Office of the Inspector General

U. S. Nuclear Regulatory Commission

Annual Plan

Fiscal Year 2007

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FOREWORD

I am pleased to present the Office of the Inspector General's (OIG) fiscal year (FY) 2007 Annual Plan. The Annual Plan provides the audit and investigative strategies and associated summaries of the specific work planned for the coming year. It sets forth OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2007.

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

We have programmed all available resources to address the matters identified in this plan. This approach maximizes use of our resources. However, to respond to a changing environment, it is sometimes necessary to modify this plan as circumstances, priorities, and/or resources dictate.

/RA/
Hubert T. Bell
Inspector General

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MISSION AND AUTHORITY

The NRC's Office of the Inspector General was established on April 15, 1989, pursuant to Inspector General Act Amendments contained in Public Law 100-504. OIG's mission 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 (September 2005), the IG identified the following as the most serious management challenges facing NRC:[1]

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 approach.

4. Ability to modify regulatory processes to meet a changing environment.

5. Implementation of information resources.

6. Administration of all aspects of financial management.

7. Communication with external stakeholders throughout NRC regulatory activities.

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

[1]The challenges are not ranked in any order of importance.

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

The NRC budget request for FY 2007 is $776.5 million with a staffing level of 3,305 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; 33 research and test reactors; 7 major fuel fabrication and production facilities; 2 gaseous diffusion uranium enrichment facilities; and approximately 4,500 licenses issued for medical, academic, and industrial uses of nuclear material. The agency is also going through the licensing process for the high-level waste depository at Yucca Mountain and overseeing the decommissioning of 17 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

The 2007 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. (Appendices A, B, and C.)

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.

- Failure by the NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.

- Conflict 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 significant focus will be emerging information technology issues that could negatively impact the security and integrity of NRC data. This will also include efforts to ensure the continued protection of personal privacy information held within agency databases and systems. The OIG is committed to improving the security of the 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 these proactive initiatives, 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 2007. 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 2007, 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:

1. Percent of OIG products/activities[2] undertaken to identify critical risk areas or management challenges relating to the improvement of NRC's safety, security, and/or corporate management.

2. Percent of OIG products/activities that have a high impact[3] on improving NRC's safety, security and/or corporate management programs.

3. Number of audit recommendations agreed to by agency.

4. Final agency action within 1 year on audit recommendations.

5. Agency action in response to investigative reports.

6. Acceptance by NRC's Office of General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.

The OIG Performance Report with actual statistics for FY 2006 will be submitted to the Office of Management and Budget and to Congress in November.

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2 OIG products are issued OIG reports – by the audit unit, an audit report or 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.

OPERATIONAL PROCESSES

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 Office of Administration Division of Contracts, 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 four pre-award audits will be needed in FY 2007. 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 2007, OIG plans to select up to 10 active and 6 completed contracts for audit. DCAA will perform some audits, and others will be performed by outside, independent audit firms, as appropriate.

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 those identified by OIG, 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 an investigative 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. 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, the special agent prepares an investigative report summarizing the facts disclosed during the investigation. The investigative report is distributed to agency officials who have a need to know the results of the investigation. For investigative reports provided to agency officials, OIG requires a response within 120 days regarding action taken as a result of the investigative findings. OIG monitors corrective or disciplinary actions that are taken.

OIG collects data summarizing the judicial and administrative action taken as a result 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). 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

For FY 2007, the OIG requested an appropriation of $8.144 million and a total authorized 49 full-time equivalent (FTE) staff. This request, if granted, will provide the resources necessary to carry out the mission of the audit, investigative, and regulatory review functions for FY 2007.

APPENDIX A

NUCLEAR SAFETY AUDITS PLANNED FOR FY 2007

Audit of the Nuclear Power Plant License Renewal Program

DESCRIPTION AND JUSTIFICATION:

The Atomic Energy Act provides for a license period of 40 years for commercial nuclear power plants, but includes provisions for extending the license beyond this initial period. This original 40-year term for reactor licenses was based on economic and antitrust considerations--not on limitations of nuclear technology. Due to this selected time period, however, some structures and components may have been engineered on the basis of an expected 40-year service life. The maximum renewal period of licenses is for an additional 20 years. The first operating license will expire in the year 2006; approximately 10 percent will expire by the end of the year 2010 and more than 40 percent will expire by the year 2015. At this time, there are approximately 14 completed applications, 8 applications under review and 23 letters of intent to seek license renewal.

The agency has an accumulated experience with the license renewal process, and the expectation is that a large number of applications will be reviewed over the next decade. The reactors currently in operation are the first generation of power reactors. Operation of these plants beyond 40 years and upwards to 60 years introduces the potential that new aging phenomena could be observed in the next two decades.

OBJECTIVE:

The objective of this audit is to determine the effectiveness of license renewal reviews using standards existing in various agency documents and regulations. The degree to which these agency documents and regulations have been retained current as operating experience has been accumulated is included within this effectiveness review. OIG is also reviewing scheduling and resource management.

SCHEDULE:

Initiated in the 2nd quarter of FY 2006; scheduled to be completed in the 1st quarter of FY 2007.

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 Nuclear Material Events Database

DESCRIPTION AND JUSTIFICATION:

The Nuclear Material Events Database (NMED) is a computer database of records of accidents/incidents that involve nuclear materials that are reported to NRC by NRC licensees, Agreement States, and others. Reportable material events include medical misadministrations, personnel overexposures, equipment problems, leaking sources, and fuel cycle and non-power reactor events. These reported events are classified based on event-reporting requirements defined in NRC regulations. The event reports are evaluated to identify any safety-significant events and their causes. NMED data are analyzed for the main event types, and are presented in a quarterly report, in which historical data are aggregated for evaluation of potential trends.

OBJECTIVE:

The objective of this audit is to review the accuracy of the NMED database and agency use of data currently reported, including trend analyses and event follow-up.

SCHEDULE:

Initiate in the 1st quarter of FY 2007.

STRATEGIC GOALS 1 AND 2:

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

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

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

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 Agency Advisory Committees

DESCRIPTION AND JUSTIFICATION:

In 1972, the Federal Advisory Committee Act (FACA) was enacted by Congress. Its purpose was to ensure that advice rendered to the executive branch by the various advisory committees, task forces, boards, and commissions formed over the years by Congress and the President, be both objective and accessible to the public. The Act not only formalized a process for establishing, operating, overseeing, and terminating these advisory bodies, but also created the Committee Management Secretariat, an organization whose task it is to monitor and report executive branch compliance with the Act.

The Commissioners of the NRC are currently advised by two committees which fall under the jurisdiction of FACA. The Advisory Committee on Reactor Safeguards (ACRS) has statutory responsibilities under the Atomic Energy Act. The ACRS advises the Commission with regard to the licensing and operation of production and utilization facilities and related safety issues. The Advisory Committee on Nuclear Waste (ACNW) reports to and advises the Commission on all aspects of nuclear waste management. The technical experts on these committees provide technical advice separate and independent of the NRC staff.

OBJECTIVE:

The objective of this audit is to examine the interface of the ACNW and ACRS with the NRC staff. This will include the effectiveness and efficiency of Agency operations in resolving technical issues identified by these bodies.

SCHEDULE:

Initiate in the 1st quarter of FY 2007.

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 Office of the Secretary of the Commission

DESCRIPTION AND JUSTIFICATION:

In order to perform its business efficiently and expeditiously, the Nuclear Regulatory Commission has established mechanisms for obtaining information and for conducting its decision-making activities. The Office of the Secretary (SECY) of the Commission provides executive management services to support the Commission and to implement Commission decisions. The primary guidance document implemented by the SECY Office is the Internal Commission Procedures. This document sets forth the procedures governing the conduct of business at the Commission level of the NRC and the SECY Office responsibilities regarding the handling of Commission correspondence. In addition, the SECY Office has responsibility for releasing Commission level decision documents such as SECY Papers and Staff Requirements Memoranda to the public based on guidance in the Internal Commission Procedures.

OBJECTIVE:

The objective of this audit is to assess how effectively the SECY Office tracks, controls, processes, and posts Commission documents.

SCHEDULE:

Initiate in the 2nd quarter of FY 2007.

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 NRC's Management of Authority Files

DESCRIPTION AND JUSTIFICATION:

Pursuant to the Atomic Energy Act of 1954, as amended and Title II of the Energy Reorganization Act of 1974, NRC has responsibility for licensing all commercially owned nuclear power plants that produce electricity in the United States. The NRC is responsible for ensuring the license and any amendments or other modifications are documented as part of the current license. These records and documents, specific to each plant, are referred to as the tech spec file or the "authority file."

The authority files serve as the agency's official reference documents for recording each licensed facility's current license which includes technical specifications, license conditions and amendments as approved by the NRC. The Office of Nuclear Reactor Regulation, Associate Director for Operating Reactor Oversight and Licensing (ADRO) organization is charged with the management and maintenance of the agency's authority files. Among other duties, ADRO is responsible for: serving as NRC's point of contact for stakeholders (i.e., licensees, the regions, industry groups); evaluating information received from licensees in response to NRC requests; preparing responses to public petitions and correspondence associated with individual licensees; and providing assistance to NRC organizations, the regions, industry groups and other government offices on licensee-related activities.

In order for ADRO to effectively fulfill its assigned responsibilities associated with implementing and managing regulation, policy, programs and activities of the licensees, it is essential that the authority files are current and maintained in an accurate manner.

OBJECTIVE:

The objective of this audit is to determine if ADRO effectively maintains and manages the agency's authority files.

SCHEDULE:

Initiate in the 2nd quarter of FY 2007.

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 Nuclear Power Plant Power Uprate Program

DESCRIPTION AND JUSTIFICATION:

NRC regulates the maximum power level at which a commercial nuclear power plant may operate. The process of increasing the maximum power level at which a plant may operate is called a power uprate. There are three categories of power uprates, including 1) measurement uncertainty recapture power uprates, which are less than 2 percent and are achieved by implementing enhanced techniques for calculating reactor power; 2) stretch power uprates, which are typically up to 7 percent and are within the design capacity of the plant, and 3) extended power uprates which have been approved for increases as high as 20 percent. Extended power uprates often require significant modifications to plant equipment, such as the high-pressure turbines, condensate pumps and motors, main generators, and transformers.

Licensees seek permission to perform a power uprate by submitting a license application amendment to NRC. Since 1977, NRC has approved over 110 power uprates, resulting in a combined increase of over 4,500 megawatts electric to the Nation's electric generating capacity. NRC anticipates as many as 23 power uprate applications during the next 5 years. Some of these future power uprate requests may be for plants that have been approved or may seek approval of a license renewal to operate plants for 20 additional years beyond their original 40-year license term.

OBJECTIVE:

The objective of this audit is to examine the support and justification for approving power uprate amendment applications. This will include reviewing the processes used to evaluate matters such as operating experience and effects of other significant licensing actions such as license renewal. OIG will also review scheduling and resource management.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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 Performance Indicator Program

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 voluntary basis; however, all 103 operating power reactor licensees participate in the program.

OBJECTIVE:

This objective of this audit is to assess the effectiveness and integration of performance indicators into NRC's regulatory process.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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 NRC's Enforcement Program

DESCRIPTION AND JUSTIFICATION:

The NRC's enforcement jurisdiction is drawn from the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, as amended. In recognition that violations occur in a variety of activities and have varying levels of significance, the Commission set out to create an enforcement framework with graduated sanctions to reflect this diversity. The Commission's first public statement of policy on enforcement (the first Enforcement Policy) was published in 1980. Although the policy statement has changed several times, two goals of the enforcement program remain unchanged: to emphasize the importance of compliance with regulatory requirements; and, to encourage prompt identification, and prompt, comprehensive correction of violations. The enforcement program is also intended to meet the agency's performance goals.

Violations are identified through inspections and investigations. All violations are subject to civil enforcement action and may also be subject to criminal prosecution. After an apparent violation is identified, it is assessed in accordance with the Commission's Enforcement Policy. Because the policy statement is not a regulation, the Commission may deviate from the Enforcement Policy as appropriate under the circumstances of a particular case.

OBJECTIVES:

The objectives of this audit are to determine how NRC assesses 1) the significance of violations and 2) the level of enforcement action to be taken.

SCHEDULE:

Initiate in the 4th quarter of FY 2007.

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.

APPENDIX B

SECURITY AUDITS PLANNED FOR FY 2007

Audit of NRC's Badge Access System

DESCRIPTION AND JUSTIFICATION:

The photo-identification/key card badge is an integral part of NRC's physical security program. 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.

OBJECTIVE:

The objective of this audit is 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:

Initiated in the 3rd quarter of FY 2006; scheduled to be completed in the 1st quarter of FY 2007.

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 Emergency Preparedness Program

DESCRIPTION AND JUSTIFICATION:

Emergency Preparedness (EP) measures are designed to address a wide range of event scenarios. Following the events of 9/11, the NRC evaluated the EP planning basis, issued orders requiring compensatory measures for nuclear security and safety, and observed license performance during security-based EP drills and exercises and security force on force exercise evaluations. Based on the information obtained through the drills and exercises, the staff determined that the EP basis remains valid but recognized that security events differ from accident-initiated events.

In order to obtain needed current information, NRC issued Bulletin 2005 on July 18, 2005. This was issued to all holders of operating licenses for nuclear power reactors. The purpose of the bulletin was to obtain information regarding changes licensees have made or plan to make concerning security-based emergency preparedness program capabilities and to evaluate how consistently such changes have been implemented.

OBJECTIVE:

The objective of this audit is to assess the effectiveness of the EP.

SCHEDULE:

Initiated in the 4th quarter of FY 2006; scheduled to be completed in the 2nd quarter of FY 2007.

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 Security at NRC Headquarters

DESCRIPTION AND JUSTIFICATION:

NRC buildings contain many security features and the agency has increasingly hardened its protection against access to its headquarters (HQ). NRC HQ meets the U.S. Department of Justice's recommended minimum physical security standards for Federal buildings. However, an August 15, 2002, OIG report found that NRC needed to further enhance HQ physical security and emergency response capability to improve its ability to prevent unauthorized individuals from accessing NRC space, protect the facility from physical attack, and mitigate the impact of an attack. Improvements were needed with regard to vehicle access control, building access control and emergency preparedness.

OBJECTIVE:

The objective of this audit is to assess the adequacy of physical security measures at NRC Headquarters for three main areas: physical security, emergency preparedness, and written procedures.

SCHEDULE:

Initiate in the 1st quarter of FY 2007.

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 Oversight of the Security Guard Program at Nuclear Power Plants

DESCRIPTION AND JUSTIFICATION

NRC has a fitness-for-duty requirement to provide assurance that security guards at nuclear power plants are trustworthy and reliable. The fitness-for-duty programs include:

- Testing security guards for illegal drug use;
- Limiting the number of work hours for some guards to no more than 16 hours in a 24-hour period, 26 hours in a 48-hour period and 72 hours in a week, excluding shift turnover time; and
- Establishing minimum individual breaks for some guards of at least 10 hours between shifts, a 24-hour break each week and a 48-hour break every two weeks.

NRC is currently proposing to codify the fitness-for-duty program through the rulemaking process. The new rule represents the resolution of NRC's activities in response to petitions for rulemaking regarding work hour limits and certain inspections of fitness-for-duty programs. The rule would also, in part, replace and expand on an Order the NRC issued on April 29, 2003, setting work hour limits for security personnel, as well as codify a Commission policy statement on fatigue issued in 1982.

OBJECTIVE:

The objective of this audit is to assess the effectiveness of NRC's oversight of the security guard program at nuclear power plants.

SCHEDULE:

Initiate in the 1st quarter of FY 2007.

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.

Penetration Testing of NRC's Network

DESCRIPTION AND JUSTIFICATION:

OIG will conduct penetration testing of the NRC network to identify vulnerabilities that could be used to gain unauthorized access. Open source, proprietary tools and methodologies will be used to conduct the vulnerability scanning and penetration testing analysis, with the exception of those tools and techniques that are known to cause denial of service.

OBJECTIVES:

The objectives of the penetration testing are:

- To see if the NRC network can be accessed by unauthorized users;
- To find vulnerabilities in the NRC's network; and
- To supplement the FY 2006 independent evaluation of NRC's implementation of the Federal Information Security Management Act.

SCHEDULE:

Initiate in the 1st quarter of FY 2007.

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 Security Measures for Its New Buildings

DESCRIPTION AND JUSTIFICATION:

NRC is expanding its Rockville, Maryland staff beyond the amount that can work in the current HQ building. Part of the staff will soon occupy office space in two buildings near HQ. OIG will evaluate whether the security controls at those buildings ensure the physical protection of NRC employees. OIG also wants to ensure that safeguards and classified information and materials are appropriately protected. The new space is not owned by the Federal Government; they are commercial buildings.

OBJECTIVE:

The objective of this audit is to evaluate the adequacy of NRC's protection over the employees and information in the commercial building.

SCHEDULE:

Initiate in the 2nd quarter of FY 2007.

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 Continuity of Operations Plan

DESCRIPTION AND JUSTIFICATION:

To ensure that essential NRC services are available during an emergency (such as terrorist attacks, severe weather, or building level emergencies), Federal agencies are required to develop continuity of operations (COOP) plans. Federal Emergency Management Agency (FEMA) guidance, Federal Preparedness Circular 65, identifies elements of a viable COOP capability, including the requirement that agencies identify their essential functions.

OBJECTIVES:

The objectives of this audit are to evaluate the extent that NRC has identified and maintains essential functions during an emergency and to determine if NRC's COOP plan follows FEMA guidelines.

SCHEDULE:

Initiate in the 2nd quarter of FY 2007.

STRATEGIC GOALS 1 and 2:

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

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 NRC's Implementation of HSPD-12, Phase 2

DESCRIPTION AND JUSTIFICATION:

Homeland Security Presidential Directive (HSPD)-12 requires the development and agency implementation of a mandatory, Government-wide standard for secure and reliable forms of identification for Federal employees and contractors. The Department of Commerce issued Federal Information Processing Standard 201 in accordance with this Directive. The Standard requires the implementation of HSPD-12 in two phases. Personal Identity Verification (PIV) PIV-I sets out uniform requirements for identity proofing (i.e., verifying the identity of individuals applying for official agency badges) as well as issuing badges, maintaining related information, and protecting the privacy of applicants. The second phase, known as PIV-II, provides detailed specifications that will support technical interoperability which is the ability of two or more systems to exchange information among Government department and agency personal identity verification systems.

NRC has implemented HSPD-12 PIV-I requirements. According to information submitted to the Office of Management and Budget in September 2006, the agency intends to fully implement PIV-II by October 2009.

In FY 2006, OIG conducted an audit of HSPD-12 focused primarily on PIV-I requirements. NRC is currently addressing recommendations contained in that report aimed at assuring PIV-I requirements are met and strengthening the HSPD-12 working group. This audit will focus on the PIV-II requirements.

OBJECTIVE:

The objective of this audit is to determine if NRC's HDPD-12, PIV-II solution meets the required technical interoperability standards.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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.

FY 2007 Evaluation of FISMA

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 the Federal Government information and information systems. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security.

OBJECTIVES:

The objectives of this evaluation are 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 2007, (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 2006 FISMA program review.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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 Wireless Networking

DESCRIPTION AND JUSTIFICATION:

NRC has recently allowed blackberries to be used in the office. Wireless has never been allowed before. Wireless devices broadcast transmissions to anyone capable within range to receive information. The possibility exists for information to be received by people not intended or in a need to know status for such information. The NRC using sound control practices should continually assess and manage the risks involved when employing wireless technology.

OBJECTIVE:

The objective of this audit is to assess whether NRC has an effective wireless security policy in place.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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 Sensitive Unclassified Non-Safeguards Information Program

DESCRIPTION AND JUSTIFICATION:

This agency program is to ensure that NRC's sensitive unclassified non-safeguards information (SUNSI) is properly handled, marked, and adequately protected from unauthorized disclosure. SUNSI is any information of which the loss, misuse, modification, or unauthorized access can reasonably be foreseen to harm the public interest, the commercial or financial interests of the entity or individual to whom the information pertains, the conduct of NRC and Federal programs, or the personal privacy of individuals. Currently guidance on SUNSI is in an interim status. The Commission has directed the staff to use the existing SUNSI policy but to defer implementation of the policy with respect to the use of encrypted e-mail until the executive branch standardizes a Federal government wide policy. NRC employees, consultants, and contractors are responsible for ensuring the current procedures are followed for the protection of SUNSI.

OBJECTIVES:

The objectives of this audit are (1) to evaluate NRC's implementation of the handling requirements for SUNSI as outlined in agency Management Directives and (2) to determine if SUNSI is adequately defined and this information is disseminated to prevent inappropriate release to individuals who do not have a need to know.

SCHEDULE:

Initiate in the 4th quarter of FY 2007.

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.

APPENDIX C

CORPORATE MANAGEMENT AUDITS PLANNED FOR FY 2007

Audit of Non-Capitalized Property

DESCRIPTION AND JUSTIFICATION:

During FY 2001, OIG evaluated policies governing the accountability and control of NRC's non-capitalized IT property. The review found that property management policies for this equipment adhered to applicable laws and regulations; however, management controls to implement these policies were inadequate or lacking. In addition, the Property and Supply System (PASS), an online interactive computer system that functions as the official database for the agency's property transactions, contained inaccurate information. During FYs 2004 and 2005, NRC developed the Space and Property Management System (SPMS), a new property and supply system designed to replace the old system. SPMS became operational on December 13, 2004, and final acceptance of the system by the Office of Administration took place in June 2005. SPMS is both windows and web-based allowing property custodians' access to records via the Intranet.

NRC policy requires the effective and efficient management of property including sufficient controls to deter or prevent 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. As of June 14, 2006, SPMS accounts for approximately 16,791 pieces of non-capitalized property with an acquisition cost of approximately $28.2 million. This includes 4,256 pieces of sensitive property such as laptops and personal digital assistants with an acquisition cost of approximately $4.3 million.

OBJECTIVE:

The objective of this audit is to determine whether NRC has established and implemented an effective system of management controls for maintaining accountability and control of non-capitalized property.

SCHEDULE:

Initiated in the 3rd quarter of FY 2006; scheduled to be completed in the 1st quarter of FY 2007.

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 NRC's FY 2006 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 prior audit findings. The report on the audit of the agency's financial statements is due on November 15, 2006. In addition, the OIG will issue reports on:

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

OBJECTIVES:

The objectives of this audit are to:

- Express opinions on the agency's financial statements and internal controls,
- Review compliance with applicable laws and regulations,
- Review the performance measures included in the agency's Performance and Accountability Report as required by OMB guidance,
- Review the controls in the NRC's computer systems that are significant to the financial statements, and
- Assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, *Management's Responsibility for Internal Control.*

SCHEDULE:

Initiated in the 3rd quarter of FY 2006; scheduled to be completed in the 2nd quarter of FY 2007.

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.

Evaluation of NRC Oversight of the Agency's Federally Funded Research and Development Center

DESCRIPTION AND JUSTIFICATION:

In October 1987, the NRC entered into a 5-year contract with Southwest Research Institute (SwRI) to operate a Federally Funded Research and Development Center (FFRDC) in San Antonio, Texas. SwRI established the Center for Nuclear Waste Regulatory Analyses (the Center) to provide the agency with long-term technical assistance and research related to NRC's High Level Waste program under the Nuclear Waste Policy Act of 1982, as amended. The current contract is expected to expire on September 28, 2007. The current contract ceiling is $86.2 million, which represents one of NRC's largest active contracts. The Commission must decide whether to renew the contract with SwRI for the operation of the Center.

The Federal Acquisition Regulation (FAR) requires that, prior to extending a contract for an FFRDC, a sponsor must conduct a comprehensive review of the use and need of the FFRDC. OIG previously reviewed the nature and adequacy of NRC's renewal justification in 1992, 1997, and 2002. These reviews resulted in several recommendations that were implemented by the Executive Director for Operations.

OBJECTIVES:

The objectives of this evaluation are to determine:

- If NRC is properly considering all FAR requirements for an FFRDC review in preparing its renewal justification, and
- If NRC is adequately fulfilling its oversight responsibilities for the FFRDC in San Antonio.

SCHEDULE:

Initiate in the first quarter of FY 2007.

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 NRC's Budget Execution Process

DESCRIPTION AND JUSTIFICATION:

The federal budget execution process involves activities related to use of funds appropriated by Congress. This includes the detailed planning of the use of the funds as well as the control of their use to assure that Congressional intent for the use of the funds is preserved. During this process, the NRC Chairman, Chief Financial Officer, allottees, allowance holders, allowance financial managers, and funds certifying officials all share responsibilities for ensuring effective financial management concerning the proper administrative control of funds. NRC's managers must ensure that public funds are used only for authorized purposes, and that the funds are used economically, efficiently, and within prescribed limits. NRC guidance mandates that agency systems for budget execution and the administrative control of funds adhere to policies, procedures, and standards found in Management Directives (such as 4.2, "Administrative Control of Funds"); Office of Management and Budget Circular A-34, "Instructions on Budget Execution;" as well as other applicable federal laws and regulations. The Office of the Chief Financial Officer is responsible for the overall control of funds during budget execution.

NRC's FY 2007 Budget request is for approximately $776.5 million and 3,305 full-time equivalents.

OBJECTIVE:

The objective of this audit is to determine if NRC maintains proper financial control over the allotment, allocation, and obligation of appropriated and apportioned funds to ensure compliance with applicable Federal laws, policies, and regulations.

SCHEDULE:

Initiate in the 2nd quarter of FY 2007.

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 NRC's AID-Funded Activities

DESCRIPTION AND JUSTIFICATION:

NRC receives Freedom Support Act (FSA) funds from the U.S. Agency for International Development (AID) to support provisions of nuclear regulatory safety and security assistance to the regulatory authorities of Armenia, Georgia, Kazakhstan, Russia, and Ukraine. These funds support activities that include strengthening regulatory oversight of:

- The startup, operation, shutdown and decommissioning of Soviet-designed nuclear power plants,
- The safe and secure use of radioactive materials, and
- Accounting for and protection of nuclear materials.

NRC has received approximately $51 million in FSA funds from FY 1992 through FY 2006. The Office of International Programs has responsibility for NRC's use of FSA funds. This responsibility includes internal NRC coordination, coordination with other U.S. Governmental agencies involved with assistance activities, and coordination with other international donors.

OBJECTIVES:

The objectives of this audit are to determine if:

- The management controls over the use of AID funds are adequate; and

- NRC's corrective actions resulting from OIG's recommendations in Audit Report OIG-02-A-04, dated December 3, 2001, are being adequately implemented.

SCHEDULE:

Initiate in the 2nd quarter of FY 2007.

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 NRC's Accounting and Control Over Time and Labor Reporting

DESCRIPTION AND JUSTIFICATION:

Salaries and benefits for NRC's approximately 3,000 employees accounted for about 60 percent (or $399 million) of NRC's FY 2005 obligations. Approximately 90 percent ($360 million) of the salaries and benefits are recovered through billings to NRC licensees.

NRC's T&L system is intended to collect data to adequately support employees' pay and show the number of hours employees are working and are in leave status. The system provides data in support of entitlements to overtime pay, premium pay, and compensatory time earned and used. An accurate and reliable system of collecting T&L data is necessary to provide a basis for:

- allocating employees' time to the agency's program and performance objectives;
- assessing NRC fees, and
- financial reporting.

OBJECTIVES:

The objectives of this audit are to determine whether (1) NRC has established and implemented internal controls over T&L reporting to provide reasonable assurance that hours worked in pay status and hours absent are properly reported, and (2) the T&L system can be easier and more efficient to use.

SCHEDULE:

Initiate in the 2nd quarter of FY 2007.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC Corporate Management.

Strategy 3-1: Identify other areas of Corporate Management risk within NRC and make recommendations, as warranted, for addressing them.

Audit of NRC's Contract Award Process

DESCRIPTION AND JUSTIFICATION:

The Division of Contracts completed 1,859 procurement actions valued at $110.5 million and 1,168 procurement actions valued at $70.8 million during FY 2005 and fiscal year-to-date (October 1, 2005 through July 21, 2006), respectively. These figures include new contract awards, contract modifications, purchase orders, delivery orders and task orders. Grants and interagency agreements are not included.

NRC Management Directive 11.1, "NRC Acquisition of Supplies and Services," states, "It is the policy of the U.S. Nuclear Regulatory Commission that the NRC's acquisition of supplies and services support the agency's mission; are planned, awarded, and administered efficiently and effectively; and are accomplished in accordance with applicable Federal statutes and procurement regulations." NRC acquisitions must adhere to the Federal Acquisition Regulation and the NRC Acquisition Regulation.

OBJECTIVE:

The objective of this audit is to determine the efficiency and effectiveness of the contract award process.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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.

Evaluation of NRC's Training and Development Program

DESCRIPTION AND JUSTIFICATION:

The NRC's policy is to provide training that improves employees' organizational performance in achieving the agency's mission and goals. The Office of Human Resources (HR) is responsible for planning and implementing agency-wide training and develops policies and programs designed to establish, maintain, and enhance regulatory, technical, professional, and leadership skills. Formal in-house training provided by HR combines all training developed and is sponsored by the Professional Development Center (PDC) in Bethesda, Maryland and the Technical Training Center (TTC) in Chattanooga, Tennessee. During FY 2006, the PDC and the TTC were expected to train approximately 7,000 and 1,650 students, respectively. In addition, NRC uses external training programs to augment the training provided in-house. The agency-wide cost of external training is not readily available.

The training program is challenged by a planned significant increase in staff. Specifically, the agency anticipates hiring approximately 400 new employees for FY 2006. By October 2008, the agency hopes to realize a "net gain" of 600 employees.

OBJECTIVE:

The objective of this evaluation is to determine the effectiveness of the agency's training and development program to meet current and future needs.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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 NRC's FY 2007 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 prior audit findings. The report on the audit of the agency's financial statements is due on November 15, 2007. In addition, the OIG will issue reports on:

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

OBJECTIVES:

The objectives of this audit are to:

- Express opinions on the agency's financial statements and internal controls,
- Review compliance with applicable laws and regulations,
- Review the performance measures included in the agency's Performance and Accountability Report as required by OMB guidance,
- Review the controls in the NRC's computer systems that are significant to the financial statements, and
- Assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, *Management's Responsibility for Internal Control*.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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.

Evaluation of NRC's Most Serious Management and Performance 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 Inspectors General 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."

OBJECTIVES:

The objectives of this evaluation are to:

- Assess the agency's efforts to address the management and performance challenges, and
- Identify any related agency programs that have had questionable success in achieving results.

SCHEDULE:

Initiate in the 3rd quarter of FY 2007.

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.

APPENDIX D

INVESTIGATIONS PRIORITIES, OBJECTIVES, AND INITIATIVES FOR FY 2007

INTRODUCTION

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 2007 in conjunction with the OIG Strategic Plan and the President's Management Agenda for Improving Government Performance. The most serious management and performance challenges facing the NRC as identified by the Inspector General were also considered in the development of this plan.

PRIORITIES

The OIG will conduct approximately 80 investigations and event/special inquiries in FY 2007. 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

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.

Safety and Security

- Investigate situations where NRC employees improperly disclosed allegers' (mainly licensee employees) identities and allegations, NRC employees improperly handled alleger 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.

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 Issue Area Monitors in an effort to identify areas or programs with indicators of possible fraud, waste, and abuse.

- Conduct fraud awareness and information presentations regarding the role of the NRC OIG to NRC employees.

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 staff within the Office of Information Services 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

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

Case Management and Information Systems – Investigations has implemented a commercial-off-the-shelf software application to support its business processes. The application provides secure, easy-to-use access to investigative data for staff and managers.

ALLOCATION OF RESOURCES

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.

APPENDIX E

LISTING OF ISSUE AREAS AND DESIGNATED ISSUE AREA MONITORS

ISSUE AREAS AND DESIGNATED ISSUE AREA MONITORS

NUCLEAR SAFETY

NUCLEAR REACTOR SAFETY

Michael Cash
Catherine Colleli
Anthony Lipuma

NUCLEAR MATERIALS SAFETY AND SAFEGUARDS

Andrea Ferkile
Sherri Miotla
Rebecca Underhill

NUCLEAR WASTE SAFETY

James McGaughey
RK Wild

SECURITY AND INFORMATION TECHNOLOGY

INFORMATION MANAGEMENT AND SECURITY

Vicki Foster
Judy Gordon
Paul Rades
Beth Serepca
Jaclyn Storch

NUCLEAR SECURITY

Shyrl Coker
David Ditto
Beth Serepca

CORPORATE MANAGEMENT

FINANCIAL AND ADMINISTRATIVE

Terri Cooper
Debra Lipkey
Kathleen Stetson
Robert Woodward
Steven Zane

CONTRACTS AND PROCUREMENT

Terri Cooper
Kathleen Stetson
Steven Zane

HUMAN RESOURCES

Michael Steinberg

INTERNATIONAL PROGRAMS

Christopher Lange

APPENDIX F

LISTING OF ABBREVIATIONS AND ACRONYMS

ABBREVIATIONS AND ACRONYMS

ACNW	Advisory Committee on Nuclear Waste
ACRS	Advisory Committee on Reactor Safeguards
ADRO	Associate Director for Operating Reactor Oversight and Licensing
AID	Agency for International Development
AIGI	Assistant Inspector General for Investigations
COOP	continuity of operations
DCAA	Defense Contract Audit Agency
DC	Division of Contracts
DFS	Division of Facilities and Securities
DOJ	Department of Justice
EP	emergency preparedness
FACA	Federal Advisory Committee Act
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
FFRDC	Federally Funded Research and Development Center
FISMA	Federal Information Security Management Act
FSA	Freedom Support Act
FTE	full-time equivalent
FY	fiscal year
HQ	headquarters
HR	Office of Human Resources
HSPD	Homeland Security Presidential Directive
IAM	Issue Area Monitor
IG	Inspector General
NMED	Nuclear Material Events Database
NRC	U.S. Nuclear Regulatory Commission
NSIR	Office of Nuclear Security and Incident Response
OIG	Office of the Inspector General
OIS	Office of Information Services
OMB	Office of Management and Budget

PASS	Property and Supply System
PDC	Professional Development Center
PI	performance indicator
ROP	Reactor Oversight Program
SECY	Office of the Secretary of the Commission
SPMS	Space and Property Management System
SUNSI	sensitive unclassified non-safeguards information
SwRI	Southwest Research Institute
TTC	Technical Training Center