

## OFFICE OF THE INSPECTOR GENERAL

The American people expect excellence and accountability from their Government. To that end, the U.S. Congress passed the Inspector General (IG) Act in 1978 to ensure integrity and efficiency in the Federal Government and its programs. In accordance with the 1988 amendment of the act, U.S. Nuclear Regulatory Commission's (NRC's) Office of the Inspector General (OIG) was established as a statutory entity on April 15, 1989.

OIG's mission is to (1) independently and objectively conduct and supervise audits and investigations related to NRC programs and operations, (2) prevent and detect fraud, waste, and abuse, and (3) promote economy, efficiency, and effectiveness in NRC programs and operations. In addition, OIG reviews existing and proposed regulations, legislation, and directives and provides comments, as appropriate, on identified significant concerns. The Inspector General also keeps the NRC Chairman and members of Congress fully and currently informed about problems, makes recommendations to the agency for corrective actions, and monitors the NRC's progress in carrying out such actions.

The OIG Strategic Plan identifies the strategic challenges facing the NRC. The OIG strategic plan is generally aligned with the agency's goals and focuses on agency programs and operations that involve the major challenges and risk areas for the NRC. OIG's Strategic Plan features three goals which guide the activities of its audit and investigative programs:

### OIG Strategic Goals

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

OIG's fiscal year (FY) 2009 budget and performance plan supports the implementation of the OIG's strategic plan and the associated goals and strategies.

**OFFICE OF THE INSPECTOR GENERAL**

**BUDGET OVERVIEW**

Summary	FY 2007		FY 2008 Enacted		FY 2009			
					Request		Change from FY 2008	
	\$M	FTE	\$M	FTE	\$M	FTE	\$M	FTE
<b>Budget Authority by Program</b>								
Program Support	\$1.305	49	\$1.075	51	\$1.194	51	\$ .119	0
Program Salaries & Benefits	7.055		7.669		7.850		.181	
<b>Total<sup>1</sup></b>	<b>\$8.360</b>	<b>49</b>	<b>\$8.744</b>	<b>51</b>	<b>\$9.044</b>	<b>51</b>	<b>\$ .300</b>	<b>0</b>

<sup>1</sup>Numbers may not add due to rounding.

OIG is requesting a FY 2009 budget of \$9.044 million including 51 full-time equivalents (FTE). This request reflects a \$300,000 increase over the FY 2008 enacted level. The submission includes a salaries and benefits increase of \$181,000, which represents increased personnel costs in salaries and benefits due to the Federal pay raise and other increases in base pay and benefits necessary to sustain existing staff. In addition, the submission also reflects an increase in contract support and travel funds of \$119,000. This increase includes funding to acquire essential contract services to conduct statutorily mandated audits.

The requested resources will enable OIG to accomplish its strategic goals, thereby assisting NRC in protecting public health and safety and the Nation's common defense and security, by ensuring integrity, efficiency, and accountability in agency programs that regulate the civilian use of byproduct, source, and special nuclear materials.

Further, in accordance with Office of Management and Budget (OMB) requirements, OIG is showing the full cost associated with its programs for the FY 2009 budget with the following caveat. As a result of an October 1989 memorandum of understanding between NRC's Chief Financial Officer and the Inspector General and a subsequent amendment in March 1991, OIG no longer requests that funding for some OIG management and support services be included in the OIG appropriation. It was agreed that funds for OIG infrastructure requirements and other agency support services would instead be included in NRC's main appropriation. For the most part, these costs are not readily severable. Thus, this funding continues to be included in NRC's main appropriation.

## **OFFICE OF THE INSPECTOR GENERAL**

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### **Selected FY 2007 Accomplishments**

The following sections discuss examples of the work performed in FY 2007 by the OIG audit and investigative programs.

#### ***Audits***

In FY 2007, OIG issued 20 audit reports pertaining to NRC programs and operations. These audits either evaluated high-risk agency programs or complied with mandatory financial and computer security-related legislation. The following are examples of recent work.

***Audit of the Nuclear Power Plant License Renewal Program:*** NRC regulations limit the term of an initial nuclear reactor operating license to 40 years; however, the regulations also allow a license to be renewed for an additional 20 years.

The objective of this audit was to determine the effectiveness of NRC's license renewal safety reviews.

#### **AUDIT RESULTS:**

Overall, NRC has developed a comprehensive license renewal process to evaluate applications for extended periods of operation. However, OIG identified the following areas where improvements would enhance program operations:

- license renewal reporting efforts,
- removing licensee documents from audit sites,
- evaluating licensee operating experience,
- planning for post-renewal inspections, and
- evaluating license renewal issues for backfit application.

Addressing these issues would improve NRC's ability to support its license renewal application decision making process and improve transparency of its reviews to the public and licensees, thereby increasing public confidence.

***Summary Report and Perspectives on Byproduct Material Security and Control:*** The events of September 11, 2001, made it clear that terrorists have the patience and ability to plan and conduct devastating attacks in the U.S. After September 11, NRC acted immediately to begin addressing physical security in the byproduct material program. This included conducting security assessments for a sample of various types of material licensees. NRC also has some ongoing efforts that are intended to improve material security.

## OFFICE OF THE INSPECTOR GENERAL

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The objective of this report was to discuss whether NRC has adequately adapted its approach to byproduct material security in the post-September 11 era in accordance with the expectations of congressional and executive policymakers and the American people.

### AUDIT RESULTS:

While NRC has implemented or planned a variety of measures to regulate and provide for the security of byproduct material in the post-September 11 era, the agency, in its approach to byproduct material security, has not adequately identified and evaluated byproduct material security risks. Specifically, NRC has not conducted an impartial and comprehensive review of its own business and regulatory processes. Such an assessment should include examination of the management, operational and technical security controls and the extent to which these controls are (1) implemented correctly, (2) operating as intended, and (3) producing the desired outcome with respect to mitigating security vulnerabilities. Without such an assessment the agency is not aware of weaknesses and vulnerabilities in its byproduct material security program. Furthermore, NRC's approach has resulted in agency policies and practices that do not consider the full range of potential consequences of a radiological dispersal device ("dirty bomb").

***Audit of NRC's Badge Access System:*** The NRC uses an automated badging and card reader system to control access within NRC's headquarters, regional offices, and the Technical Training Center (TTC). NRC refers to its system as the Access Control and Computer Enhanced Security System/Photo Identification Computer System (ACCESS).

The objective of this audit was to determine whether the current badge access system meets its required operational capabilities and provides for the security, availability, and integrity of the system data.

### AUDIT RESULTS:

NRC's badge access system is capable of providing effective support for NRC's physical security program. However, specific cost-effective actions are needed to enhance this legacy system's usage at NRC until a replacement system is implemented. OIG identified the following shortcomings with regard to ACCESS and related badge accountability processes:

- Weaknesses exist concerning system user access,
- The system contains inaccurate data,
- Badge accountability measures are inadequate,
- System documentation is incomplete or missing, and
- TTC lacks a backup power supply for ACCESS.

These problems exist because concerns about ACCESS are overshadowed by the agency's plan to replace the system as part of its Homeland Security Presidential Directive -12 (HSPD-12)

## **OFFICE OF THE INSPECTOR GENERAL**

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solution. Left unaddressed, these weaknesses undermine the effectiveness of NRC's physical security approach to control access into and within NRC facilities.

***Audit of Non-Capitalized Property:*** NRC has an established property management program to account for and control non-capitalized property, i.e., property with an initial acquisition cost of at least \$500, but less than \$50,000. Non-capitalized property also includes sensitive items, such as firearms, with an acquisition cost of less than \$500.

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

### **AUDIT RESULTS:**

It is NRC's policy to manage and use property and supplies in its possession or its contractors' possession effectively and efficiently and to provide sufficient controls to deter or eliminate loss through fraud, waste, or misuse; however, the program, as implemented, needs improvement. NRC's property management program lacks adequate controls to assure that:

- Space and Property Management System records are accurate,
- Staff alert NRC's Office of Information Services when information technology (IT) equipment capable of storing personally identifiable information is missing,
- Employees and contractors exercise due care to physically secure rooms containing expensive equipment important to the continuity of NRC operations, and
- OIG Assistant Inspector General for Investigations is appropriately notified of missing property.

In light of NRC's imminent growth in FTEs and anticipated office relocations, it is increasingly important that NRC maintain effective and efficient accounting and control over non-capitalized property. Therefore, now is an opportune time for NRC management to increase accountability for, and improve control of, the property management program. An effective and efficient property management program is essential to assure that staff has the property needed to carry out their duties and assure optimum utilization of staff time, property, and fiscal resources.

### ***Investigations***

In FY 2007, OIG completed 42 investigations and Event Inquiries. These investigative efforts focused on violations of law or misconduct by NRC employees and contractors and allegations of irregularities or inadequacies in NRC programs and operations. The following are examples of recent work:

## **OFFICE OF THE INSPECTOR GENERAL**

***Security of Sensitive NRC Material Located at Former Local Public Document Room Libraries:*** OIG completed an investigation into concerns regarding the availability of sensitive NRC documents contained in microfiche files in public libraries across the nation. This issue was raised after a public interest group purchased from a community college a microfiche collection of NRC documents, which included sensitive documents. The community college had obtained the microfiche collection from a public library.

In April 1971, NRC implemented a Local Public Document Room (LPDR) program, which established document collections in libraries that were primarily located near commercial nuclear power plants. In July 1990, NRC replaced hard copy documents with a microfiche collection of all publicly available NRC documents issued since January 1981. Currently, the microfiche collection contains approximately 2 million records that were issued to the public by NRC from approximately January 1981 to October 1999.

In November 1999, NRC transitioned to a new electronic recordkeeping system, the Agencywide Documents Access and Management System (ADAMS). As a result of ADAMS, NRC stopped funding the LPDR program and informed LPDR libraries that the agency was relinquishing ownership of the microfiche collections. Libraries had the option of keeping their collections or returning them to the Government.

Following the events of September 11, 2001, NRC reviewed sensitive documents that were publicly available on the NRC Web site and on its public portion of ADAMS, the Publicly Available Records System (PARS). As a result, NRC removed from PARS approximately 1,200 documents generated after 1999 that were considered, from a post-September 11 perspective, to pose a security threat. At that time, NRC was also aware that the microfiche collection in the LPDRs contained a number of sensitive documents; however, a decision was made not to remove sensitive documents contained in the microfiche collections.

OIG found that the LPDR collections contain a number of documents that the NRC has, since September 11, 2001, re-classified as sensitive unclassified non-safeguards information (SUNSI) and removed from public access through ADAMS. However, the NRC staff has taken no action to remove these same documents from public access through the LPDR microfiche collections because, in their view, the documents have been widely available to the public and recent upgrades in nuclear power plant protective strategies make these aged documents of minimal value to an adversary. The staff's rationale for not controlling the documents in the LPDRs calls into question the legitimacy of continuing to classify these documents as sensitive.

OIG learned that NRC's inconsistent handling of documents considered sensitive has created concern among some public stakeholders. Specifically, while the NRC staff will not release documents deemed as sensitive to a private citizen, the staff has taken no action to restrict a citizen from obtaining the same documents from the former LPDRs. This inconsistency has created a perception that the NRC may be using the continued classification of a number of

## **OFFICE OF THE INSPECTOR GENERAL**

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documents as SUNSI merely to exclude the public from participation in NRC proceedings where these documents could be referenced.

***Adequacy of NRC Handling of Security Vulnerabilities at Three Nuclear Power Plants:*** OIG conducted three investigations into NRC staff's handling of security vulnerabilities at three nuclear power plants. In each instance, the adequacy of actions conducted by NRC staff in reviewing and addressing security related issues was questioned by a public interest group.

The first investigation concerned an allegation from North Carolina Waste Awareness and Reduction Network that there were pervasive uncorrected compromises of security at the Shearon Harris Nuclear Power Plant (Shearon Harris). Also, it was alleged that NRC was negligent in performing its regulatory oversight responsibilities because, over the past 6 years, security concerns at Shearon Harris that were reported to NRC had not been acted upon.

Between 1999 and 2005, three concerns regarding deficiencies with security doors had been reported to NRC. OIG found that NRC staff appropriately addressed these concerns. Additionally, in December 2005, 19 new security concerns were reported to NRC. NRC staff conducted an inspection and substantiated seven of the concerns; however it was determined that the seven concerns did not represent a degradation of plant security. The staff was unable to validate nine of the concerns, and the remaining three concerns were investigated by the NRC Office of Investigations.

The second investigation concerned allegations from the Project on Government Oversight (POGO) that it had seen a pattern of NRC regions being aware of security concerns at nuclear power plants but not informing NRC headquarters. As an example, POGO cited an incident wherein Region II was warned about a vehicle portal vulnerability at Sequoyah Nuclear Power Plant (Sequoyah) in March 2006. However, in June 2006, a crate containing 30 assault rifles, ordered by the facility, was delivered to the protected area and left unattended for 2 days. POGO alleged that Region II had taken no action in March 2006, which resulted in the June 2006 incident.

OIG learned that NRC staff reviewed and addressed the March 2006 concern through NRC's allegation process and that the March 2006 incident was not directly related to the June 2006 incident. OIG determined that in July 2006, an NRC baseline security inspection team learned of the June incident and immediately informed Region II and NRC headquarters. In August 2006, NRC conducted a special inspection to address the latest incident.

The third investigation was prompted by concerns from the Union of Concerned Scientists (UCS) that NRC staff had failed to adequately review issues raised by contractor guards at the South Texas Project Nuclear Power Plant (STP).

OIG learned that between December 2005 and March 2006 NRC Region IV had opened three separate files to address the numerous concerns reported by the guards. Many of the concerns

## **OFFICE OF THE INSPECTOR GENERAL**

were referred by Region IV to the licensee, and the Region evaluated the licensee's responses and corrective actions. Concerns related to potential licensee wrongdoing were referred to the NRC Office of Investigations, which conducted three investigations into these matters. OIG also learned that NRC staff conducted an additional review after receiving concerns from the STP contractor guards that were forwarded by UCS and a member of Congress in September 2006.

OIG learned that policies which severely restricted the public release of security-related information precluded effective communication between NRC and the guards regarding the resolution of their concerns. In February 2007, NRC staff recommended that the Commission allow more information to be provided in response to alleged concerns.

***Improper Release of Personally Identifiable Information:*** OIG completed an investigation into an improper release of Personally Identifiable Information (PII). PII is information that can be used to distinguish an individual's identity, such as their name in combination with their Social Security Number, date and place of birth, medical and employment history, and criminal record.

NRC licensees and contractors are required to undergo a criminal history check before they are permitted unescorted access to a nuclear power facility or access to safeguards information. NRC processes licensee requests through its Criminal History Program, which requires licensees to send fingerprints of employees or contractors via facsimile or a secure Web site. In turn, NRC may use the secure Web site or facsimile to transmit the results of the criminal history checks.

On August 28, 2006, an NRC staff member inadvertently sent 13 criminal history reports by facsimile to a private citizen in Richmond, Virginia. Six reports were supposed to be sent to a NRC nuclear power plant licensee in Virginia and seven reports to another nuclear power plant licensee in Texas.

Since 2003, Government agencies have been required to report any improper release of PII to the U.S. Computer Emergency Readiness Team (US-CERT), a component of the Department of Homeland Security. On October 18, 2006, NRC notified US-CERT of the PII release. Subsequently, NRC sent the appropriate non-disclosure and notification letters to the affected individuals.

OIG found that in addition to the August 28, 2006 inadvertent release, over the past 3 years NRC has occasionally sent criminal history reports to unintended recipients. OIG also found that other than the release on August 28, 2006, NRC did not send non-disclosure or notification letters to the affected individuals even though NRC staff were aware that criminal history reports had been released to people who had no need to know the information. Additionally, with the exception of the August incident, NRC did not contact US-CERT to report improper releases of PII contained in criminal history reports.

In addition, OIG found that when transmitting criminal history reports by facsimile to licensees, NRC staff did not typically contact the intended recipient to inform them that criminal history

**OFFICE OF THE INSPECTOR GENERAL**

reports would be sent or to follow up with the intended licensee to verify receipt of the facsimile. The lack of advance notice resulted in licensees not realizing that they had not received a facsimile intended for them, and the lack of follow up resulted in the NRC staff not being aware that results of a criminal history check had been missent by facsimile.

**BUDGET AUTHORITY AND FULL-TIME EQUIVALENTS BY PROGRAM**

Programs	FY 2007		FY 2008 Enacted		FY 2009			
					Request		Change from FY 2008	
	\$M	FTE	\$M	FTE	\$M	FTE	\$M	FTE
Audits	\$4.975	27	\$5.142	29	\$5.413	29	\$0.271	0
Investigations	3.385	22	3.602	22	3.631	22	0.029	0
<b>Total<sup>1</sup></b>	<b>\$8.360</b>	<b>49</b>	<b>\$8.744</b>	<b>51</b>	<b>\$9.044</b>	<b>51</b>	<b>\$0.300</b>	<b>0</b>

<sup>1</sup>Numbers may not add due to rounding.

**Justification of Program Requests**

The work to be performed by OIG during FY 2009 will be carried out through OIG’s two major programs, Audits and Investigations. In accordance with OMB requirements, OIG is providing the full cost of these programs for the FY 2009 budget. The FY 2009 budget identifies OIG’s management and operational support costs and distributes these costs to the audit and investigative programs as a portion of the full cost of these programs.

The following section presents program resource tables and descriptions of the requested resources, the associated efforts within each program, as well as the goals and measures for each program. The costs for management and operational support are included at the end of this chapter.

**AUDITS**

Program	FY 2007		FY 2008 Enacted		FY 2009			
					Request		Change from FY 2008	
	\$M	FTE	\$M	FTE	\$M	FTE	\$M	FTE
<b>Budget Authority by Program</b>								
Program Support	\$4.975	27	\$5.142	29	\$5.413	29	\$0.271	0
<b>Total<sup>1</sup></b>	<b>\$4.975</b>	<b>27</b>	<b>\$5.142</b>	<b>29</b>	<b>\$5.413</b>	<b>29</b>	<b>\$0.271</b>	<b>0</b>

<sup>1</sup>Numbers may not add due to rounding.

For FY 2009, OIG requests \$5.413 million and 29 FTE to carry out its audit program activities. With these resources, OIG will conduct approximately 20 to 22 audits and evaluations that will focus on agency programs involving the major management challenges and risk areas facing the NRC. This funding will sustain the existing program to identify opportunities for improvement in the agency and to conduct activities to prevent and detect fraud, waste, mismanagement, and inefficiencies in NRC programs and operations.

## **OFFICE OF THE INSPECTOR GENERAL**

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To fulfill its audit mission, OIG conducts performance, financial, and contract audits. Performance audits focus on NRC administrative and program operations and evaluate effectiveness and efficiency with which managerial responsibilities are carried out and whether the programs achieve intended results. Financial audits attest to the reasonableness of NRC's financial statements and evaluate financial programs. Contract audits evaluate the cost of goods and services procured by NRC from commercial enterprises. In addition, the audit staff prepares special evaluation reports that present OIG perspectives or information on specific topics. Specific audits will be identified in the FY 2009 Annual Plan that will be published by September 30, 2008.

### **FY 2008–FY 2009 Audit Performance Goals**

OIG audits planned for FY 2008–FY 2009 will link directly to the OIG Strategic Plan and its associated general goals and strategies. Each year, OIG develops a comprehensive annual audit plan that includes input from various elements of the NRC, Congress, other Federal agencies, the nuclear industry, and OIG staff. This plan also identifies the specific program areas and key priorities, strategies, and activities on which OIG audit resources will focus during the fiscal year. OIG plans audits to encourage efficiency, economy, and effectiveness in NRC's critical risk programs and operations; improve program activities at headquarters and regional offices; and respond to unplanned priority requests and emerging issues.

The requested resources for the audit program will support OIG efforts to focus on identifying risk areas and management challenges relating to the improvement of NRC's safety, security, and/or corporate management programs. To measure its success, the OIG audit program has established the following FY 2009 performance goals:

- Identify risk areas or management challenges relating to the improvement of NRC's safety programs for 80 percent of OIG audit products or activities undertaken involving these programs during the fiscal year.
- Identify risk areas or management challenges relating to the improvement of NRC's security programs for 80 percent of OIG audit products or activities undertaken involving these programs during the fiscal year.
- Identify risk areas or management challenges relating to NRC's corporate management programs for 80 percent of OIG audit products or activities undertaken involving these programs during the fiscal year.
- Have a high impact on improving NRC's safety, security, and/or corporate management programs for 70 percent of OIG audit products or activities completed during the fiscal year.
- Obtain agency agreement on at least 90 percent of OIG audit recommendations.

**OFFICE OF THE INSPECTOR GENERAL**

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- Obtain final agency action on an aggregate of 65 percent of OIG audit recommendations within 1 year.

**INVESTIGATIONS**

Program	FY 2007		FY 2008 Enacted		FY 2009			
					Request		Change from FY 2008	
	\$M	FTE	\$M	FTE	\$M	FTE	\$M	FTE
<b>Budget Authority by Program</b>								
Program Support	\$3.385	22	\$3.602	22	\$3.631	22	\$.029	0
<b>Total<sup>1</sup></b>	<b>\$3.385</b>	<b>22</b>	<b>\$3.602</b>	<b>22</b>	<b>\$3.631</b>	<b>22</b>	<b>\$.029</b>	<b>0</b>

<sup>1</sup>Numbers may not add due to rounding.

For FY 2009, OIG requests \$3.631million and 22 FTE to carry out its investigative program activities. With these resources, OIG will conduct 70–90 investigations and Event Inquiries covering a broad range of misconduct and mismanagement affecting various NRC programs. OIG will also continue its regional liaison activities to facilitate closer coordination between OIG and NRC’s regional offices. OIG will also continue to conduct fraud awareness briefings and participate in projects or task forces that strengthen agency operations. In addition, OIG will continue working with the NRC staff to increase their awareness of the vulnerabilities associated with computer intrusion involving unauthorized access to the agency’s operating systems.

Proactive investigations are also conducted when indications are raised concerning potentially systematic violations, such as theft of Government property or contract fraud. In addition, OIG periodically conducts Event Inquiries that identify staff actions that may have contributed to the occurrence of an event.

**FY 2008–FY 2009 Investigative Performance Goals**

The OIG investigative program for FY 2008 – FY 2009 will include investigative activities related to the integrity of the NRC’s programs and operations. OIG routinely receives and investigates allegations concerning violations of Federal laws and regulations, as well as allegations of mismanagement, waste, or staff misconduct that could adversely affect public health and safety. In addition, OIG routinely undertakes proactive investigations directed at particular areas of agency programs that have a high potential for fraud, waste, and abuse. On a priority basis, investigative program products and activities will be directed to address allegations in the safety, security, and corporate management mission-related areas articulated in the OIG Strategic Plan.

The requested resources for the investigative program will support OIG efforts to focus on identifying risk areas or management challenges relating to the improvement of NRC’s safety, security, and/or corporate management programs. To measure its success, the OIG investigative program has established the following FY 2009 performance goals:

## **OFFICE OF THE INSPECTOR GENERAL**

- Identify risk areas or management challenges relating to the improvement of NRC's safety programs for 85 percent of OIG investigations and activities undertaken involving these programs during the fiscal year.
- Identify risk areas or management challenges relating to the improvement of NRC's security programs for 90 percent of OIG investigations and activities undertaken involving these programs during the fiscal year.
- Identify risk areas or management challenges relating to the improvement of NRC's corporate management programs for 60 percent of OIG investigations and activities undertaken involving these programs during the fiscal year.
- Have a high impact on improving NRC's safety, security, and/or corporate management programs for 70 percent of OIG investigations or activities completed during the fiscal year.
- Obtain 90 percent agency action in response to OIG investigative reports provided to the agency.
- Obtain 70 percent acceptance by NRC's Office of the General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.

Following is a description of the linkage between OIG's Strategic Plan goals and its Performance Plan for FY 2008–FY 2009.

### **Linkage Between OIG's Strategic Plan Goals and OIG's Performance Plan for FY 2008 – FY 2009**

The OIG Strategic Plan and associated performance goals present a results-based business case and return-on-investment. The plan serves to strengthen OIG by establishing a shared set of expectations for OIG's stakeholders regarding the goals it expects to achieve and the strategies and actions that it will use to do so. OIG will adjust the plan as circumstances necessitate, use it to develop its annual plan and budget submission, report on progress in OIG's semiannual reports, and hold OIG managers and staff accountable for achieving the goals and outcomes.

OIG's strategic plan includes three strategic goals and six general goals with a number of supporting strategies and actions that describe planned accomplishments over the strategic planning period. Through associated annual planning activities, audit and investigative resources will focus on assessing NRC's safety, security, and corporate management programs involving the major challenges and risk areas facing the NRC in the given budget year. The work of OIG auditors and investigators is mutually supportive and complementary in the pursuit of these objectives.

## **OFFICE OF THE INSPECTOR GENERAL**

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Following is a discussion of how the three strategic goals and six general goals of the OIG Strategic Plan link with the FY 2008–FY 2009 Performance Plan. This includes a tie-in between the level of activity by the OIG in its audit and investigation functions and the strategies and actions related to the strategic and general goals. It also includes the performance goals for FY 2008 and FY 2009.

### **Goals and Strategies**

<b>STRATEGIC GOAL 1: Advance NRC’s Efforts to Enhance Safety and Protect the Environment.</b>
<b><u>General Goals</u></b>
1. <b>80% of OIG products and activities undertaken to accomplish Strategic Goal 1 will identify risk areas or management challenges related to enhancing safety.</b>
2. <b>70% of OIG products and activities undertaken to accomplish Strategic Goal 1 will have a high impact on improving safety.</b>

**Discussion:** NRC faces many safety challenges and an associated increasing workload concerning nuclear reactor oversight, the regulation of nuclear materials, and the handling of high-level waste.

A significant focus for NRC is ensuring the safe operation of the Nation’s operating nuclear power plants through an established oversight process developed to ensure that licensees identify and resolve safety issues before they affect safe plant operation.

In addition, NRC needs to address an increasing number of license amendment requests to increase the power generating capacity of specific commercial reactors; license renewal requests to extend reactor operations beyond originally set expiration dates; the introduction of new technology, such as new and advanced reactor designs; and the construction of new nuclear power plants.

In fulfilling its responsibilities to regulate nuclear materials, NRC must ensure that its regulatory activities regarding nuclear fuel cycle facilities and nuclear materials adequately protect public health and safety. NRC is especially reliant on the effectiveness of the Agreement States program in meeting these responsibilities. Additionally, NRC’s regulatory activities concerning nuclear materials must protect against radiological sabotage and theft or diversion of the materials. Licensing of new facilities (e.g., uranium enrichment and mixed oxide [MOX] fuel fabrication) pose additional challenges.

In the high-level waste area, NRC will face significant issues involving the licensing of the Yucca Mountain repository and the transportation of designated high-level waste from plants and facilities. Additional high-level waste issues include the interim storage of spent nuclear fuel both at and away from reactor sites, certification of storage and transport casks, and the oversight of the decommissioning of reactors and other nuclear sites. In response to these agency challenges, OIG is implementing the following strategies and actions over the 5-year strategic planning period:

## **OFFICE OF THE INSPECTOR GENERAL**

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

#### Actions:

- a. Assess the adequacy of NRC's implementation of licensing and other oversight activities with regard to the safe operation of existing nuclear reactors.
- b. Assess the extent to which NRC has integrated into the reactor oversight process its emergency preparedness and incident response obligations associated with a potential significant nuclear event or incident.
- c. Assess NRC's implementation of its risk-informed inspection process.
- d. Assess the impact that an increase in license renewal requests would have on the licensing process.
- e. Assess the effectiveness of the NRC regulatory process and related enforcement actions.
- f. Assess NRC's actions to address the potential risks associated with aging facilities and the introduction of new technology.
- g. Monitor NRC activities and gather stakeholder information to identify potential gaps in NRC regulatory oversight. Conduct, as appropriate, Event Inquiries when gaps are identified.

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

#### Actions:

- a. Assess NRC's implementation of programs for controlling, accounting for, tracking, and inspecting nuclear materials.
- b. Assess the extent to which NRC has integrated into the materials program its emergency preparedness and incident response obligations associated with a potential significant nuclear event or incident.
- c. Assess NRC activities concerning the licensing and oversight of fuel cycle facilities, including MOX fuel fabrication and the potential oversight of DOE non-weapons laboratories.
- d. Assess NRC's handling of low-level waste issues, including security, disposal, and coordination with Agreement States.
- e. Assess impact of the Agreement States program on the safety and security of materials and on NRC funding and regulatory activities.
- f. Review NRC and licensee reports and engage interested stakeholders to identify issues of concern in NRC oversight of nuclear material held by NRC licensees.
- g. Assess NRC's oversight of nuclear waste issues associated with the decommissioning and cleanup of nuclear reactor sites and other facilities.

## **OFFICE OF THE INSPECTOR GENERAL**

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

Actions:

- a. Assess NRC's regulatory activities involving the interim storage of high-level waste and spent fuel both at and away from reactor sites.
- b. Assess issues involving the review of a Yucca Mountain repository application, if received by NRC, and the transportation of designated high-level waste from plants and facilities.
- c. Assess the consequences of Yucca Mountain not being licensed or not being available as planned, including NRC's ability to respond to DOE and industry contingency plans.
- d. Closely monitor the Yucca Mountain license review process to ensure that there are no indications of process deviations and that the review is being conducted in a thorough and impartial manner.

<b>STRATEGIC GOAL 2: Enhance NRC's Efforts to Increase Security in Response to the Current Threat Environment.</b>
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<b><u>General Goals</u></b>
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| <ol style="list-style-type: none"><li>1. <b>85% of OIG products and activities undertaken to accomplish Strategic Goal 2 will identify risk areas or management challenges related to security.</b></li><li>2. <b>70% of OIG products and activities undertaken to accomplish Strategic Goal 2 will have a high impact on improving security.</b></li></ol> |
|---|

**Discussion:** Terrorist attacks have resulted in a sharpened focus on the security and protection of operating nuclear power plants and nuclear materials. NRC, in concert with other agencies, must continuously assess the risks faced by licensed activities, review existing security measures, and identify vulnerabilities. Similarly, continuous risk and vulnerability assessments must be conducted on NRC office facilities. Given this increased security focus, it is anticipated that NRC will expend considerable effort in developing responsive security plans and enhanced security capabilities.

NRC also faces new challenges in supporting U.S. international interests in the safe and secure use of nuclear materials and in nuclear nonproliferation. These challenges include improving controls on the export of nuclear materials and equipment and NRC's successful exercising of its international commitments.

In response to these agency challenges, OIG is implementing the following strategies and actions over the 5-year strategic planning period:

## **OFFICE OF THE INSPECTOR GENERAL**

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### **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.**

#### Actions:

- a. Assess the extent to which NRC has developed a comprehensive threat assessment with regard to nuclear power plants and nuclear materials and a process for keeping it up to date.
- b. Assess the adequacy of the process for developing existing regulations to respond to an evolving threat environment and the extent to which NRC is making appropriate regulatory adjustments.
- c. Assess NRC's coordination with other agencies.
- d. Assess NRC's acquisition of resources and expertise to meet its security responsibilities.
- e. Monitor the development of NRC requirements intended to enhance nuclear plant security.

### **Strategy 2-2: Identify risks associated with nonproliferation and make recommendations, as warranted, for addressing them.**

#### Actions:

- a. Assess NRC's efforts to improve controls on the export of nuclear materials or equipment.
- b. Assess NRC's responsibilities linked to established statutes, international treaties, conventions, and agreements of cooperation.

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

#### Actions:

- a. Assess the extent to which NRC has developed a comprehensive threat assessment for its facilities and personnel and a process for keeping it up to date.
- b. Assess the extent to which NRC has implemented physical and information security controls and procedures.
- c. Assess the effectiveness of NRC approaches for balancing physical and information security and public openness.
- d. Assess NRC steps in ensuring continuity of its operations in the event that a significant incident occurs.
- e. Assess other issues involving NRC security, including regional vulnerabilities and temporary facilities needed for Yucca Mountain hearings.
- f. Through proactive initiatives and reactive investigations, assist the NRC's Office of Information Services and NRC systems administrators in the protection of NRC information technology infrastructure against internal and external computer intrusions.

## **OFFICE OF THE INSPECTOR GENERAL**

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<b>STRATEGIC GOAL 3: Improve the Economy, Efficiency, and Effectiveness of NRC Corporate Management.</b>
<b>General Goals</b> <ol style="list-style-type: none"><li>1. <b>65% of OIG products and activities undertaken to accomplish Strategic Goal 3 will identify critical risk areas or management challenges related to corporate management.</b></li><li>2. <b>70% of OIG products and activities undertaken to accomplish Strategic Goal 3 will have a high impact on corporate management.</b></li></ol>

**Discussion:** NRC faces significant challenges to manage its resources efficiently, effectively, and economically. In the OIG’s assessment of the most serious management challenges facing the NRC, the office identified three specific challenges that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals:

- Implementation of information resources,
- Administration of all aspects of financial management, and
- Managing human capital.

These management challenges dovetail with the President’s Management Agenda, which NRC is striving to implement. The President’s Management Agenda is an aggressive strategy for improving the management and performance of the Federal Government. It focuses on apparent deficiencies where the Government could make improvements and the most progress in the following areas:

- Strategic management of human capital,
- Competitive sourcing,
- Improved financial performance,
- Expanded electronic government, and
- Budget and performance integration.

In response to these agency challenges, OIG is implementing the following strategies and actions over the 5-year strategic planning period:

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

#### Actions:

- a. Assess NRC strategies for addressing loss of knowledge, skills, and abilities through retirement and turnover and the impact of a diminishing “academic pipeline.”
- b. Assess NRC efforts to comply with OMB competitive sourcing requirements.
- c. Assess steps taken by NRC to improve its financial management practices, including the overall process and steps undertaken to implement cost accounting capabilities and integrate financial systems.
- d. Assess NRC efforts to embrace e-Government initiatives.

**OFFICE OF THE INSPECTOR GENERAL**

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- e. Assess NRC progress in integrating budget and performance.

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

Actions:

- a. Assess NRC property accountability and controls.
- b. Assess NRC facilities management operations.
- c. Assess NRC actions taken to address issues cited in the NRC safety culture and climate survey.
- d. Assess NRC IT issues, including the return-on-investment obtained from IT initiatives, integration of NRC technology and systems, and NRC procedures for IT life cycle management.
- e. Assess NRC acquisition and contracting controls and processes.
- f. Coordinate with NRC’s Office of the Chief Financial Officer and the Office of Information Services to identify any instances of misuse of NRC equipment and resources, such as computers, and travel and procurement credit cards.
- g. Reduce instances of employee criminal and administrative misconduct through investigations and proactive initiatives.
- h. Use proactive initiatives, in support of improved financial performance, to identify and investigate any instances of fraudulent payments associated with NRC programs.

**PERFORMANCE MEASURES**

<b>Strategic Goal 1: Advance NRC Efforts to Enhance Safety and Protect the Environment</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Measure 1. Percent of OIG products/activities<sup>15</sup> undertaken to identify risk areas or management challenges<sup>16</sup> relating to the improvement of NRC’s safety programs.</b>					
<b>Target</b>	80%	80%	80%	80%	80%
<b>Actual</b>	100%	100%	100%		
<b>Measure 2. Percent of OIG products/activities that have a high impact<sup>17</sup> on improving NRC’s safety program.</b>					
<b>Target</b>	70%	70%	70%	70%	70%
<b>Actual</b>	100%	100%	100%		
<b>Measure 3. Number of audit recommendations agreed to by agency.</b>					
<b>Target</b>	90%	90%	90%	90%	90%
<b>Actual</b>	100%	81% <sup>18</sup>	100%		
<b>Measure 4. Final agency action within 1 year on audit recommendations.</b>					
<b>Target</b>	50%	50%	50%	50%	50%
<b>Actual</b>	35% <sup>19</sup>	63%	36% <sup>20</sup>		
<b>Measure 5. Agency action in response to investigative reports.</b>					
<b>Target</b>	90%	90%	90%	90%	90%
<b>Actual</b>	100%	100%	100%		

**OFFICE OF THE INSPECTOR GENERAL**

<b>Strategic Goal 2: Enhance NRC's Efforts to Increase Security in Response to the Current Threat Environment</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Measure 1. Percent of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's security programs.</b>					
<b>Target</b>	85%	85%	85%	85%	85%
<b>Actual</b>	100%	100%	100%		
<b>Measure 2. Percent of OIG products/activities that have a high impact on improving NRC's security program.</b>					
<b>Target</b>	70%	70%	70%	70%	70%
<b>Actual</b>	100%	100%	100%		
<b>Measure 3. Number of audit recommendations agreed to by agency.</b>					
<b>Target</b>	90%	90%	90%	90%	90%
<b>Actual</b>	100%	100%	100%		
<b>Measure 4. Final agency action within 1 year on audit recommendations.</b>					
<b>Target</b>	65%	65%	65%	65%	65%
<b>Actual</b>	60% <sup>21</sup>	25% <sup>22</sup>	61% <sup>23</sup>		
<b>Measure 5. Agency action in response to investigative reports.</b>					
<b>Target</b>	90%	90%	90%	90%	90%
<b>Actual</b>	100%	100%	100%		

<b>Strategic Goal 3: Improve the Economy, Efficiency, and Effectiveness of NRC Corporate Management</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Measure 1. Percent of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's corporate management program.</b>					
<b>Target</b>	65%	65%	65%	65%	65%
<b>Actual</b>	100%	99%	100%		
<b>Measure 2. Percent of OIG products/activities that have a high impact on improving NRC's corporate management program.</b>					
<b>Target</b>	70%	70%	70%	70%	70%
<b>Actual</b>	85.7%	96%	100%		
<b>Measure 3. Number of audit recommendations agreed to by agency.</b>					
<b>Target</b>	90%	90%	90%	90%	90%
<b>Actual</b>	100%	100%	100%		
<b>Measure 4. Final agency action within 1 year on audit recommendations.</b>					
<b>Target</b>	65%	65%	65%	65%	65%
<b>Actual</b>	85%	60% <sup>24</sup>	85%		
<b>Measure 5. Agency action in response to investigative reports.</b>					
<b>Target</b>	90%	90%	90%	90%	90%
<b>Actual</b>	100%	100%	100%		
<b>Measure 6. Acceptance by NRC's Office of the General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.</b>					
<b>Target</b>	70%	70%	70%	70%	70%
<b>Actual</b>	100%	100%	No Referrals		

## **OFFICE OF THE INSPECTOR GENERAL**

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### **Verification and Validation of Measured Values and Performance**

OIG uses an automated management information system (MIS) to capture program performance data for audits and investigations. The integrity of the MIS was thoroughly tested and validated prior to implementation. Reports generated by the system provide both detailed information and summary data. Beginning with FY 2006, both the audit and investigative program statistics were fully integrated into the new system and was used to compile its statistical performance data. All system data are deemed reliable.

### **Crosscutting Functions With Other Government Agencies**

The NRC's OIG has a crosscutting function relating to its investigatory case referrals to the Department of Justice and other State and local law enforcement entities.

#### **FY 2009 Office of the Inspector General Budget Resources Linked to Strategic and General Goals**

The following table depicts the relationship of the Inspector General program and associated resource requirements to its strategic and general goals.

<b>Program Links to Strategic and General Goals (\$K)</b>	<b>OIG Strategic and General Goals</b>		
	<b>Advance NRC's Safety Efforts (\$K)</b>	<b>Enhance NRC's Security Efforts (\$K)</b>	<b>Improve NRC's Corporate Management (\$K)</b>
<b>FY 2009 Programs (\$9,044; 51 FTE)</b>			
<b>Audits (5,413; 29 FTE)</b>	\$1,652 10.0 FTE	\$1,133 6.5 FTE	\$2,628 12.5 FTE
<b>Investigations (3,631; 22 FTE)</b>	\$1,429 9.0 FTE	\$589 3.0 FTE	\$1,613 10 FTE

Following is a discussion of the OIG Management and Operational Support activities.

### **Management and Operational Support**

The Inspector General's Management and Operational Support staff consists of senior executive managers, the general counsel, and an administrative support staff. OIG's senior executive managers will provide the continued vision, strategic direction, and guidance regarding the conduct and supervision of audits and investigations. Senior management will also ensure accountability regarding OIG's established goals and strategies and achievement of intended results. Further, senior management will ensure a diverse workforce with the proper focus on the President's Management Agenda.

In furtherance of OIG's mission to promote economy and efficiency, and to prevent fraud, waste, and abuse in agency programs and operations, OIG's general counsel, in coordination with

**OFFICE OF THE INSPECTOR GENERAL**

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cognizant OIG staff, will conduct analyses of existing and proposed legislation, regulations, directives, and policy issues. These objective analyses will result in timely written commentaries to the agency that prospectively identify and prevent potential problems.

The administrative support staff will support OIG programs by providing independent personnel services; information technology and information management support; financial management, policy and strategic planning support; training coordination; and the publication of the OIG’s Semiannual Report to Congress in accordance with the requirements of the IG Act.

To carry out the functions of this program in FY 2009, OIG estimates that its costs will be \$1,265,000, which includes salaries and benefits for eight FTE. The tables below provide a breakdown of the FY 2009 budget estimates for Management and Operational Support by program and a cost comparison by function.

**ALLOCATION OF SUPPORT COSTS TO OIG PROGRAMS**

Management and Operational Support Allocation by Program (\$K)	FY 2009	FY 2009	FY 2009
	FTE	Salaries and Benefits	Contract and Support
Audits	4	\$ 615	\$20
Investigations	4	615	15
<b>Total<sup>1</sup></b>	<b>8</b>	<b>\$1,230</b>	<b>\$35</b>

<sup>1</sup>Numbers may not add due to rounding.

**COMPARATIVE COSTS OF MANAGEMENT AND OPERATIONAL SUPPORT**

Summary	FY 2007	FY 2008 Enacted	FY 2009 Request <sup>25</sup>
<b>Budget Authority by Function (\$K)</b>			
Salaries and Benefits	\$1,117	\$1,208	\$1,230
Contract Support and Travel	168	117	35
<b>Total<sup>1</sup> Budget Authority</b>	<b>\$1,285</b>	<b>\$1,325</b>	<b>\$1,265</b>
FTE	8	8	8

<sup>1</sup>Numbers may not add due to rounding.

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