



# ***Office of the Inspector General***

*U. S. Nuclear Regulatory Commission*

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***Annual Plan***

*Fiscal Year 2005*

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***U.S. Nuclear Regulatory Commission***

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## FOREWORD

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I am pleased to present the Office of the Inspector General's (OIG) fiscal year (FY) 2005 Annual Plan. The Annual Plan provides the audit and investigative strategies and associated summaries of the specific work planned for the coming year.

The U.S. Nuclear Regulatory Commission's (NRC) mission is to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment from potential hazards involved in the civilian use of nuclear materials. This Annual Plan is the OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2005.

The OIG is committed to ensuring the integrity of NRC programs and operations. Developing an effective planning strategy is a critical aspect of accomplishing this commitment. Such planning ensures that audit and investigative resources are used efficiently.

To that end, OIG revised its Strategic Plan for FYs 2003 – 2008. That plan is based, in part, on an assessment of the strategic challenges facing the NRC. The product of that effort identified the priorities of the OIG and set out a shared set of expectations regarding the goals we expect to achieve and the strategies that we will employ to do so over that time frame. The Strategic Plan is the foundation on which our Annual Plan is based. In addition, we obtained input from several sources, including the Commission, Congress, the nuclear industry, and NRC senior managers.

We have programmed all our available resources to address the matters identified in this plan. This approach maximizes use of our resources. This plan is modified throughout the year as circumstances, priorities, and/or resource availability dictate.

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

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## MISSION AND AUTHORITY

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

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 itself, the President, and the public. The Act requires each IG to summarize what the IG considers to be the most serious management and performance challenges facing his/her agency and to assess the agency's progress in addressing those challenges.

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. In the latest annual assessment (November 2003), the IG identified the following as the most serious management challenges facing NRC:<sup>1</sup>

1. Protection of nuclear material used for civilian purposes.
2. Protection of information.
3. Development and implementation of a risk-informed and performance-based regulatory oversight approach.
4. Ability to modify regulatory processes to meet changing external demands.
5. Acquisition and implementation of information resources.
6. Administration of all aspects of financial management.

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<sup>1</sup>The challenges are not ranked in any order of importance.

7. Communication with external stakeholders throughout NRC regulatory activities.
8. Intra-agency communication (up, down, and across organizational lines).
9. Managing human capital.

OIG monitors agency performance on these management challenges and periodically revises its assessment of them, as needed.

## **AUDIT AND INVESTIGATION UNIVERSE**

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The NRC budget request for FY 2005 is \$670.3 million with a staffing level of 3,109 personnel. The agency's mission is to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment from potential hazards involved in the civilian use of nuclear materials. The agency also has a role in combating the proliferation of nuclear materials worldwide.

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

The agency carries out its mission through various licensing, inspection, research, and enforcement programs. Currently, NRC responsibilities include regulating 104 commercial nuclear power reactors that are licensed to operate in 31 states; 36 research and test reactors licensed to operate in 23 states; 7 major fuel fabrication and production facilities; 2 gaseous diffusion uranium enrichment facilities; and approximately 4,800 licenses issued for medical, academic, and industrial uses of nuclear material. The agency is also overseeing the decommissioning of 16 commercial nuclear power plants. The audit and investigation oversight responsibilities are therefore derived from the agency's wide array of programs, functions, and support activities established to implement NRC's mission.

## **PLANNING STRATEGY**

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The 2005 Annual Plan is linked with OIG's Strategic Plan for fiscal years 2003 - 2008. The Strategic Plan identifies the major challenges and risk areas facing the NRC so that OIG resources may be directed in these areas in an optimum fashion.

The Strategic Plan recognizes the mission and functional areas of the agency and the major challenges the agency faces in successfully implementing its regulatory program. The plan presents strategies for reviewing and evaluating NRC programs under the strategic goals that OIG established. The OIG strategic goals are to (1) *Advance NRC's efforts to enhance safety and protect the environment*, (2) *Enhance NRC's efforts to increase security in response to the current threat environment*, and (3) *Improve the economy, efficiency, and effectiveness of NRC corporate management*. To ensure that each review and evaluation carried out by OIG aligns with the strategic plan, program areas selected for review and evaluation will be cross-walked from the Annual Plan to the Strategic Plan.

## **AUDIT STRATEGY**

Effective audit planning requires current knowledge about the agency's mission and the programs and activities used to carry out that mission. Accordingly, OIG continually monitors specific issue areas to strengthen our internal coordination and overall planning process. Under our Issue Area Monitor (IAM) program, staff designated as IAMs are assigned responsibility for keeping abreast of major agency programs and activities. The broad IAM areas address nuclear reactors, nuclear materials, nuclear waste, international programs, security, information management, and financial management and administrative programs. Appendix E contains a listing of our IAMs and issue areas for which they are responsible.

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

## **INVESTIGATION STRATEGY**

OIG investigative strategies and initiatives add value to agency programs and operations by identifying and investigating allegations of fraud, waste and abuse leading to criminal, civil, and administrative penalties and recoveries. By focusing on results, OIG has designed specific performance targets with an eye on effectiveness. Because the NRC's mission is to protect the health and safety of the public, the main investigative concentration involves alleged NRC misconduct or inappropriate actions that could adversely impact on health and safety-related matters. These investigations typically include allegations of:

- ◆ Misconduct by high-ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact the public health and safety.
- ◆ Failure by NRC management to ensure that health and safety matters are appropriately addressed.
- ◆ Failures by the NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.
- ◆ Conflicts of interest by NRC employees with NRC contractors and licensees.

The OIG will also implement initiatives designed to monitor specific high-risk areas within the corporate management strategic goal that are most vulnerable to fraud, waste and abuse. A primary focus will be on the possibility of electronic-related fraud in the business environment. The OIG is committed to improving the security of this constantly changing electronic business environment by investigating unauthorized intrusions and computer-related fraud, and by conducting computer forensic examinations. Other proactive initiatives will focus on determining if instances of procurement fraud, theft of property, Government credit card abuse and fraud in the Federal Employees Compensation Act program are evident.

As part of this proactive initiative, the OIG will be meeting with its stakeholders to make them aware of our expertise and willingness to work with them in these areas. This style of approach provides a meaningful, systematic means to remove barriers, identify any vulnerability and provide an opportunity to inform and improve the performance of the agency, if warranted.

With respect to the strategic goals of safety and security, OIG routinely interacts with public interest groups, individual citizens, industry workers, and NRC staff to identify possible lapses in NRC regulatory oversight that could impact public health and safety. OIG also conducts proactive initiatives and reviews into areas



of current or future regulatory safety or security interest to identify emerging issues or to address ongoing concerns regarding the quality of NRC's regulatory oversight. Finally, OIG conducts event and special inquiries into specific events that indicate an apparent shortcoming in NRC's regulatory oversight of the nuclear industry's safety and security programs to determine the appropriateness of the staff's actions to protect public health and safety.

Appendix D provides investigation objectives and initiatives for FY 2005. Specific investigations are not included in the plan because investigations are primarily responsive to reported violations of law and misconduct by NRC employees and contractors, as well as allegations of irregularities or abuse in NRC programs and operations.

## PERFORMANCE GOALS

For FY 2005, we will continue to use a number of key performance indicators and targets for gauging the relevancy and impact of our audit and investigative work. These are:

<i>Measure</i>	<i>Goal 1 Safety</i>		<i>Goal 2 Security</i>		<i>Goal 3 Corporate Management</i>	
	<i>*Baseline 2004</i>	<i>Target 2005</i>	<i>*Baseline 2004</i>	<i>Target 2005</i>	<i>*Baseline 2004</i>	<i>Target 2005</i>
1. Percent of OIG products/activities <sup>2</sup> undertaken to identify critical risk areas or management challenges relating to the improvement of NRC-s safety, security, and/or corporate management programs.		80%		85%		65%
2. Percent of OIG products/activities that have a high impact <sup>3</sup> on improving NRC-s safety, security and/or corporate management programs.		70%		70%		70%
3. Number of audit recommendations agreed to by agency.		90%		90%		90%
4. Final agency action within 1 year on audit recommendations		65%		65%		65%
5. Agency action in response to investigative reports		90%		90%		90%
6. Acceptance by NRC-s Office of General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.						70%

2 OIG products are issued OIG reports – by the audit unit, an audit report or special evaluation; by the investigative unit, a report of investigation, an event inquiry, or a special inquiry. Activities are OIG hotline activities or proactive investigative projects.

3 High impact is the effect of an issued report or activity undertaken that results in: a) confirming risk areas or management challenges that caused the agency to take corrective action; b) identifying real dollar savings or opportunities for reduced regulatory burden; c) identifying significant wrongdoing by individuals that results in criminal or administrative action; d) clearing an individual wrongly accused; e) identifying regulatory actions or oversight that may have contributed to the occurrence of a specific event or incidence or resulted in a potential adverse impact on public health and safety.

**\*The OIG Performance Report with actual statistics for the 2004 baseline year will be submitted to Congress in November.**

## **OPERATIONAL PROCESSES**

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

### **AUDITS**

OIG's audit process comprises the steps taken to conduct audits and involves specific actions, ranging from annual audit planning to performing audit follow up. The underlying goal of the audit process is to maintain an open channel of communication between the auditors and NRC officials to ensure that audit findings are accurate and fairly presented in the audit report.

The OIG performs the following types of audits:

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

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

**Contracts** – Based on a Memorandum of Understanding between the OIG and NRC's Division of Contracts, Office of Administration, OIG provides oversight of work performed by the Defense Contract Audit Agency (DCAA) or outside independent public audit firms that perform contract audits. Pre-award audits of contract proposals in excess of \$550,000 are a priority for the agency. At this time, OIG estimates that five pre-award audits will be needed in FY 2005. Post award audits are divided into two categories: incurred cost audits of active contracts and closeout audits of completed contracts. For incurred cost audits, contracts over \$10 million will be audited at least every 3 years, contracts over \$5 million but under \$10 million will be audited at least once during the life of the contract, and contracts under \$5 million will be periodically selected on a judgmental basis. For FY 2005, OIG plans to select 10 active contracts for audit. For FY 2005, OIG plans to have DCAA perform some contract audits, with others performed by outside, independent audit firms.

The key elements in the audit process are as follows:

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

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

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

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

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

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

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

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

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

appendix to the report. Some audits are sensitive and/or classified. In these cases, final audit reports are not made available to the public.

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

**Impasse Resolution** – When the response by the action office to a recommendation is unsatisfactory, the OIG may determine that intervention at a higher level is required. The Executive Director for Operations is NRC's audit follow-up official, but issues can be taken to the Chairman for resolution, if warranted.

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

## **INVESTIGATIONS**

OIG's investigative process normally begins with the receipt of an allegation of fraud or mismanagement. Because a decision to initiate an investigation must be made within a few days of each referral, OIG does not schedule specific investigations in its plan.

Investigations are opened in accordance with OIG priorities as set forth in our Strategic Plan and in consideration of prosecutorial guidelines that may be established by the local U.S. Attorneys for the Department of Justice (DOJ). OIG investigations are governed by the President's Council on Integrity and Efficiency Quality Standards for Investigations, the OIG Special Agent Handbook, and various guidance provided on a periodic basis by the DOJ.

Only four individuals in the OIG can authorize the opening of a case: the IG, the Deputy IG, the Assistant IG for Investigations, and the Senior Level Assistant for Investigative Operations. Every allegation received by OIG is given a unique identification number and entered into a database. Some

allegations result in investigations, while others are retained as the basis for audits, referred to NRC management, or, if appropriate, referred to another law enforcement agency.

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

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

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

As a complement to the investigation function, OIG also conducts a limited number of event inquiries and special inquiries. Event inquiry reports document OIG's examination of events or agency regulatory actions to determine if staff actions may have contributed to the occurrence of an event. Special inquiry reports document those instances where an investigation identifies inadequacies in NRC regulatory oversight that may have resulted in a potential adverse impact on public health and safety.

## **HOTLINE**

The OIG Hotline Program provides NRC employees, licensee employees, contract employees, and the public with a confidential means of reporting to the OIG instances of fraud, waste, and abuse relating to NRC programs and operations. The toll free number (1-800-233-3497 or TDD 1-800-270-2787) provides easy access for individuals to report any instance of fraud, waste, or abuse to well-trained Hotline Operators in the OIG. Trained staff is available to answer calls Monday through Friday between 9 a.m. and 4 p.m. (eastern standard time). At other times, callers may leave a message. There is no caller identification feature associated with the Hotline.

Individuals may also provide information via the Internet or by mail. To report fraud, waste and abuse on-line, click on "OIG Hotline" found on OIG's web page ([www.nrc.gov/insp-gen.html](http://www.nrc.gov/insp-gen.html)). To provide information by mail, send all correspondence to the following address:

U.S. Nuclear Regulatory Commission  
Office of the Inspector General  
Hotline Program  
Mail Stop T-5 D28  
11545 Rockville Pike  
Rockville, MD 20852-2738

## **DISTRIBUTION OF OIG RESOURCES**

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For FY 2005, the OIG requested an appropriation of \$7.5 million and a total authorized 47 full-time equivalent (FTE) staff. This request includes funding for the audit and investigation functions.

**NUCLEAR SAFETY AUDITS  
PLANNED FOR FY 2005**



## **Audit of the High-Level Waste Program**

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### **DESCRIPTION AND JUSTIFICATION:**

Under the Nuclear Waste Policy Act of 1982, the Nuclear Waste Policy Amendments Act of 1987, and the Energy Policy Act of 1992, NRC is responsible for the licensing of a high-level waste storage and disposal facility, which the Department of Energy (DOE) will construct, operate, and permanently close. Under current legislation, DOE studied the Yucca Mountain site in Nevada and determined it to be suitable as a repository site. DOE is expected to submit a license application for the Yucca Mountain site to NRC in December 2004.

The Office of Nuclear Material Safety and Safeguards (NMSS) manages the agency's high-level waste (HLW) program and receives support from the Office of Nuclear Regulatory Research. NRC established the Advisory Committee on Nuclear Waste to report to and advise NRC on nuclear waste management. Additionally, NRC established the Center for Nuclear Waste Regulatory Analyses, a Federally Funded Research and Development Center, to provide technical assistance and conduct research for the HLW program.

### **OBJECTIVE:**

This audit will determine the status of NRC's HLW program in relation to DOE's projected date for submitting a license application to the agency for initiating construction of the HLW repository at Yucca Mountain. In particular, OIG will evaluate whether NRC is sufficiently positioned to evaluate the license application in order to meet its statutory mandate of licensing the repository within 3 to 4 years of receiving DOE's license application.

### **SCHEDULE:**

Initiated in the 3<sup>rd</sup> quarter of FY 2004; scheduled to be completed in the 1<sup>st</sup> quarter of FY 2005.

### **STRATEGIC GOAL 1:**

Advance NRC's efforts to enhance safety and protect the environment.

**Strategy 1-3:** Identify risk areas associated with the prospective licensing of the high-level waste repository and make recommendations, as warranted, for addressing them.

## **Audit of the Generic Communications Program**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC's primary means of communicating concerns or issues to licensees is through generic communications. These communications allow NRC to communicate and share industry experiences with applicable groups of licensees and other interested stakeholders. The information is relayed in writing to licensees in the form of Generic Letters, NRC Bulletins, Information Notices, and other documents. Some generic communications are intended solely to transmit information, while others impose mandatory requirements or action on the licensees and require a response.

### **OBJECTIVE:**

The objective of this audit is to assess the effectiveness of the agency's follow-through on generic communications it issues requiring long- and short-term action on the part of licensees.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2004; scheduled to be completed in the 2<sup>nd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 1:**

Advance NRC's efforts to enhance safety and protect the environment.

- Strategy 1-1:** Identify risk areas associated with NRC efforts to implement the Reactor Oversight Program and make recommendations, as warranted, for addressing them.
- Strategy 1-2:** Identify risk areas facing the materials program and make recommendations, as warranted, for addressing them.

## **Audit of NRC's Regulation of Nuclear Fuel Cycle Facilities**

### **DESCRIPTION AND JUSTIFICATION:**

NRC licenses, certifies, and inspects commercial facilities that convert uranium ore into fuel used in nuclear power plants. These facilities include gaseous diffusion plants, highly enriched uranium fuel fabrication facilities, low enriched uranium fuel fabrication facilities, and one uranium hexafluoride production facility. Each facility possesses large quantities of materials that could pose a significant threat to the public and the environment. In September 1999, an apparent criticality accident occurred at a fuel conversion plant in Tokaimura, Japan, exposing workers at the plant and members of the public to radiation. Families in the surrounding area were evacuated while others were advised to take shelter. In December 2003, there was an accidental release of uranium hexafluoride gas at a U.S. plant. The incident caused four people to be hospitalized.

The agency's regulation of nuclear fuel cycle facilities seeks to ensure that licensees adequately protect public health and safety, worker safety, the environment and promote the common defense and security when source or special nuclear material is used during the nuclear fuel production cycle.

OIG has not previously evaluated this program, which has been undergoing change in recent years to make it more risk-informed and performance-based. (OIG is including fuel cycle facilities in its ongoing audit of NRC's incident response program.)

### **OBJECTIVE:**

The objective of this audit is to determine whether NRC's regulation of nuclear fuel cycle facilities is effective and efficient.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2005

### **STRATEGIC GOAL 1:**

Advance NRC's efforts to enhance safety and protect the environment.

**Strategy 1-2:** Identify risk areas facing the materials program and make recommendations, as warranted, for addressing them.

## **Audit of the Low-Level Waste Program**

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### **DESCRIPTION AND JUSTIFICATION:**

Low-level waste disposal occurs at commercially operated low-level waste disposal facilities that must be licensed by either NRC or Agreement States. Agreement States' regulations must be compatible with NRC's regulations.

Low-level waste includes items that have become contaminated with radioactive material or have become radioactive through exposure to neutron radiation. This waste typically consists of items such as contaminated clothing, reactor water treatment residues, equipment and tools, injection needles, syringes, and laboratory animal carcasses and tissues. Low-level waste is typically stored on-site by licensees – either until it has decayed away and can be disposed of as ordinary trash, or until amounts are large enough for shipment to a low-level waste disposal site in containers approved by the Department of Transportation.

The Low-level Radioactive Waste Policy Amendments Act of 1985 gave the states responsibility for the disposal of their low-level radioactive waste. The Act encouraged the states to enter into compacts that would allow them to dispose of waste at a common disposal facility. Most states have entered into compacts; however, no new disposal facilities have been built since the Act was passed.

The three operating low level radioactive waste disposal sites in the U.S. are regulated by Agreement States (Utah, South Carolina, and Washington). Each Agreement State has an oversight program that consists of periodic inspections of the facilities.

### **OBJECTIVE:**

The objective of this audit is to assess the effectiveness of NRC's oversight of low-level waste disposal and the Agreement States role in that process.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2005.

### **STRATEGIC GOAL 1 :**

Advance NRC's efforts to enhance safety and protect the environment.

**Strategy 1-2:** Identify risk areas facing the materials program and make recommendations, as warranted, for addressing them.

## **Audit of the Performance Indicator Program**

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### **DESCRIPTION AND JUSTIFICATION:**

Nuclear plant performance is measured by a combination of the NRC inspection program and by objective performance indicators. NRC's Reactor Oversight Program (ROP), implemented in April 2000, combined the Reactor Inspection and Performance Assessment programs. The ROP is designed to ensure that agency licensees identify and resolve safety issues before the safety of plant operations is affected through use of baseline inspections, a revised reactor assessment process, and licensees' performance indicator (PI) data. The ROP focuses on seven cornerstones that support the safety of plant operations. Performance indicators use objective data to monitor performance within each of the seven cornerstones.

Each PI is measured against established thresholds, which are related to their effect on safety. Licensees generate the PI data and submit the information to NRC on a quarterly basis. NRC staff review and evaluate the PI data and integrate the results with inspection findings in order to assess licensee performance.

In 2002 and 2004, OIG reported on the Significance Determination Process and the Baseline Inspection Program, two important elements of the ROP. Because the ROP is a mission-critical NRC program, all elements of the program must be effective and efficient in order for NRC to meet its goals. Unlike the required baseline inspection program, licensees participate in the performance indicator program on a volunteer basis.

### **OBJECTIVE:**

This audit will assess the effectiveness and integration of performance indicators into NRC's regulatory process.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 1:**

Advance NRC's efforts to enhance safety and protect the environment.

**Strategy 1-1:** Identify risk areas associated with NRC efforts to implement the Reactor Oversight Program and make recommendations, as warranted, for addressing them.

## **Audit of the Integration of Research into the Agency's Regulatory Framework**

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### **DESCRIPTION AND JUSTIFICATION:**

The NRC regulatory research program addresses issues in three areas: nuclear reactors, nuclear materials, and radioactive waste. The research program is designed to improve the agency's knowledge where uncertainty exists, where safety margins are not well characterized, and where regulatory decisions need to be confirmed in existing or new designs and technologies.

### **OBJECTIVE:**

The objective of this audit will be to determine the effectiveness of NRC's research program by assessing how research projects are proposed, initiated, implemented and ultimately incorporated into NRC's regulatory framework.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 1:**

Advance NRC's efforts to enhance safety and protect the environment.

- Strategy 1-1:** Identify risk areas associated with NRC efforts to implement the Reactor Oversight Program and make recommendations, as warranted, for addressing them.
- Strategy 1-2:** Identify risk areas facing the materials programs and make recommendations, as warranted, for addressing them.
- Strategy 1-3:** Identify risk areas associated with the prospective licensing of the high-level waste repository and make recommendations, as warranted, for addressing them.

## **Audit of NRC's Oversight of Byproduct Materials and Sealed Sources**

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### **DESCRIPTION AND JUSTIFICATION:**

Byproduct and sealed sources are used for medical, industrial and academic purposes. Medical uses include medical procedures, medical research, and other diagnostic tests. Industrial uses of nuclear materials include industrial radiography, irradiators, well-logging, gauging devices, other measuring systems, and research and development. Additionally, universities, colleges, high schools, and other academic institutions use byproduct and sealed source nuclear materials in classroom demonstrations, laboratory experiments and research. NRC (or the responsible Agreement State) has regulatory authority over the possession and use of byproduct, source, or special nuclear material. In the post-September 11, 2001, environment, Congress continues to maintain interest in oversight of nuclear materials. An August 2004 letter to NRC from Congressman Markey expressed concern regarding vulnerabilities that could be exploited by terrorists seeking to attack the United States with a dirty bomb.

### **OBJECTIVE:**

The objective of this audit will be to determine whether NRC's oversight of byproduct and sealed source materials provides reasonable assurance that licensees are using the materials safely and account for and control materials.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 1 :**

Advance NRC's efforts to enhance safety and protect the environment.

**Strategy 1-2:** Identify risk areas facing the materials programs and make recommendations, as warranted, for addressing them.

### **STRATEGIC GOAL 2 :**

Enhance NRC's efforts to increase security in response to the current threat environment.

**Strategy 2-1:** Identify risk areas involved in effectively securing operating nuclear power plants and nuclear materials and make recommendations, as warranted, for addressing them.

## **Audit of the Technical Review Process for DOE's License Application for the Yucca Mountain Repository**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC is responsible for the licensing of a HLW storage and disposal facility under the Nuclear Waste Policy Act of 1982, the Nuclear Waste Policy Amendments Act of 1987, and the Energy Policy Act of 1992. DOE is responsible for the construction, operation, and permanent closing of this facility. Yucca Mountain has been selected to be the repository site and DOE is scheduled to submit its license application in December of 2004.

NMSS manages the agency's HLW program, and recently reorganized to establish the Division of High Level Waste Repository Safety. The Advisory Committee on Nuclear Waste was established to report to and advise NRC on nuclear waste management. Additionally, NRC established the Center for Nuclear Waste Regulatory Analyses, a Federally-funded research and development center, to provide technical assistance and conduct research for the HLW program.

### **OBJECTIVE:**

The objective of this audit will be to assess NRC's preparedness to perform the technical review of DOE's license application to construct and operate the Yucca Mountain HLW repository.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2005.

### **STRATEGIC GOAL 1:**

Advance NRC's efforts to enhance safety and protect the environment.

**Strategy 1-3:** Identify risk areas associated with the prospective licensing of the high-level waste repository and make recommendations, as warranted, for addressing them.



**SECURITY AUDITS  
PLANNED FOR FY 2005**

## **Audit of Telecommunications**

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### **DESCRIPTION AND JUSTIFICATION:**

With a FY 2004 budget of \$5,390,000 and 6 FTE, NRC's telecommunications staff support agency long distance and headquarters local telecommunications services to meet current business needs and the related services to implement and maintain the telecommunications services. Services provided include: internet, telephone calling cards, telephone operators, cellular phones and pagers, maintenance for common carriers, and other specialized services. OIG will review the adequacy of NRC's telecommunications and telephone security.

### **OBJECTIVES:**

The objectives of this audit are to assess the security of the telecommunication systems and controls over the use of the telecommunication services.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2004; scheduled to be completed in the 2<sup>nd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to the current threat environment.

**Strategy 2-3:** Identify threats to NRC security and make recommendations, as warranted, for addressing them.

## **Audit of the Office of Nuclear Security and Incident Response**

### **DESCRIPTION AND JUSTIFICATION:**

In April 2002, NRC established the Office of Nuclear Security and Incident Response (NSIR) to consolidate and streamline selected NRC security, safeguards, and incident response responsibilities and resources. The office reports to the Deputy Executive Director for Homeland Protection and Preparedness. The formation of the office is one result of the Commission's ongoing top-to-bottom review of its safeguards and physical security program in the aftermath of the terrorist attacks of September 11, 2001.

Until NSIR was formed, the assessment of security responsibilities was determined by the type of facility requiring protection. For example, the Office of Nuclear Material Safety and Safeguards was responsible for the security programs for protection of fuel cycle facilities, materials, transportation, disposal and certain waste-storage facilities. The Office of Nuclear Reactor Regulation was responsible for security programs at nuclear power plants and non-power reactors, decommissioning facilities, and certain spent fuel storage facilities. NRC determined that a centralized security organization would be a more effective and efficient way of organizing security activities.

NSIR has assumed responsibility for an important part of NRC's operations. As with any new organization, and especially one with such an important function, it must operate effectively and efficiently in order to meet its mission. NSIR presented its self-evaluation report on its operations to the Commission on July 1, 2003.

### **OBJECTIVE:**

The objective of this audit will be to determine whether NSIR is fulfilling its mission.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2005.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to the current threat environment.

**Strategy 2-1:** Identify risk area involved in effectively securing nuclear power plants and nuclear materials and make recommendations, as warranted, for addressing them.

**Strategy 2-3:** Identify threats to NRC security and make recommendations as warranted, for addressing them.

## **Audit of the Integrated Personnel Security System (IPSS)**

### **DESCRIPTION AND JUSTIFICATION:**

The Division of Facilities and Security, Office of Administration, plans, develops, establishes, and administers policies, standards, regulations, and procedures for the overall NRC security program. The Personnel Security program is a significant part of the overall security program and strategy. The Atomic Energy Act of 1954 requires that all NRC employees have a security clearance. NRC's personnel security program retains personnel security and database files on more than 15,000 persons (active and retired). NRC intended to develop, deploy, and support an efficient, accurate system to replace the Personnel Security System. The Integrated Personnel Security System (IPSS) provides NRC with an integrated system that meets the specified capabilities through the use of a web-enabled system that allows authorized users access through the NRC Intranet. The IPSS should:

- \$ track all personnel security processing activities related to the approval or denial of an employment clearance and access authorization.
- \$ track unescorted contractor access to NRC facilities.
- \$ track due process procedures.
- \$ track drug testing activities.
- \$ provide random selection and tracking of drug program participants.
- \$ provide multiple drug testing reports.
- \$ provide for data consistency, confidentiality, integrity, and authentication.

### **OBJECTIVES:**

The objectives of this audit will be to determine if the system meets its required operational capabilities and provides for the security of the system data.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to the current threat environment.

- Strategy 2-3:** Identify threats to NRC security and make recommendations, as warranted, for addressing them.

## **Audit of the Baseline Security and Safeguards Inspection Program**

### **DESCRIPTION AND JUSTIFICATION:**

The baseline inspection program is an integral part of NRC's reactor oversight process. The program, which provides the routine level of inspection conducted at all nuclear power reactor facilities regardless of licensee performance, is designed to detect indications of declining safety performance in key areas. One component of the baseline inspection program focuses on security. However, baseline security inspections were on hold during FY 2003 while the agency verified compliance with April 2003 orders limiting security force working hours, requiring additional security officer training and qualifications, and improving protective plant strategies. In January 2004, the agency completed training for a new baseline security and safeguards inspection program and, in February, the agency began conducting inspections under the program.

In April 2004, NRC issued its fourth annual self-assessment of the ROP (Reactor Oversight Process Self-Assessment for Calendar Year 2003). According to the document, the agency continued to face resource challenges during 2003 regarding the implementation of the ROP. To address potential budget shortfalls and avoid inspection resource challenges in the future, staff reevaluated the inspection resource needs in each of NRC's four regions. As a result, the annual regional budget for operating reactor inspection activities for FY 2004-2006 was increased by approximately 15 full-time equivalent positions over the FY 2003 budget.

### **OBJECTIVE:**

The objective of this audit will be to assess the effectiveness of the baseline security and safeguards inspection program, including whether the program has adequate resources to achieve its goals and ensure the physical protection of the Nation's nuclear power reactor facilities.

### **SCHEDULE:**

Initiate in the 3rd quarter of FY 2005.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to the current threat environment.

**Strategy 2-1:** Identify risk areas involved in effectively securing operating nuclear power plants and nuclear materials and make recommendations, as warranted, for addressing them.

## **Audit of the Badge Access System**

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### **DESCRIPTION AND JUSTIFICATION:**

The photo-identification/key card badge is an integral part of NRC's physical security program. In addition to containing personal identification information, the badge is a programmable key card for controlling building/area access at headquarters, each of the regional offices, and the Technical Training Center (TTC). All badge manufacturing is done at headquarters, and specific access rights are assigned to each badge via headquarters, regional, and TTC access control systems. Based on the level of rights assigned, employees and contractors place their key cards against card readers to gain entry to various parts of the buildings and, in some cases, during specific times of day. NRC currently uses barium ferrite cards and readers, but plans to transition to a newer technology within the next several years.

### **OBJECTIVES:**

The objectives of this audit will be to determine if the card access system meets its required operational capabilities and provides for the security, availability, and integrity of the system data.

### **SCHEDULE:**

Initiate in the 3rd quarter of FY 2005.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to the current threat environment.

**Strategy 2-3:** Identify threats to NRC security and make recommendations, as warranted, for addressing them.

## **Audit of NRC's Information Security Practices**

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### **DESCRIPTION AND JUSTIFICATION:**

The Federal Information Security Management Act (FISMA) was enacted on December 17, 2002. FISMA permanently reauthorized the framework laid out in the Government Information Security Reform Act, which expired in November 2002. FISMA outlines the information security management requirements for agencies, including the requirement for an annual review and annual independent assessment by agency inspectors general. In addition, FISMA includes new provisions such as the development of minimum standards for agency systems, aimed at further strengthening the security of Federal Government information systems. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security.

### **OBJECTIVES:**

The objectives of this audit will be to evaluate (1) the adequacy of NRC's information security programs and practices for NRC major applications and general support systems of record for FY 2005, (2) the effectiveness of agency information security control techniques, and (3) the implementation of the NRC's corrective action plan created as a result of the 2004 FISMA program review.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to the current threat environment.

**Strategy 2-3:** Identify threats to NRC security and make recommendations, as warranted, for addressing them.

## **Audit of the Design Basis Threat Review and Update Process**

### **DESCRIPTION AND JUSTIFICATION:**

NRC has approved changes to the design basis threat (DBT) process and has issued orders for nuclear power plants to further enhance security. Under NRC regulations, power plant nuclear licensees must ensure that the physical protection for each site is designed and implemented to provide high assurance in defending against the DBT to ensure adequate protection of public health and safety and common defense and security.

Currently, the DBT represents the largest reasonable threat against which a regulated private guard force should be expected to defend nuclear power plants under existing law. The new DBT strengthening security at power plants was not issued until April 29, 2003. Implementation mainly consists of a review of the requested documentation from licensees. The review will be completed and chiefly implemented by October 29, 2004. However, NRC will not have completed, site-specific data from force-on-force exercises to validate upgraded security plans for three more years.

### **OBJECTIVE:**

The objective of this audit will be to assess the effectiveness of the process by which NRC reviews and updates its DBT statements.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2005.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to the current threat environment.

**Strategy 2-1:** Identify risk areas involved in effectively securing operating nuclear power plants and nuclear materials and make recommendations, as warranted, for addressing them.



**CORPORATE MANAGEMENT AUDITS  
PLANNED FOR FY 2005**

## **2004 Special Evaluation of NRC's Most Serious Management Challenges**

### **DESCRIPTION AND JUSTIFICATION:**

In January 2000, Congress enacted the *Reports Consolidation Act of 2000* (the Act), which requires Federal agencies to provide an annual report that would consolidate financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. Included in the Act is a requirement that, on an annual basis, IGs summarize the most serious management challenges facing their agencies. Additionally, the Act provides that IGs assess their respective agency's effort to address the challenges, compare and contrast the new management challenges listing with previous listings, and identify programs that "have had questionable success in achieving results." In response to the Act, the IG stated that OIG would conduct a special evaluation to review, in depth, the areas of Congressional interest and to determine the extent to which the NRC is addressing the management challenges.

### **OBJECTIVES:**

The overall objectives for this special evaluation are to assess the agency's efforts to address the management challenges and to identify any related agency programs that have had questionable success in achieving results. This special evaluation will help OIG update to Congress the annual list of the most serious management challenges, which is usually due in December of each year.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2004; scheduled to be completed in the 1<sup>st</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-1:** Assess progress made in implementing the President's Management Agenda.

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

## **Audit of NRC's FY 2004 Financial Statements**

### **DESCRIPTION AND JUSTIFICATION:**

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. OIG will measure the agency's improvements by assessing corrective action taken on the prior year's audit findings. The due date for the audit of NRC's FY 2004 financial statements has been accelerated to November 15, 2004. In addition, the OIG will issue reports on:

- Special Purpose Financial Statements
- Agreed-Upon Procedures on the Closing Package for Intragovernmental Activity and Balances
- Implementation of the Federal Managers' Financial Integrity Act.

### **OBJECTIVES:**

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

### **SCHEDULE:**

Initiated in the 2<sup>nd</sup> quarter of FY 2004; scheduled to be completed in the 1<sup>st</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

- Strategy 3-1:** Assess progress made in implementing the President's Management Agenda.

## **Audit of the Reactor Program System**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC's Reactor Program System (RPS) provides the capability for planning, scheduling, conducting, reporting, and analyzing inspection activities at nuclear power plants. It is used as a tool for implementing the policy and inspection guidance for programs assigned to the NRC regional offices and assesses the effectiveness and uniformity of the NRC regional offices' implementation of those programs. It is also used to plan and schedule licensing and other reactor regulatory activities in the Office of Nuclear Reactor Regulation. The RPS database includes inspection and licensing information, plant performance indicators, inspection follow-up items, safety issue data, NRC staff data, facility characteristics, and security and other reactor regulatory data.

RPS was designed to fit within NRC's information technology infrastructure and is accessible via agency-standard personal computer workstations using commercial-off-the-shelf software for greater flexibility and ease of maintenance.

Information obtained during OIG's audit work on the Significance Determination Process and the Baseline Inspection Program indicates that RPS data is not sufficiently reliable and that difficulties with the program have caused various NRC offices to develop their own local applications to perform tasks RPS was intended to perform.

### **OBJECTIVES:**

The objectives of this audit will be to determine if the system meets its required operational capabilities and provides for the security, availability, and integrity of the system data.

### **SCHEDULE:**

Initiated in the 3<sup>rd</sup> quarter of FY 2004; scheduled to be completed in the 1<sup>st</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC's corporate management.

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

## **Audit of the Contract Closeout Process**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC has specific procedures established to close out expired contracts. Although these procedures place a high priority on deobligation of excess funds, a portion of the funds is retained until completion of the closeout. As of July 2004, there are 190 contracts awaiting closeout, including 49 fixed price actions. The expiration dates vary, but some contracts expired more than five years ago.

### **OBJECTIVES:**

The objectives of this audit will be to determine (1) whether relevant NRC policies and procedures adhere to applicable regulations, (2) the adequacy of management controls associated with NRC's contract closeout procedures, including desk review procedures, and (3) NRC's compliance with its own closeout procedures, with an emphasis on timeliness.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2004; scheduled to be completed in the 2<sup>nd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-2:** Identify other areas of Corporate Management risk within the NRC and make recommendations, as warranted, for addressing them.

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

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### **DESCRIPTION AND JUSTIFICATION:**

This will be the third survey of NRC's Safety Culture and Climate. The 2002 survey showed that NRC had made substantial progress in improving its safety culture and climate since the initial 1998 survey. The survey identified areas for improvement and recommended that NRC senior management focus on these areas. In response, the Executive Director for Operations conducted an assessment of the key areas for improvement and established priorities for NRC attention in four major areas: (1) improving internal communications, (2) providing an additional avenue and guidance for handling employee concerns, (3) defining expectations for management leadership skills, and (4) reinforcing the paramount importance of the NRC's safety mission relative to other strategic goals.

Through this latest survey, OIG will evaluate the agency's progress in addressing the areas identified in the *FY 2002 Safety Culture and Climate Survey*. Additionally, this information will help the OIG in programming its available resources to perform the most beneficial work for the agency.

### **OBJECTIVES:**

The overall objectives will be to (1) assess the agency's safety culture and climate, (2) compare the results against *NRC's 1998 and 2002 Safety Culture and Climate Surveys*, and (3) compare the results to Government and national benchmarks.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-1:** Assess progress made in implementing the President's Management Agenda.

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

## **Audit of the Technical Training Center**

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### **DESCRIPTION AND JUSTIFICATION:**

The NRC's Office of Human Resources manages training programs conducted at the Technical Training Center (TTC) in Chattanooga, Tennessee. TTC, with a budget of \$3.6 million and 29 FTE, runs programs related to the regulation of nuclear materials and facilities including: nuclear power plant technology, radiation protection, risk assessment, and regulatory skills. Agreement State students, in addition to agency employees, attend courses at TTC.

OIG will perform an audit of TTC's operations to include such areas as: strategic planning, coordination with customers/stakeholders, management information and analysis, human capital management, process management, and performance results.

### **OBJECTIVE:**

The audit objective will be to identify opportunities to improve the economy, efficiency, and/or effectiveness of TTC's operations.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-1:** Assess progress made in implementing the President's Management Agenda.

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

## **Audit of NRC's FY 2005 Financial Statements**

### **DESCRIPTION AND JUSTIFICATION:**

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. OIG will measure the agency's improvements by assessing corrective action taken on the prior year's audit findings. The report on the audit of the agency's financial statements is due on November 15, 2005. In addition, the OIG will issue reports on:

- Special Purpose Financial Statements
- Agreed-Upon Procedures on the Closing Package for Intragovernmental Activity and Balances
- Implementation of the Federal Managers' Financial Integrity Act.

### **OBJECTIVES:**

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

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

- Strategy 3-1:** Assess progress made in implementing the President's Management Agenda.



## **Audit of the High-Level Waste Meta System**

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### **DESCRIPTION AND JUSTIFICATION:**

During the high-level waste (HLW) repository licensing process, NRC will need to continue to develop and maintain an HLW information system, composed of several integrated applications, technologies and associated unique business processes that will support the transmission, processing, storage and retrieval of non-sensitive documents associated with the HLW hearings. NRC will be required to modify existing applications and the underlying technology to ensure that the HLW information system meets availability, reliability, and functionality requirements. In addition, NRC will need to refine related business processes to ensure that they can adequately support HLW pre-licensing and adjudicatory activities.

### **OBJECTIVES:**

The objectives of this audit will be to determine if the system meets its required operational capabilities and provides for security of the data.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2005.

### **STRATEGIC GOAL3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

## **Follow-up Audit of NRC's Decommissioning Fund Program**

### **DESCRIPTION AND JUSTIFICATION:**

Under 10 CFR Part 50, NRC must receive reasonable assurances from nuclear reactor licensees that funds are available for the decommissioning process. In the *Review of NRC's Decommissioning Fund Program*, issued in February 2000, OIG reported weaknesses in the management controls over NRC's decommissioning process. Among the weaknesses identified were lack of consistency in reported data and the need to determine the best method of assessing decommissioning costs at nuclear power plant sites. OIG reported that NRC's decommissioning formulas were developed in 1986 and could be outdated. The report noted that significant differences exist between the two methods used to calculate estimates for decommissioning costs. In response to OIG's finding, the Deputy Executive Director for Reactor Programs took no immediate action. Instead, implementation was delayed until a future time when more cost data would be available. NRC lists nineteen nuclear power plants at this time that have permanently shut down and are in some phase of the decommissioning process.

### **OBJECTIVE:**

The objective of this audit will be to evaluate NRC's actions on the FY 2000 OIG audit of NRC's decommissioning fund program.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

## **Audit of Non-Capitalized Property in PASS-2**

### **DESCRIPTION AND JUSTIFICATION:**

During FY 2001, OIG evaluated policies governing the accountability and control of NRC's non-capitalized information technology property. The audit found that property management policies for equipment adhered to applicable laws and regulations. OIG also reviewed management controls associated with NRC's implementation of the policies and determined that they were inadequate or lacking. NRC maintains personal property records in the Property and Supply System (PASS), an online interactive computer system that serves as the official database for agency property transactions. During FY 2004, NRC developed a new property and supply system, PASS-2, designed to replace the old system. Parallel testing commenced in July and will run through August 2004. The Office of Administration expects that PASS-2 will be operational by the end of September 2004.

NRC policy requires the effective and efficient management of property, including sufficient controls to deter or eliminate loss through fraud, waste, or misuse. This policy not only applies to property in the agency's possession, but also to property physically maintained by NRC's contractors. PASS accounts for approximately 17,700 pieces of non-capitalized property with an acquisition cost of approximately \$30.4 million. This includes 1,271 laptops and 527 personal digital assistants with an acquisition value of \$3.4 million.

### **OBJECTIVE:**

The objective of this audit will be to determine whether NRC has established an effective system of management controls for maintaining accountability of non-capitalized property in PASS-2.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

## **2005 Special Evaluation of NRC's Most Serious Management Challenges**

### **DESCRIPTION AND JUSTIFICATION:**

In January 2000, Congress enacted the *Reports Consolidation Act of 2000* (the Act), which requires Federal agencies to provide an annual report that would consolidate financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. Included in the Act is a requirement that, on an annual basis, IGs summarize the most serious management challenges facing their agencies. Additionally, the Act provides that IGs assess their respective agency's effort to address the challenges, compare and contrast the new management challenges listing with previous listings, and identify programs that "have had questionable success in achieving results." In response to the Act, the IG stated that OIG would conduct a special evaluation to review, in depth, the areas of Congressional interest and to determine the extent to which the NRC is addressing the management challenges.

### **OBJECTIVES:**

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

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2005.

### **STRATEGIC GOAL 3:**

Improve the economy, efficiency, and effectiveness of NRC corporate management.

**Strategy 3-1:** Assess progress made in implementing the President's Management Agenda

**Strategy 3-2:** Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

**INVESTIGATIONS  
PRIORITIES, OBJECTIVES,  
AND INITIATIVES FOR FY 2005**

## **INTRODUCTION**

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

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

This investigative plan was developed to focus OIG investigative priorities and use available resources most effectively. It provides strategies and planned investigative work for FY 2005 in conjunction with the OIG Strategic Plan and the President's Management Agenda for Improving Government Performance. The most serious management challenges facing the NRC as identified by the Inspector General were also considered in the development of this plan.

## **PRIORITIES**

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The OIG will conduct approximately 80 investigations and event/special inquiries in FY 2005. As in the past, reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority on OIG's use of available resources. Because the NRC's mission is to protect the health and safety of the public, Investigations' main concentration of effort and resources will involve investigations of alleged NRC staff misconduct that could adversely impact on health and safety related matters.

## **OBJECTIVES**

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To facilitate the most effective and efficient use of limited resources, Investigations has established specific objectives aimed at preventing and detecting fraud, waste and abuse as well as optimizing NRC effectiveness and efficiency. Investigations will focus its investigative efforts in 6 broad-based areas, as follows, which include possible violations of criminal statutes relating to NRC programs and operations and allegations of misconduct by NRC employees.

**Corporate Management**

- ◆ Attempt to detect possible wrongdoing perpetrated against NRC's procurement and contracting program by maintaining a close working relationship with the Division of Contracts (DC), Office of Administration. This will include periodic meetings between OIG and DC management officials and a fraud awareness presentation by OIG special agents to DC contract specialists, NRC project managers, NRC project officers, and other identified employees.
- ◆ Pursue aggressively investigations appropriate for Program Fraud Civil Remedies Act action, including abuses involving false reimbursement claims and false statements by contractors.
- ◆ Attempt to detect possible instances of NRC employees improperly receiving Federal Employees' Compensation Act benefits. This will include periodic meetings between OIG and Office of Human Resources management officials and the periodic examination of agency and Department of Labor records pertaining to this program.
- ◆ Coordinate with NRC property custodians and the Division of Facilities and Security (DFS), Office of Administration, in instances involving theft of computers and other agency equipment.
- ◆ Coordinate with DFS regarding accountability issues surrounding property purchased with NRC funds by a contractor or property furnished by the NRC to a contractor.
- ◆ Coordinate with the Office of the Chief Financial Officer in instances involving abuse of individual credit cards issued to agency employees as well as credit cards issued for the procurement of supplies and equipment.
- ◆ Coordinate with the OIG Audit IAMs in an effort to identify areas or programs with indicators of possible fraud, waste, and abuse.
- ◆ Conduct fraud awareness and information presentations regarding the role of the NRC OIG to NRC employees.

**Safety and Security**

- ◆ Investigate situations where NRC employees improperly disclosed alleged (mainly licensee employees) identities and allegations, NRC employees improperly handled alleged concerns, and NRC failed to properly address retaliation issues involving licensee employees who raised health and safety concerns at nuclear power plants.

- ◆ Examine instances where the NRC has not maintained an appropriate “arms length” distance from licensees, particularly in the inspection process.
- ◆ Investigate instances where NRC employees released predecisional, proprietary, or official-use-only information to the nuclear industry that could have had an impact on nuclear power plant operations or interfered with litigation involving agency decisions.
- ◆ Investigate instances where NRC employees had improper personal relationships with NRC licensees and where NRC employees violated Government-wide ethics regulations concerning the solicitation of employment with NRC licensees.
- ◆ Interact with public interest groups, individual allegers, and industry workers to identify indications of lapses on NRC regulatory oversight that could create safety and security problems.
- ◆ Maintain close relationships with members of NRC technical staff to facilitate the flow of information and concerns regarding possible nuclear safety and security issues.
- ◆ Conduct event and special inquiries into matters of current regulatory safety and security concerns to identify shortcomings in NRC’s regulatory oversight.
- ◆ Pro-actively review and become knowledgeable of areas of NRC staff regulatory emphasis to identify emerging issues that may require future OIG involvement. Also provide real time OIG assessment of the appropriateness of NRC staff’s handling of contentious regulatory activities related to nuclear safety and security matters.

### **OIG Hotline**

- ◆ Promptly process complaints received via the OIG Hotline. Initiate investigations when warranted and properly dispose of allegations that do not warrant OIG investigation.

### **FOIA/Privacy Act**

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



### **NRC Support**

- ◆ Participate as observers on Incident Investigation Teams and Accident Investigation Teams as determined by the IG.

### **Liaison Program**

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

## **INITIATIVES**

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

1. **Case Management and Information Systems** – Investigations used an outside consultant to customize and implement a commercial-off-the-shelf software application to support its business processes. The new application will provide secure, easy-to-use access to investigative data for staff and managers and will go online during the current fiscal year.
2. **Health Improvement Program (HIP)** – The OIG HIP is a mandatory program for all employees in the 1811 series. Other OIG employees are eligible to participate in the HIP if they meet the medical standards and fitness levels required for participation. HIP objectives are to (1) improve and maintain the fitness level of special agents and other OIG employees and (2) encourage

lifestyle changes to increase productivity and decrease disability within the workforce.

## **ALLOCATION OF RESOURCES**

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Investigations will undertake proactive initiatives where resources allow. Of the resources available for direct investigative activities, it is anticipated that approximately 75 percent will be spent on reactive investigations. The balance of investigative time will be allocated to proactive investigative efforts such as: reviews of NRC contract files; examinations of NRC information technology systems to identify weaknesses or misuse by agency employees; participation in interagency task forces and working groups; reviews of delinquent Government credit card accounts; and, other initiatives.

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

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

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### **NUCLEAR SAFETY**

#### **NUCLEAR REACTOR SAFETY**

Anthony Lipuma  
Catherine Colleli

#### **NUCLEAR MATERIALS SAFETY AND SAFEGUARDS**

Cheryl Miotla  
Yvette Russell

#### **NUCLEAR WASTE SAFETY**

Debra Lipkey  
Andrew Blanco

### **SECURITY AND INFORMATION TECHNOLOGY**

#### **INFORMATION MANAGEMENT AND SECURITY**

Vicki Foster  
Judy Gordon  
Rebecca Underhill

#### **NUCLEAR SECURITY**

Beth Serepca  
Shyrl Coker  
David Ditto

### **CORPORATE MANAGEMENT**

#### **FINANCIAL AND ADMINISTRATIVE**

Steven Zane  
Kathleen Stetson  
Steven Shea  
Michael Steinberg

#### **INTERNATIONAL PROGRAMS**

Steven Zane

#### **CONTRACT AND PROCUREMENT**

Steven Zane  
Kathleen Stetson

**LISTING OF ABBREVIATIONS  
AND ACRONYMS**

**ABBREVIATIONS AND ACRONYMS**

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AIGI	Assistant Inspector General for Investigations
DBT	design basis threat
DCAA	Defense Contract Audit Agency
DC	Division of Contracts
DFS	Division of Facilities and Securities
DOE	Department of Energy
DOJ	Department of Justice
FISMA	Federal Information Security Management Act
FTE	full-time equivalent
FY	fiscal year
HIP	health improvement program
HLW	High-Level Waste
IAM	Issue Area Monitor
IG	Inspector General
IPSS	Integrated Personnel Security System
NMMSS	Nuclear Materials Management and Safeguards System
NRC	U.S. Nuclear Regulatory Commission
NSIR	Office of Nuclear Security and Incident Response
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PASS	Property and Supply System
PI	performance indicator
ROP	Reactor Oversight Program
RPS	Reactor Program System
TTC	Technical Training Center