



# *Office of the Inspector General*

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*U. S. Nuclear Regulatory Commission*

*Annual Plan*

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*Fiscal Year 2008*

***Office of the Inspector General***  
***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) 2008 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 2008.

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

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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 2007), 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. Appropriate handling 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, specifically the potential for a nuclear renaissance.
5. Implementation of information technology.
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. 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 2008 is \$917 million with a staffing level of 3,535 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; 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 anticipating the licensing process for the high-level waste depository at Yucca Mountain and 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 2008 Annual Plan is linked with OIG's Strategic Plan for fiscal years 2007 - 2012. 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 2008. 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

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For FY 2008, 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<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.
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.
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 2007 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**

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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 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 2008. 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 2008, 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 and as funds permit.

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](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 O-5 E13  
11555 Rockville Pike  
Rockville, MD 20852-2738

## **DISTRIBUTION OF OIG RESOURCES**

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For FY 2008, the OIG requested an appropriation of \$8.144 million and 51 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 2008.

**NUCLEAR SAFETY AUDITS  
PLANNED FOR FY 2008**



## **Audit of NRC's Operating Experience Forums**

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### **DESCRIPTION AND JUSTIFICATION:**

Operating experience is a broad term that has evolved to describe NRC and licensee evaluation and use of operational safety data. NRC's systematic collection and evaluation of such data is an important part of its mission to protect public health and safety. Operating experience in this context includes a broad range of information about events and conditions at power plants. Lessons learned from evaluating operating experience provide a unique and valuable tool to (1) prevent recurrence of past safety-significant events and (2) identify and resolve new safety issues and, thereby, avoid more serious events in the future. Operating experience information is also important in evaluating the effectiveness of NRC's regulatory programs and for informing the public about NRC licensees' performance.

To meet this need, The *Reactor OpE* [Operating Experience] *Information Gateway* located on the Office of Nuclear Reactor Regulation's Intranet website, is intended to provide plant morning reports, notifications, inspection results, and issue area reviews. It also provides community forums for regulators to make "operating experience," "inspector," and "risk-informed" comments.

### **OBJECTIVE:**

The objective of this audit will be to determine the effectiveness of the forums in furthering the goals of using operating experience.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2008.

### **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 Agreement State Program**

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### **DESCRIPTION AND JUSTIFICATION:**

In accordance with section 274 of the Atomic Energy Act, NRC relinquished its authority to regulate certain byproduct material to 34 States. The States must first demonstrate that their regulatory programs are compatible with NRC's program and adequate to protect public health and safety. The 34 States, which have entered into an agreement assuming this regulatory authority from NRC, are called Agreement States.

NRC and the Agreement States are responsible for ensuring the adequate protection of public health and safety in the uses of Atomic Energy Act materials. Accordingly, NRC and Agreement State programs shall possess the requisite supporting legislative authority, implementing organization structure and procedures, and financial and human resources to effectively administer a radiation control program that ensures adequate protection of public health and safety.

NRC's policy is to evaluate the NRC regional materials programs and Agreement State radiation control programs in an integrated manner, using common and non-common performance indicators, to ensure that public health and safety is being adequately protected. As a result, NRC implemented the Integrated Materials Performance Evaluation Program to evaluate the regional materials and Agreement State Programs. Using IMPEP, under normal circumstances, NRC evaluates these programs every 4 years.

### **OBJECTIVES:**

This audit will assess NRC's oversight of the adequacy and effectiveness of Agreement State programs.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2008.

### **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 NRC's Reactor License Amendment Process**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC requires licensees to adhere to specific licensing requirements. Regulatory requirements related to the amendment of operating licenses, are contained in 10 CFR 50.90, "Application for amendment of license or construction permit." In the past, NRC processed and completed more than 1,700 license amendment requests annually. These requests may include changes that do not involve major changes or review of established NRC policies. However, other amendment requests may involve significant restructuring of technical specifications, changes that introduce significantly different analytical methodologies, or changes that are related to revising established NRC policies.

NRC expects to receive a significant number of new reactor combined license applications over the next several years, the first of which is expected in late 2007. Therefore, the number of license amendments could substantially increase. As such, it will be important that the agency have a comprehensive and reliable license amendment review process that clearly identifies responsibilities and authorities for reviewing license amendment requests.

### **OBJECTIVE:**

The objective of this audit will be to determine whether NRC's license amendment process is clear and comprehensive in order to accommodate an increased workload related to the expected nuclear renaissance.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2008.

### **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 Management of Licensee Commitments**

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### **DESCRIPTION AND JUSTIFICATION:**

Reactor and materials licensees make commitments to NRC to perform certain functions in order to gain NRC's approval on technical issues with regard to a licensing action. Commitments may or may not be legally binding requirements, depending on how they are developed and agreed-upon by NRC and the licensees. The type of commitment may dictate the enforcement options available to the NRC. There are widespread opinions amongst regulators as to whether commitments are enforceable, can be voluntarily withdrawn by the licensee, and are important for tracking.

### **OBJECTIVE:**

The objective of this audit will be to determine how NRC manages licensee commitments -- including tracking, auditing, trending, monitoring, and enforcing.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2008.

### **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 Quality Assurance Planning for New Reactors**

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### **DESCRIPTION AND JUSTIFICATION:**

Chapter 10, Part 50 of the Federal Code of Regulations (10 CFR 50) requires every applicant for a construction permit to include in its preliminary safety analysis report a description of the quality assurance program to be applied to the design, fabrication, construction, and testing of the structures, systems, and components of the facility. This quality assurance program includes the managerial and administrative controls to be used to assure safe operation. These requirements also apply to holders of combined licenses issued under 10 CFR 52.

As part of its regulatory responsibilities, NRC reviews and evaluates the description of the quality assurance program for the design and construction phases in each application for a construction permit, a manufacturing license, or a standardized design approval. Prior to docketing a construction permit application, the NRC performs a substantive review of the applicant's quality assurance program description relative to ongoing design and procurement activities. This review and an associated inspection is performed immediately after tendering of the application to determine that a satisfactory quality assurance program has been established and is being implemented.

### **OBJECTIVE:**

The objective of this audit will be to determine how NRC has identified and incorporated quality assurance lessons learned into their preparations for the next generation of nuclear plants.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2008.

### **STRATEGIC GOAL 1:**

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

## **Audit of NRC's Management of Authority Files**

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### **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. 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.

To effectively fulfill its assigned responsibilities, it is essential that ADRO keep authority files current and accurate.

### **OBJECTIVE:**

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

### **SCHEDULE:**

Initiate in the 4th quarter of FY 2008.

### **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 Vendor Inspection Program**

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### **DESCRIPTION AND JUSTIFICATION:**

Appendix B to 10 CFR 50 establishes quality assurance requirements for the design, construction, and operation of structures, systems, and components that prevent or mitigate the consequences of postulated accidents. Quality assurance comprises all activities necessary to provide adequate confidence that a structure, system, or component will perform satisfactorily in service. Among other things, these quality assurance activities include design, fabrication, purchasing, storing, testing and installation of components.

The NRC is responsible for ensuring that suppliers of nuclear safety-related structures, systems, and components engage in suitable quality assurance activities.

In order for the NRC to ensure that nuclear suppliers maintain adequate quality assurance programs, it is first necessary to know which suppliers are providing components to licensees, and then it is essential to perform inspections of their quality assurance programs.

### **OBJECTIVE:**

The objective of this audit will be to determine if NRC effectively oversees the quality assurance at nuclear suppliers.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2008.

### **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.

**SECURITY AUDITS  
PLANNED FOR FY 2008**



## **Audit of NRC's Continuity of Operations Plan**

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### **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:**

Initiated in the 2<sup>nd</sup> quarter of FY 2007, scheduled to be completed in the first quarter of 2008.

### **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 Oversight of Fitness for Duty for Security Guards at Nuclear Power Plants**

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### **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 fitness for duty program with emphasis on security guards at nuclear power plants.

### **SCHEDULE:**

Initiated in the 3rd quarter of FY 2007, scheduled to be completed in the 1st quarter of FY 2008.

### **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 National Source Tracking System Development**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC was required to establish a mandatory tracking system for radiation sources in the United States pursuant to the Energy Act of 2005. The Act requires the system to:

- (1) enable the identification of each radiation source by serial number or other unique identifier;
- (2) require reporting within 7 days of any change of possession of a radiation source;
- (3) require reporting within 24 hours of any loss of control of or accountability for, a radiation source; and
- (4) provide for reporting through a secure Internet connection.

Additionally, the system is designed to be a national, comprehensive resource that includes Category 1 and 2 sources held by NRC and Agreement State licensees and by the Department of Energy. As a result the National Source Tracking System (NSTS) is being developed for licensee reporting on sealed sources containing nuclear materials. The system will provide on-line tracking of individual sources throughout their entire life cycle.

### **OBJECTIVE:**

The objective is to assess the effectiveness of the system development for the National Source Tracking System and assess the delays being encountered.

### **SCHEDULE:**

Initiate in the 1st quarter of FY 2008.

### **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 Significant Delays in the NRC's Certification and Accreditation Process**

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### **DESCRIPTION AND JUSTIFICATION:**

In accordance with the Federal Information Security Management Act (FISMA) of 2002 and NRC guidance, NRC is required to complete periodic certification and accreditation of its major applications and general support systems. Certification requires a comprehensive evaluation of the managerial, operational, and technical security controls in an information system to determine the extent to which the controls are implemented correctly, operate as intended, and produce the desired outcomes with respect to meeting the security requirements for the system. Accreditation represents the decision of a senior agency official to authorize operation of an information system and to explicitly accept the risk to agency operations (including mission, functions, image, or reputation), agency assets, or individual, based on the implementation of an agreed-upon set of security controls.

OIG's FISMA evaluation for FY 2006 (OIG-06-A-26, Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act (FISMA) for Fiscal Year 2006), identified the following significant deficiency:

"Only 1 of the 30 operational NRC information systems has a current certification and accreditation, and only 4 of the 12 systems used or operated by a contractor or other organization on behalf of the agency have a current certification and accreditation. The certification and accreditation for the one agency system that was current during the evaluation expires in October 2006."

### **OBJECTIVE:**

The objective of this audit is to determine the cause of the significant delays in the certification and accreditation process.

### **SCHEDULE:**

Initiate in the 2nd quarter of FY 2008.

### **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 Response Data System**

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### **DESCRIPTION AND JUSTIFICATION:**

On September 29, 2006, NRC awarded a new information technology services contract to modernize the Emergency Response Data System (ERDS) over the next five years. ERDS is an information system that collects plant performance and environmental data for NRC and State emergency personnel to analyze during emergencies or drills. NRC is implementing the ERDS modernization project in two phases.

The project's first phase will upgrade all of the existing ERDS servers, communications equipment, data storage devices and client software physically located at headquarters, regions, the NRC technical training center and State emergency offices currently using ERDS. The system produced during this phase is expected to be fully operational no later than January 2008. The project's second phase will introduce a new communications network and system administrative and security features, and will require an extensive review and analysis by contractor support staff. NRC expects the second phase to be completed by January 2009.

### **OBJECTIVE:**

The objective of this audit is to determine if the first phase ERDS product meets operational requirements and provides for the security, availability, and integrity of the system's data.

### **Schedule:**

Initiate in the 3rd quarter of FY 2008.

### **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 2008 Evaluation of FISMA**

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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 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 2008, (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 2007 FISMA program review.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2008.

### **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 Security Measures for Special Nuclear Materials at Fuel Cycle Facilities**

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### **DESCRIPTION AND JUSTIFICATION:**

NMSS conducts safeguards technical and regulatory reviews of physical security at U.S. fuel cycle facilities. The program provides a routine level of inspection of the planning and emergency response activities for safeguards events. The inspection program verifies that licensees have conducted, in accordance with required procedures, (1) performance tests of the inventory item control program, (2) the ease with which material could be diverted without being observed, and (3) the degree of surveillance and containment provided by physical security.

NSIR manages the overall development and implementation of policies and programs for security at fuel cycle facilities. NSIR also manages contingency planning and emergency response activities for safeguards events at fuel cycle facilities and assesses fuel cycle facility event reports. Additionally, the staff provides inspection program oversight for fuel cycle security inspection program. With respect to Materials Control and Accountability (MC&A), the branch conducts safeguards technical and regulatory reviews of physical protection and MC&A programs and revised the MC&A Manual Chapter and Inspection procedures.

Over the past several years the responsibility for security inspections of fuel cycle facilities has been moved between NMSS and NSIR numerous times. Currently the MC&A Branch in NMSS and the Fuel Cycle Safeguards and Security (FCSS) Branch in NSIR share overlapping inspection responsibilities.

### **OBJECTIVE:**

The objective is to assess the effectiveness of the nuclear material inspection program to ensure the physical protection of the U.S. fuel cycle facilities.

### **SCHEDULE:**

Initiate in the 3rd quarter of FY 2008.

### **STRATEGIC GOAL 2:**

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

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

## **Audit of NRC's Implementation of HSPD-12, Phase 2**

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### **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 HSPD-12, PIV-II solution meets the required technical interoperability standards.

### **SCHEDULE:**

Initiate in the 4th quarter of FY 2008.

### **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 Laptop Management**

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### **DESCRIPTION AND JUSTIFICATION**

Laptops used at NRC are either (1) connected to the NRC local area network (LAN) or (2) used as standalone systems. Some of the standalone PCs and laptops are used to process safeguards and/or classified information. These are considered "listed systems." Laptops connected to the NRC LAN are protected by the LAN's security controls.

In 2005 there were approximately 4,100 PCs and laptops connected to the NRC LAN, and there was approximately 117 standalone PCs and laptops that are used to process safeguards and/or classified information. However, the number of standalone PCs and laptops that do not process safeguards and/or classified information is unknown, as these standalone PCs and laptops are not tracked in a central location.

A 2005 OIG report noted that security controls for standalone PCs and laptops that are not used to process safeguards and/or classified information are not adequate. Standalone PCs and laptops that are not used to process safeguards and/or classified information are not monitored for compliance with Executive Order 13103, Computer Software Piracy.

### **OBJECTIVE:**

The objectives of this audit are to evaluate the effectiveness of NRC's security policies for laptop computers including compliance with protecting personally identifiable information

### **SCHEDULE:**

Initiate in the 4th quarter of FY 2008.

### **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

**CORPORATE MANAGEMENT AUDITS  
PLANNED FOR FY 2008**

## **Audit of NRC's AID-Funded Activities**

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### **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 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, coordinating with other U.S. Governmental agencies involved with assistance activities, and coordinating 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:**

Initiated in the 3<sup>rd</sup> quarter of FY 2007; scheduled to be completed in the 2<sup>nd</sup> quarter of FY 2008.

### **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 2007 Financial Statements**

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### **DESCRIPTION AND JUSTIFICATION:**

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. 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,
- Implementation of the Federal Managers' Financial Integrity Act, and
- Condensed Financial Statements.

### **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 3<sup>rd</sup> quarter of FY 2007; scheduled to be completed in the 2<sup>nd</sup> quarter of FY 2008.

### **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 Accounting and Control over Time and Labor Reporting**

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### **DESCRIPTION AND JUSTIFICATION:**

Salaries and benefits for NRC's approximately 3,300 employees totaled \$424 million in FY 2006. Approximately 90 percent (\$382 million) of the salaries and benefits are recovered through billings to NRC licensees.

NRC's Time and Labor (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:**

Initiated in the 4<sup>th</sup> quarter of FY 2007; scheduled to be completed in the 2<sup>nd</sup> quarter of FY 2008.

### **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 Use of Re-employed Annuitants**

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### **DESCRIPTION AND JUSTIFICATION:**

In accordance with 5 CFR, Part 553, "Reemployment of Military and Civilian Retirees to Meet Exceptional Employment Needs," NRC has discretion to re-employ retirees to meet "exceptional employment needs." This practice enables the agency to take advantage of experienced, skilled individuals who are willing to provide their services even after retiring. Re-employed annuitants often are employees who work either temporarily or intermittently with their salaries offset by their retirement annuity under 5 U.S.C. 8344 or 5 U.S.C. 8468.

The Energy Policy Act of 2005, amended the Atomic Energy Act of 1954 by eliminating the pension offset for certain rehired Federal retirees by stating that the Commission may waive the application of section 8344 or 8468 of title 5 U.S.C., on a case-by-case basis, for employment of an annuitant—when there is exceptional difficulty in recruiting or retaining a qualified employee or when a temporary emergency hiring need exists.

As of July 2007, NRC retained approximately 95 re-employed annuitants (most listed as consultants) with a salary of approximately \$1.3 million for the 3 month period ending June 30, 2007. Of the 95 re-employed annuitants, about 86 of them (91 percent) did not have their salaries offset by their retirement annuity.

### **OBJECTIVES:**

The objectives of this audit will be:

- to determine NRC's compliance with relevant laws, regulations, and OPM guidance/criteria; and
- to ascertain how NRC uses re-employed annuitants to accomplish the agency's mission.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2008.

### **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**

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### **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 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. By October 2008, the agency hopes to realize a "net gain" of 600 employees.

### **OBJECTIVE:**

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

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2008.

### **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 2008 Financial Statements**

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### **DESCRIPTION AND JUSTIFICATION:**

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. 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, 2008. 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, and
- Condensed Financial Statements.

### **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 2<sup>nd</sup> quarter of FY 2008.

### **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 Contract Award Process**

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### **DESCRIPTION AND JUSTIFICATION:**

The Division of Contracts completed 2,062 procurement actions valued at \$134 million and 1,275 procurement actions valued at \$66.8 million during FY 2006 and fiscal year-to-date (October 1, 2006 through July 2, 2007), 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 will be to determine the efficiency and effectiveness of the contract award process.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2008.

### **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**

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### **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 2008 budget request is for approximately \$917 million and 3,535 full-time equivalents.

### **OBJECTIVE:**

The objectives of this audit are to determine whether (1) 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; and (2) opportunities exist to improve the budget execution process.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2008.

### **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**

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### **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, Inspectors General (IG) summarize the most serious management and performance challenges facing their agencies. Additionally, the Act provides that IGs assess their respective agency's efforts to address the challenges, compare and contrast the new management challenges listing with previous listings, and identify programs and performance areas that "have had questionable success in achieving results."

### **OBJECTIVES:**

The objectives of this evaluation will be 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 3<sup>rd</sup> quarter of FY 2008.

### **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 2008**

## **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 2008 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**

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The OIG will initiate 80 investigations and event/special inquiries in FY 2008. 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.

### **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 alleged, 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 AIGs, 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**

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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.



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## **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**

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

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### **NUCLEAR SAFETY**

#### **NUCLEAR REACTOR SAFETY**

Catherine Colleli  
Dan Livermore  
Eric Rivera

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

Andrea Ferkile  
Dan Livermore  
Sherri Miotla

#### **NUCLEAR WASTE SAFETY**

David Ditto  
Dan Livermore  
RK Wild

### **SECURITY AND INFORMATION TECHNOLOGY**

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

Paul Rades  
Beth Serepca  
Jaclyn Storch

#### **NUCLEAR SECURITY**

Shyrl Coker  
James McGaughey  
Beth Serepca

### **CORPORATE MANAGEMENT**

#### **FINANCIAL AND ADMINISTRATIVE**

Terri Cooper  
Vicki Foster  
Michael Steinberg  
Kathleen Stetson  
Steven Zane

**CONTRACTS AND PROCUREMENT**

Terri Cooper  
Kathleen Stetson  
Rebecca Underhill  
Steven Zane

**HUMAN RESOURCES**

VICKI FOSTER

**INTERNATIONAL PROGRAMS**

Robert Woodward

**LISTING OF ABBREVIATIONS  
AND ACRONYMS**

**ABBREVIATIONS AND ACRONYMS**

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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

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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