

October 4, 2004

MEMORANDUM TO: Chairman Diaz

FROM: Hubert T. Bell/**RA**/  
Inspector General

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE  
MOST SERIOUS MANAGEMENT CHALLENGES  
FACING NRC (OIG-05-A-01)

**SUMMARY**

On January 24, 2000, Congress enacted the *Reports Consolidation Act of 2000* to provide financial and performance management information in a more meaningful and useful format for the Congress, the President, and the public. Included in the Act is the requirement that the Inspector General of each Federal agency summarize what he or she considers to be the most serious management and performance challenges facing the agency and assess the agency's progress in addressing those challenges. In compliance with the *Reports Consolidation Act of 2000*, I am submitting my annual assessment of the most serious management challenges confronting the United States Nuclear Regulatory Commission (NRC). Also, included in this submission is a listing of the Office of the Inspector General (OIG) audit and investigative reports issued during fiscal year 2004. These reports address the challenges identified.

Congress left the determination and threshold of what constitutes a most serious management challenge to the discretion of the Inspectors General. Consequently, I applied the following definition in preparing my statement:

Serious management challenges are mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals.

The most serious management challenges facing NRC may be, but are not necessarily, areas that are problematic for the agency. The challenges identified represent critical areas or difficult tasks that warrant high-level management

attention. This year, I identified nine management challenges that I consider to be the most serious. These challenges are essentially the same ones identified last year with a minor title change.

## **DISCUSSION**

The most serious management challenges that follow are not ranked in any order of importance.

### **CHALLENGE 1**

#### ***Protection of nuclear material used for civilian purposes.***

NRC's vision, as stated in its Strategic Plan for FY 2004-2009, is "Excellence in regulating the safe and secure use and management of radioactive materials for the public good." NRC is authorized to grant licenses for the possession and use of radioactive materials (e.g., byproduct material,<sup>1</sup> source material,<sup>2</sup> and special nuclear material<sup>3</sup>) and establish regulations to govern the possession and use of those materials. NRC's regulations require that certain materials licensees have extensive material control and accounting programs as a condition of their license and all other license applicants (including those requesting authorization to possess small quantities of special nuclear materials) must develop and implement plans that demonstrate a commitment to accurately control and account for radioactive materials.

One of NRC's and the nuclear industry's highest priorities must be ensuring adequate protection of public health and safety. Today's heightened sensitivity to the control of special nuclear materials warrants NRC's serious attention to its licensees' material control and accounting activities. The challenges currently facing NRC will be to (1) ensure that there are adequate inspections to verify licensees' commitments to their material control and accounting programs, or a reliable special nuclear materials system; and (2) establish a means to ensure the accurate accounting for radioactive materials, especially those with the greatest potential to impact public health and safety.

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1 Byproduct material – (1) Any radioactive material (except special nuclear material) yielded in or made radioactive by exposure to the radiation incident to the process of producing or utilizing special nuclear material and (2) the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content. [Source: Atomic Energy Act of 1954, Section 11 (e)]

2 Source material – Uranium or thorium or any combination thereof, in any physical or chemical form; or ores that contain by weight 0.05 percent or more of (1) uranium, (2) thorium, or (3) any combination thereof. Source material includes depleted uranium and natural uranium, but not "special nuclear material." [Source: Title 10 Code of Federal Regulations (CFR) Part 40.4]

3 Special nuclear material – Plutonium, uranium-233, uranium enriched in the isotopes uranium-233 or uranium-235, and any other material which the Commission, pursuant to the provisions of Section 51 of the Atomic Energy Act of 1954, as amended, determines to be special nuclear material, but does not include source material; or any material artificially enriched by any of the foregoing, but does not include source material. [Source: Title 10 CFR Part 74.4]

According to NRC managers, most special nuclear material at power reactors is self-protecting from a health and safety point of view. The agency believes that this self-protecting aspect (i.e., handling highly radioactive reactor spent fuel is extremely dangerous) provides reasonable assurance that the material is controlled. However, NRC's requirements for nuclear power plant safety are also based on the need to protect the public from exposure to radioactive release caused by acts of sabotage. During the past fiscal year, NRC has been directing the implementation of additional security measures including determining the appropriate level of security to protect civilian nuclear power facilities.

The Commission determined that greater efficiency and effectiveness would be achieved by consolidating certain NRC safeguards, security, and incident response functions into the Office of Nuclear Security and Incident Response (NSIR). As a result, in June 2004, the Commission transferred the Emergency Preparedness Directorate to NSIR.

Additionally, NRC continued to improve its security performance evaluation program (force-on-force evaluations) for ensuring protection of the Nation's civilian nuclear power plants. Under that program, NRC has increased the frequency of force-on-force exercises per year. In addition, each plant is required to conduct independent exercises.

### **Related Office of the Inspector General Work**

#### Audits

- ◆ Audit of NRC's Incident Response Program
- ◆ Audit of NRC's Management of Import/Export Authorizations
- ◆ Special Evaluation of the Office of Investigations' Role in Alleged Discrimination Cases
- ◆ NRC Contract for Review of Office of Investigations' Investigative Methods and Techniques
- ◆ Review of NRC's Reactor Operating Experience Task Force Report
- ◆ Audit of the Licensing Support Network

#### Investigations

- ◆ NRC's Oversight of Davis-Besse Boric Acid Leakage and Corrosion During the April 2000 Refueling Outage

## **CHALLENGE 2**

### ***Protection of information.***

As a result of increased terrorist activity worldwide, NRC reexamined its practice of releasing most documents to the public. NRC employees create and work on a significant amount of information that is sensitive and needs to be protected. This can be sensitive unclassified information or classified national security information contained in written documents and various electronic databases. Although the agency has made strides in improving the withholding of information on NRC's website, the OIG's work found that there have been other instances where information that was unclassified, but still sensitive, was made available to the public.

The Executive Director for Operations (EDO) stated that NRC recently modified guidance concerning the criteria to be applied in considering what information should be withheld from public disclosure. The standard, established by the Commission, is that any information that could be useful, or could possibly be expected to be useful, to a terrorist in a potential attack should be withheld. Because these types of decisions represent a subjective judgment, the agency plans to develop formal written guidance (with illustrative examples) on information that should be withheld from the public. In addition, the agency plans to train employees in this area.

### **Related Office of the Inspector General Work**

#### Audits

- ◆ Audit of NRC's Protection of Safeguards Information
- ◆ Audit of Federal Information Security Management Act
- ◆ Audit of the Licensing Support Network
- ◆ Review of NRC's Personnel Security Program Contractor Policies and Practices
- ◆ Review of NRC's Drug-Free Workplace Plan
- ◆ Review of NRC's Personnel Security Program

#### Investigations

- ◆ Improper Release of Official Use Only Information by NRC Contractor
- ◆ Improper Release of Predecisional/Classified Information
- ◆ Improper Release of Sensitive Information
- ◆ Improper Release of Proprietary Information By an NRR Employee
- ◆ Improper Distribution of Safeguards Information

- ◆ Adequacy of Criminal History Checks for Unescorted Site Access to Nuclear Facilities of Dominion Power

### **CHALLENGE 3**

***Development and implementation of a risk-informed and performance-based regulatory oversight approach.***

The Chairman has stated that NRC has increased its safety focus on licensing and oversight activities through application of a balanced combination of experience, deterministic models, and probabilistic analysis. This approach is known as risk-informed and performance-based regulation. However, NRC continues to face challenges in making its regulatory framework more risk-informed for nuclear power plants and nuclear material licensees.

Incorporating risk analysis into regulatory decisions improves the regulatory process by focusing both NRC and licensee attention and activities on the areas of highest risk. This may result in reducing unnecessary burden on licensees and increasing the efficiency and effectiveness of the agency's resources. NRC and its licensees have enhanced their safety focus through a concerted effort to ensure adequate protection of public health and safety through the following efforts:

- Continued to develop and implement risk-informed and performance-based practices in regulatory processes through rulemaking activities.
- Developed a plan, which is under consideration, for implementing changes in the reactor program to enhance the current environment for risk-informed regulation.
- Reviewed and revised all inspection procedures in Title 10 CFR Part 70 (which provides for increasing the use of risk information in regulating fuel cycle facilities).

### **Related Office of the Inspector General Work**

#### Audits

- ◆ Review of NRC's Reactor Operating Experience Task Force Report

#### **CHALLENGE 4**

#### ***Ability to modify regulatory processes to meet changing external demands.***

As a result of the changing regulatory and business environment, new areas of increased emphasis have been created for the NRC. These are detailed in the NRC Strategic Plan. External as well as internal demands drive the NRC towards ensuring that it is more open in its regulatory processes. This results in a constant balancing of long-term improvement efforts and shorter-term emergent issues. NRC continues to face challenges related to its ability to address workloads associated with reactor license renewals, new plant licensing, licensee requests to increase power levels, and high-level waste disposal.

##### Reactor License Renewals

NRC's license renewal program is one of the major elements of its regulatory work. NRC approval allows a plant to extend the life of a facility for an additional twenty years past its original 40-year license term. Further, there continues to be a sustained strong interest in license renewal from utilities. To regulate this activity, the NRC established the license renewal and environmental impacts program to verify information submitted in the renewal applications. NRC is dedicated to further improving the efficiency and effectiveness of the license renewal process.

##### New Plant Licensing

Although it has been many years since NRC licensed a new reactor, there has been renewed interest in plant construction in the U.S. In preparation for the possibility of new plant licensing, NRC instituted initiatives aimed at streamlining its regulatory licensing structure. NRC has a site permit process that allows licensees to seek pre-approval of sites for new reactor units. Through this process, the agency has received applications for early site permits. Also, NRC has certified reactor designs which the agency reviews and approves for general use. Licensees use of a pre-approved design streamlines and shortens the NRC review process.

##### Licensee Requests to Increase Power Levels

A licensee seeks NRC approval to operate a plant at a higher power level than the level authorized in the original license by submitting a request to increase reactor power output. As of March 2004, the NRC approved over 100 power uprate increases. Over the next five years, licensees anticipate requesting additional power uprates. The agency continues to explore more efficient ways to complete these reviews.

## High-Level Waste Disposal

According to the Nuclear Waste Policy Act, the Department of Energy (DOE) has the responsibility to locate, design, build, and operate a repository for high-level nuclear waste, while NRC has the responsibility to license and regulate this facility. Over the past several years, NRC has been preparing its license application review plan. In December 2004, DOE is scheduled to tender a license application for the construction of a permanent repository for high-level nuclear waste at Yucca Mountain in Nevada. NRC anticipates that the administrative proceeding to assess the repository will be an enormous undertaking because a multitude of issues will need review in a Congressionally mandated 3 to 4 year time frame. One significant challenge for NRC is ensuring that all parties to the licensing process and key decision makers have timely access to filings and exhibits involved with the licensing process.

During FY 2004, two events occurred which could significantly impact the DOE schedule for tendering its license application and the NRC's ability to meet its Congressional mandate. One event was the ruling by a Federal court that the Environmental Protection Agency's (EPA) radiation standard relating to the proposed Yucca Mountain repository was not consistent with the recommendation of the National Academy of Sciences, as mandated by Congress. As a result, EPA is planning to revise its radiation standard to meet this mandate. Any change to the EPA rule will require NRC to revise its regulations in this area, as Congress also mandated that NRC must incorporate the EPA radiation standard into its regulations. The other event was a ruling by an NRC Atomic Safety Licensing Board that DOE improperly certified that it had met its regulatory obligation to make all of its documentary material related to Yucca Mountain electronically available via the NRC's licensing support network, as required by regulation. This is a significant determination, as it is DOE's certification that starts a six-month clock for when DOE's Yucca Mountain license application can be docketed. Moreover, Congressional actions regarding the NRC's budget request for FY 2005 are not yet finalized and may not be completed until well into the fiscal year.

Given these recent events, Challenge 4, the ability to modify regulatory processes to meet changing external demands, will be prominent for NRC in FY 2005 as it relates to NRC's high-level waste program.

## **Related Office of the Inspector General Work**

### Audits

- ◆ Audit of NRC's Incident Response Program
- ◆ Audit of the Licensing Support Network

**CHALLENGE 5**  
***Implementation of information resources.***

For this submission, the title of challenge 5 was changed from “Acquisition and implementation of information resources” as identified in November 2003 to “Implementation of information resources” to emphasize the importance of the implementation process. Acquisition is included in challenge 6 with a new designation - procurement.

Federal agencies’ acquisition and implementation of information resources are crucial to (1) support critical mission-related operations and (2) provide more effective and cost-efficient Government services to the public. The necessary link of information technology to NRC’s mission performance makes it important to have decision-making processes which ensure that funds are invested and managed to achieve high value outcomes at acceptable costs. NRC relies on a wide variety of information systems to help it fulfill its responsibilities and support its business flow. NRC, like other Federal agencies, continues to work towards obtaining a good return on these investments. In recent years, NRC has created large databases of publicly available information, including the Agencywide Documents Access and Management System (ADAMS), the Licensing Support Network, and the NRC Web site.

The following sections highlight NRC’s efforts to strengthen and support the agency’s business needs using information technology strategies.

Agency E-Mail

To reduce the number of agency e-mails sent to employees on a daily basis, NRC initiated a consolidated approach to providing general network announcements to employees. Under this new approach, NRC incorporates all non-priority network announcements into one e-mail message sent to employees daily. This differs from the prior approach, where such messages were sent singly to employees at various times throughout the day. When appropriate, priority messages are still sent individually to NRC staff.

In another effort to reduce the volume of e-mail sent to employees, the agency installed a spam e-mail blocker to prevent employees from receiving unsolicited junk e-mail – generally e-mail advertising for some product sent wide-scale to a mailing list or newsgroup. Spam is a problem because it clogs the Internet and NRC’s Local Area Network. NRC receives 33,000 incoming e-mails per day, and approximately 12 million e-mails annually. About 8 percent of these messages are now blocked because they are spam. NRC staff update the agency’s list of spam sources on a daily basis in order to improve its ability to filter spam messages.

### High-Level Waste Meta System

NRC is developing the High-Level Waste Meta System to support the agency's review and hearings pertaining to the Department of Energy's anticipated application to build a high-level waste repository at Yucca Mountain in Nevada. The Meta System is the collection of interdependent software applications, procedures, and supporting technology needed to accomplish NRC's business objectives associated with the licensing process. For example, the system will interface with ADAMS and the Licensing Support Network and will include an Electronic Information Exchange component to allow parties to submit, service, and access documents. It will also include the Electronic Hearing Docket, which will serve as the agency's official docket; the Digital Data Management System, which will submit exhibits and hearing transcripts to support hearing functions; and NRC's High-Level Waste Collection of records relevant to discovery.

System development is expected to cost between \$9 million and \$10 million and staff anticipate that much of the system will be functional by April 2005. The challenge for NRC will be to ensure that this important project stays on track in order to effectively support the upcoming license application review process.

### System Development Life Cycle Management Methodology

NRC plans to finalize and issue a Management Directive and Handbook on the "System Development Life Cycle Management Methodology (SDLCMM)" so that the approach can successfully be applied to the development of planned systems. The SDLCMM is a process for management, oversight, reporting, and documentation of information technology (IT) investments throughout their entire life cycle and reflects NRC's process and method for complying with legislative requirements pertaining to IT investments. NRC has been working to finalize the document. By issuing the final document, NRC will ensure that agency staff have easy access to current agency IT system requirements. It is also anticipated that the final version will reduce the burden placed on NRC offices by the methodology requirements.

## **Related Office of the Inspector General Work**

### Audits

- ◆ Audit of the Licensing Support Network

### Investigations

- ◆ Sale of Counterfeit Software to NRC by a GSA Supplier
- ◆ Determine Location of Missing NRC Computer Equipment
- ◆ Improper Use of NRC Information Technology by Region IV
- ◆ Inappropriate Software Installed on NRC Computers

## **CHALLENGE 6**

### ***Administration of all aspects of financial management.***

Sound financial management includes effective accounting/budgeting and procurement operations. A brief discussion of these areas follows.

#### Accounting/Budgeting

NRC must be a prudent steward of its fiscal resources through sound financial management. Sound financial management includes the production of timely, useful, and reliable information to support agency management; an effective cost accounting system; effective systems for computing and billing fees; well-developed strategic planning; and an integrated method for planning, budgeting, and assessing performance to enable NRC to align programs with outcomes.

FY 2003 was the tenth consecutive year for which NRC received an unqualified audit opinion on its financial statements. Late in FY 2003, NRC implemented corrective actions in the area of managerial cost accounting that resulted in the reclassification of this matter from a material weakness and Federal Financial Management Improvement Act substantial noncompliance to a reportable condition.

A November 15th accelerated due date for the agency's Performance and Accountability Report heightens the importance of an effective control environment<sup>4</sup> and communications infrastructure within the Office of the Chief Financial Officer (OCFO). Since the annual financial statement audit report is a key component of the Performance and Accountability Report, significant matters that impact the financial statements must be promptly communicated to OCFO top management and to the OIG to ensure that the financial statements are fairly presented and that the associated audit reports are based on sound data and reliable representations. Therefore, this challenge includes OCFO's continuing need for effective internal controls, a heightened awareness of a sound control environment, and continuous improvements to timely and accurate communications.

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<sup>4</sup> United States General Accounting Office, *Standards for Internal Control in the Federal Government*, November 1999, defines control environment as follows:

*Management and employees should establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.*

## Procurement

NRC's procurement of goods and services must be made in accordance with Federal regulations and with an aim to achieve the best value for the agency's dollars in a timely manner. During FY 2004, NRC made needed improvements to its acquisition workforce training program for project managers. Without effective management controls, the procurement process is susceptible to fraud, waste, and abuse.

## Related Office of the Inspector General Work

### Audits

- ◆ Audit of NRC's Fiscal Year 2003 Financial Statements
- ◆ Review of NRC's Implementation of the Federal Managers' Financial Integrity Act for Fiscal Year 2003
- ◆ Report on the Application of Agreed-Upon Procedures with Respect to Intragovernmental Activity and Balances as of September 30, 2003
- ◆ Report on Applying Agreed-Upon Procedures with Respect to Federal Agencies' Centralized Trial-Balance System Data as of September 30, 2003, and for the Year Then Ended
- ◆ Report on the Application of Agreed-Upon Procedures for U.S. Office of Personnel Management
- ◆ NRC Contract for Review of Office of Investigations' Investigative Methods and Techniques
- ◆ Review of NRC's Administration of Selected Contracts and Acquisition Workforce Training
- ◆ Audit of NRC's Management of Import/Export Authorizations
- ◆ NRC's Transition to the Department of Interior as Payroll Services Provider

### **CHALLENGE 7**

***Communication with external stakeholders throughout NRC regulatory activities.***

Management should ensure that there are adequate ways of communicating with and obtaining information from external stakeholders that may have a significant impact on the agency achieving its goals. The NRC believes that nuclear regulation is the public's business and, therefore, it should be transacted in an open and candid manner in order to maintain the public's confidence. NRC has established a strategic goal that ensures openness that expressly recognizes that the public must be informed about, and have a reasonable opportunity to participate in, the regulatory processes. The agency needs to provide a diverse

group of external stakeholders (e.g., the Congress, general public, other Federal agencies, various industry and citizen groups) clear, accurate, and timely information about, and a meaningful role in, NRC's regulatory activities. This remains a challenging task.

To provide integrated leadership and direction for external communications, the Chairman established the position of Director of Communications, which reports directly to his office. As a result, during FY 2004, a new Director of Communications and three technical communication assistants were hired.

In January 2004, NRC issued guidelines for effectively communicating risk-related information to external stakeholders. The document provides guidance for agency management and staff concerning NRC-specific communication topics and situations that deal with risk to ensure the agency's openness with the public.

In June 2004, the Commission approved a proposal to conduct a limited telephone survey of targeted stakeholders as a tool to measure results in achieving NRC's strategic goal of ensuring openness. The survey will ascertain stakeholder views concerning the quality of NRC's openness in the following areas: (1) credibility as a regulator, (2) effectiveness in clearly communicating factual information, and (3) responsiveness to stakeholders' concerns.

NRC maintains a public website to encourage communication with stakeholders. The site provides a variety of links to pertinent documents, updates on activities, and information on opportunities for stakeholder input. In addition, NRC is working on an Emergency Planning website, currently in the draft stage, which should be unveiled within the next couple of months.

### **Related Office of the Inspector General Work**

#### Audits

- ◆ Audit of NRC's Incident Response Program

#### Investigations

- ◆ Concerns Regarding Inadequate NRC Oversight of Steam Generator Inspections at Seabrook Nuclear Power Plant
- ◆ Improper Actions by an NRR Manager Towards NRC Licensees
- ◆ NRC Improperly Conducting Closed Meetings with DOE re: Yucca Mountain
- ◆ Accuracy of Information Provided by NRC Managers to Commission
- ◆ Improper Distribution of Safeguards Information
- ◆ Improper Release of Official Use Only Information by NRC Contractor

**CHALLENGE 8**

***Intra-agency communication (up, down, and across organizational lines).***

Effective communications should occur with information flowing up, down, and across the organization. Information should be communicated to management and others within the organization who need it and in a form, and within a time frame, that enables them to carry out their responsibilities.

NRC has instituted various actions to improve its internal communications over the past year. The new Director of Communications and the technical communications assistants will be working to improve this area. The agency continues to produce electronic "EDO Updates." These represent timely and succinct communications between the EDO and the entire staff. NRC also recently redesigned its internal Web site to address different types of employee concerns. The new Web page directs employees to resources that are available to discuss a variety of issues. Moreover, NRC continues to hold "All Employees" meetings as a mechanism for direct two-way communication between the Commission and agency staff. NRC's recently issued Strategic Plan stresses the importance of the role of internal communications in achieving the agency's mission and goals.

The NRC established a Communications Council that will plan, coordinate, and implement the agency's internal communication strategies and share best practices across the agency.

**Related Office of the Inspector General Work**

Audits

- ◆ Review of NRC's Reactor Operating Experience Task Force Report
- ◆ Audit of NRC's Protection of Safeguards Information
- ◆ Controls to Prevent Unauthorized Entry into the NRC Parking Garage

Investigations

- ◆ NRC's Oversight of Davis-Besse Boric Acid Leakage and Corrosion During the April 2000 Refueling Outage
- ◆ Accuracy of Information Provided by NRC Managers to Commission

## **CHALLENGE 9**

### ***Managing human capital.***

NRC's workforce must possess detailed knowledge and specialized technical skills to fulfill its public health and safety mission. To maintain this expertise, NRC will need to build its human capital in the technical, financial, and administrative areas. NRC has identified the management of human capital as a major challenge in its new Strategic Plan. The challenges that NRC faces include loss of institutional knowledge and critical skills, an aging workforce, and a shrinking labor pool. Thirty percent of the Federal workforce will be eligible to retire in 5 years and an additional 20 percent could seek early retirement. This does not necessarily mean that 50 percent of Government employees will actually retire in the short-term, but it does emphasize how important it is for NRC to plan for its future workforce.

For these reasons, NRC periodically assesses its human capital situation looking for ways to make improvements to support the achievement of its mission and goals. This includes, but is not limited to, the following significant initiatives to offset the potential loss of human capital.

- Use of creative recruitment, development, and retention strategies to maintain a high quality, diverse workforce with the skills needed to achieve NRC's mission.
- Use of formal development programs to maintain and develop future leaders.
- Maintenance of an effective program of training, development, and knowledge transfer to ensure that NRC acquires and maintains the appropriate knowledge, skills, and abilities to achieve its mission and goals.
- Maintenance of a healthy, safe, secure, and accessible physical work environment.

With these and other ongoing efforts, NRC believes that it will successfully target its critical skill needs and hire, develop, motivate, and retain employees with the skills needed to support the agency's Strategic Plan.

### **Related Office of the Inspector General Work**

#### Audits

- ◆ NRC's Implementation of Regulations Concerning Nondiscrimination Based on Handicap

- ◆ Review of NRC's Administration of Selected Contracts and Acquisition Workforce Training
- ◆ Review of NRC's Personnel Security Program

## **CONCLUSION**

One of the OIG's strategic goals is to improve the economy, efficiency, and effectiveness of NRC corporate management. The Inspector General's identification of the most serious management challenges facing the agency and the OIG's commitment to ensuring the integrity of NRC programs and operations help achieve this goal. Further, as evidenced by this review, the agency continues to take steps to address the management challenges.

Although the nine challenges identified in this report are distinct, they are also interdependent. NRC continues to address these challenges through planning and in day-to-day operations. The following chart illustrates the linkage between the nine challenges in this report and the NRC Strategic Plan. Addressing these management challenges clearly enhances NRC's ability to successfully meet its public health and safety mission and vision.

cc: Commissioner McGaffigan  
Commissioner Merrifield  
Luis Reyes, EDO  
William Dean, OEDO

**Linkage Between OIG's List of Management Challenges  
And NRC's Strategic Plan for Fiscal Years 2004-2009**

<b>IG's List of Management Challenges for NRC (FY 2004)</b>	<b>NRC Strategic Plan References</b>
<b>Challenge 1</b> Protection of nuclear material used for civilian purposes.	Strategic Goals I and II
<b>Challenge 2</b> Protection of information.	Strategic Goals II and III
<b>Challenge 3</b> Development and implementation of a risk-informed and performance-based regulatory oversight approach.	Strategic Goals I, II, and IV
<b>Challenge 4</b> Ability to modify regulatory processes to meet changing external demands.	Strategic Goal IV and Appendix A
<b>Challenge 5</b> Implementation of information resources.	Strategic Goals II, IV, and V.D
<b>Challenge 6</b> Administration of all aspects of financial management.	Strategic Goals V.A and V.C
<b>Challenge 7</b> Communication with external stakeholders throughout NRC regulatory activities.	Strategic Goals III and V.D
<b>Challenge 8</b> Intra-agency communication (up, down, and across organizational lines).	Strategic Goals V.A and V.F
<b>Challenge 9</b> Managing human capital.	Strategic Goal V.A

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