are there any other areas in which regional management needs to improve to help you do your job more effectively? If yes, what?

Note: In this situation, a yes answer denotes a negative response (measured in red).



REGION III INTERVIEW RESULTS

Question 23: Is the Differing Professional View/Differing Professional Opinion process working correctly? If no, why?



REGION III INTERVIEW RESULTS

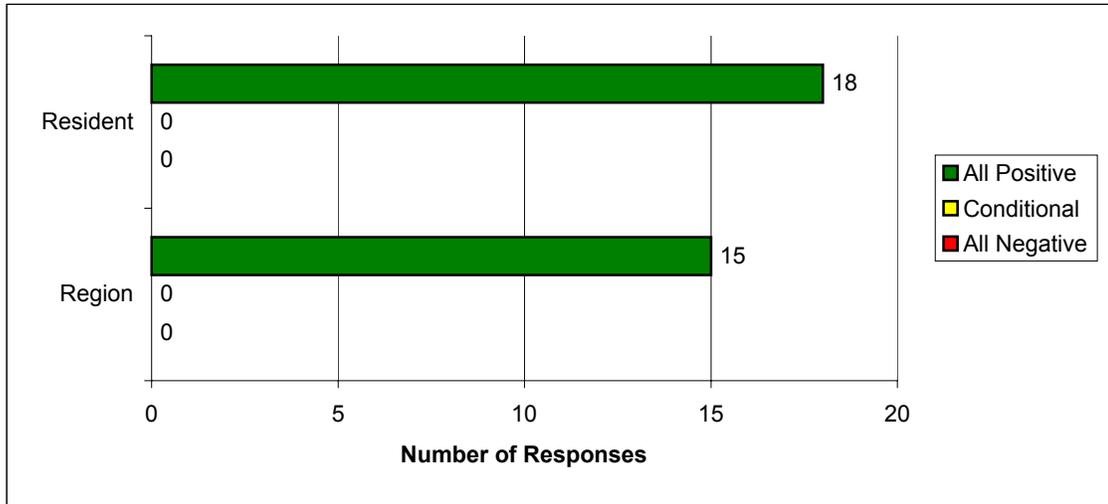
Question 24: How would you characterize your relationship with plant management? Why?

	<u>Resident</u>	<u>Region</u>
Excellent	6	7
Very Good	9	6
Good	2	2
Fair	1	0
Poor	0	0

Question 25: How would you characterize the region's relationship with plant management? Why?

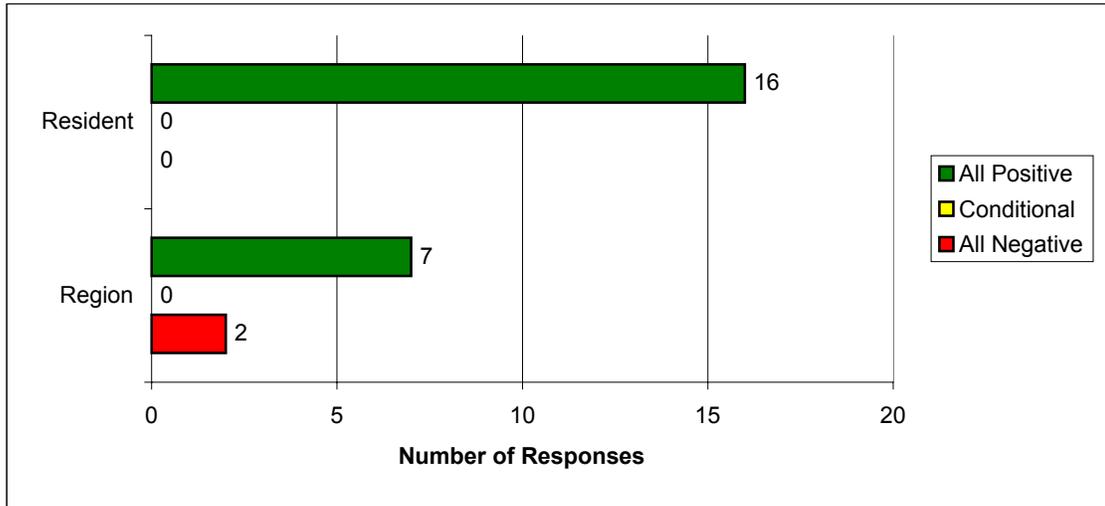
	<u>Resident</u>	<u>Region</u>
Excellent	4	6
Very Good	3	5
Good	8	3
Fair	3	1
Poor	0	0

Question 26: Is you region responsive to licensee concerns and issues? If no, why?



REGION III INTERVIEW RESULTS

Question 27: Does regional management assist you, as needed, when you cannot resolve issues with plant management? If no, why?



REGION III INTERVIEW RESULTS

Question 28: Are there other areas that management needs to provide you with more information/support in order to perform your duties? If yes, what?

Note: In this situation, a yes answer denotes a negative response (measured in red).

