



Office of the Inspector General

# SEMIANNUAL REPORT TO CONGRESS



*October 1, 2011–March 31, 2012*

## **OIG VISION**

“We are agents of positive change striving for continuous improvement in our agency’s management and program operations.”

## **OIG MISSION**

NRC OIG’s mission is to (1) independently and objectively conduct and supervise audits and investigations relating to NRC’s programs and operations; (2) prevent and detect fraud, waste, and abuse; and (3) promote economy, efficiency, and effectiveness in NRC’s programs and operations.

### **COVER PHOTOS:**

Left: Pilgrim Nuclear Power Station  
Photo courtesy of Entergy Nuclear

Top Right: Indian Point Nuclear Generating plant  
Photo courtesy of Entergy Nuclear

Middle Right: Brunswick Steam Electric Plant  
Photo courtesy of Progress Energy

Bottom Right: Fort Calhoun Station  
Photo courtesy of Omaha Public Power District

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# A MESSAGE FROM THE INSPECTOR GENERAL



I am pleased to present this *Semiannual Report to Congress* on the activities and accomplishments of the U.S. Nuclear Regulatory Commission (NRC) Office of the Inspector General (OIG) from October 1, 2011, to March 31, 2012.

Our work reflects the legislative mandate of the Inspector General Act, which is to identify and prevent fraud, waste, and abuse through the conduct of audits and investigations relating to NRC programs and operations. The audits and investigations highlighted in this report reflect our commitment to ensuring integrity and efficiency in NRC's programs and operations.

During this reporting period, the NRC OIG continued its focus on critical NRC operations to include the agency use of Confirmatory Action Letters to supplement its enforcement program and the effectiveness of NRC's regulatory oversight of decommissioned uranium recovery sites. Working with the NRC timely to identify program areas warranting improvement will afford the agency the opportunity to take any necessary corrective action.

During this semiannual reporting period, we issued 11 audit reports. As a result of this work, OIG made a number of recommendations to improve the effective and efficient operation of NRC's safety, security, and corporate management programs. OIG also opened 30 investigations and completed 30 cases. Nine of the open cases were referred to the Department of Justice, and 17 allegations were referred to NRC management for action.

The NRC OIG remains committed to the integrity, efficiency, and effectiveness of NRC programs and operations, and our audits, investigations, and other activities highlighted in this report demonstrate this ongoing commitment. OIG efforts were recently recognized with the granting of two Awards for Excellence by the Council of the Inspectors General on Integrity and Efficiency. I commend the recipients of these awards for their noteworthy achievements in carrying out the mission of the Office of the Inspector General.

My office continuously strives to maintain the highest possible standards of professionalism and quality in its audits and investigations. I would like to acknowledge our auditors, investigators, and support staff for their superior work and ongoing commitment to the mission of this office.

Finally, the success of the NRC OIG would not be possible without the collaborative efforts between my staff and those of the agency to address OIG findings and to implement recommended corrective actions timely. I wish to thank them for their dedication and support, and I look forward to their continued cooperation as we work together to ensure the integrity and efficiency of agency operations.

A handwritten signature in black ink that reads "Hubert T. Bell". The signature is written in a cursive, flowing style.

Hubert T. Bell  
Inspector General



*Turkey Point nuclear power station. Photo courtesy of Florida Power & Light*

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# CONTENTS

<b>Highlights</b> . . . . .	v
Audits . . . . .	v
Investigations . . . . .	vii
<b>Overview of NRC and OIG</b> . . . . .	1
NRC's Mission . . . . .	1
OIG History, Mission, and Goals . . . . .	2
OIG History . . . . .	2
OIG Mission and Goals . . . . .	3
<b>OIG Programs and Activities</b> . . . . .	4
Audit Program . . . . .	4
Investigative Program. . . . .	5
OIG General Counsel Regulatory Review. . . . .	6
Regulatory Review . . . . .	6
Other OIG General Counsel Activities . . . . .	7
Other OIG Activities . . . . .	8
NRC OIG Receives CIGIE Awards for Excellence . . . . .	8
Special Feature Article: OIG Radiography Training. . . . .	12
<b>Management and Performance Challenges</b> . . . . .	13
<b>Audits</b> . . . . .	14
Audit Summaries . . . . .	14
Audits in Progress. . . . .	27
<b>Investigations</b> . . . . .	36
Investigative Case Summaries . . . . .	33
<b>Summary of OIG Accomplishments</b> . . . . .	43
Investigative Statistics. . . . .	43
Audit Listings. . . . .	45
Audit Resolution Activities . . . . .	47
<b>Abbreviations and Acronyms</b> . . . . .	50
<b>Reporting Requirements.</b> . . . . .	51
<b>Appendix.</b> . . . . .	52



*Oyster Creek nuclear power station. Photo courtesy of Exelon Nuclear*

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# HIGHLIGHTS

*The following two sections highlight selected audits and investigations completed during this reporting period. More detailed summaries appear in subsequent sections of this report.*

## AUDITS

- The Reports Consolidation Act of 2000 requires the Inspector General (IG) of each Federal agency to annually summarize what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges. In accordance with the Act, the IG at the U.S. Nuclear Regulatory Commission (NRC) updated what he considers to be the most serious management and performance challenges facing NRC. The IG considered the overall work of the Office of the Inspector General (OIG), the OIG staff's general knowledge of agency operations, and other relevant information to develop and update his list of management and performance challenges. In addition, OIG staff sought input from NRC's Chairman, Commissioners, and management to obtain their views on what challenges the agency is facing and what efforts the agency has taken or are underway or planned to address previously identified management and performance challenges.
- NRC's contract award process will continue to play an increasingly critical role as the NRC continues to carry out its regulatory responsibility to ensure that the Nation's 104 commercial nuclear power plants are operated in a safe and secure manner. NRC obligated approximately \$175M with 1,727 contract actions in 2009 and approximately \$211M with 2,705 contract actions in 2010. This evaluation was undertaken to assess the compliance of NRC's contract award process and to identify opportunities to improve both the efficiency and the performance of the NRC contracting process, as well as adequacy of internal controls over the process. The evaluation focused on new contract awards during fiscal years 2009 and 2010.
- The Chief Financial Officers Act of 1990, as amended, requires the Inspector General or an independent external auditor, as determined by the Inspector General, to annually audit NRC's financial statements to determine whether the agency's financial statements are free of material misstatement. The audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. In addition, the audit evaluated the effectiveness of internal controls over financial reporting and the agency's compliance with laws and regulations.
- On December 17, 2002, the President signed the E-Government Act of 2002, which included the Federal Information Security Management Act (FISMA) of 2002. FISMA outlines the information security management requirements for agencies, which include an annual independent evaluation of an agency's information security program and practices to determine their effectiveness.

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This evaluation must include testing the effectiveness of information security policies, procedures, and practices for a representative subset of the agency's information systems. FISMA requires the annual evaluation to be performed by the agency's Office of the Inspector General or by an independent external auditor. Office of Management and Budget (OMB) memorandum M-11-33, *FY 2011 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management*, dated September 14, 2011, requires OIGs to respond to OMB's annual FISMA reporting questions directed to OIGs via an automated collection tool. The evaluation objective was to perform an independent evaluation of the NRC's implementation of FISMA for FY 2011.

- NRC regulates uranium recovery operations. Through the 1980s, commercial uranium recovery mills operated in support of both a fledgling nuclear power industry and U.S. defense programs. The waste from the mills (uranium mill tailings) caused environmental contamination that the Federal Government continues to address. In 1978, Congress enacted the Uranium Mill Tailings Radiation Control Act (UMTRCA) to provide for the disposal, long-term stabilization, and control of uranium mill tailings in a safe and environmentally sound manner, to minimize or eliminate radiation health hazards to the public. UMTRCA defines two categories of uranium mill tailings sites (Title I and Title II) and assigns differing responsibilities to three Federal agencies (NRC, the Environmental Protection Agency, and the Department of Energy). NRC's responsibility is to ensure that decommissioning at both Title I and Title II sites meets the standards for protecting human health and the environment. The audit objective was to determine the effectiveness of NRC's regulatory oversight of decommissioned uranium recovery sites and sites undergoing decommissioning.
- NRC regulates commercial nuclear power plants and other civilian uses of nuclear materials, such as nuclear medicine, through licensing, inspection, and enforcement of its requirements. In carrying out its regulatory responsibilities, NRC uses administrative actions, such as Confirmatory Action Letters (CALs) to supplement the agency's enforcement program. CALs are "letters confirming a licensee's agreement to take certain actions to remove significant concerns about health and safety, safeguards, or the environment." NRC expects the recipient of a CAL to adhere to any obligations and commitments addressed in the letter. CALs do not establish legally binding commitments with the exception of a provision to report information to NRC. From January 1, 2000, to April 30, 2011, NRC issued approximately 195 CALs to different entities, including nuclear power plants, decommissioned reactors, research and test reactors, materials licensees, certificate of compliance holders, and non-licensees. The audit objective was to determine the effectiveness of NRC's utilization of CALs as a regulatory tool.

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- NRC’s baseline security inspection program is the agency’s primary means for ensuring that nuclear power plants across the United States are protected in accordance with Federal Government regulations. Specifically, the baseline security inspection program has six objectives. To meet these objectives, NRC conducts routine inspections at nuclear power plants that focus on specific issue areas such as access controls, protective strategy, security training, and safeguards information controls. The Significance Determination Process is the process by which NRC staff assess the risks and potential effects of inspection findings. The audit objective was to evaluate NRC’s management of the baseline security inspection program, including specific program features such as the Significance Determination Process.

## INVESTIGATIONS

- OIG conducted an investigation into an allegation that sensitive information concerning the outcome of a non-public Commission vote was leaked to the office of U.S. Senator Bernard Sanders (VT). The vote pertained to a “Statement of Interest” matter (i.e., pre-empted by Federal law) by the Department of Justice in a lawsuit filed by Entergy Nuclear against the State of Vermont.
- OIG conducted an investigation into an allegation from the NRC Division of Facilities and Security that an e-mail was sent from a “hotmail” account to the NRC Chairman’s Resource e-mail account containing harassing language that rises to the level of character defamation concerning the NRC Chairman.
- OIG completed an investigation based on an allegation from NRC Division of Contracts staff, that an NRC contractor had submitted questionable invoices to NRC for certain task orders on an information technology support contract. The questionable invoices contained overtime hours, which according to Division of Contracts staff, required preapproval by the NRC.
- OIG conducted an investigation into an allegation that NRC’s Region II Regional Administrator failed to protect public health and safety by not inspecting North Anna Nuclear Power Plant (North Anna), Unit 1 internals, after it was shut down due to an August 23, 2011, earthquake centered in Mineral, Virginia. In accordance with Management Directive 8.3, “NRC Incident Investigation Program,” NRC dispatched an Augmented Inspection Team to North Anna to better understand the event and the licensee’s response after the earthquake.
- OIG conducted an investigation based on an allegation that the principal investigator for a \$450,000 NRC education grant, awarded to the City College of New York (CCNY), to develop a Nuclear Thermal-Hydraulics and Safety Research program, and another CCNY professor utilized grant funding to travel internationally to attend conferences without prior authorization from NRC.

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- OIG conducted an investigation based on a referral from the NRC Division of Waste Management and Environmental Protection relating to a Title 10, Code of Federal Regulations , Section 2.206 petition filed by a resident of Hawaii. The allegor requested NRC take action against the U.S. Army for violating an NRC source material license. The allegor asserted that the U.S. Army potentially violated the law after its license expired in handling and disposing of depleted uranium for spotting rounds used for the Davy Crockett weapons system.
  - OIG conducted an investigation following notification from the NRC Computer Security Office into an allegation of a possible leak of NRC employees' Personally Identifiable Information through an e-mail sent from an Office of Personnel Management training provider that manages the NRC's learning management system.

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# OVERVIEW OF NRC AND OIG

## NRC'S MISSION

NRC was formed in 1975, in accordance with the Energy Reorganization Act of 1974, to regulate the various commercial and institutional uses of nuclear materials. The agency succeeded the Atomic Energy Commission, which previously had responsibility for both developing and regulating nuclear activities.

NRC's mission is to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. NRC's regulatory mission covers three main areas:

- **Reactors**—Commercial reactors that generate electric power and research and test reactors used for research, testing, and training.
- **Materials**—Uses of nuclear materials in medical, industrial, and academic settings and facilities that produce nuclear fuel.
- **Waste**—Transportation, storage, and disposal of nuclear materials and waste, and decommissioning of nuclear facilities from service.



Under its responsibility to protect public health and safety, NRC has three principal regulatory functions: (1) establish standards and regulations, (2) issue licenses for nuclear facilities and users of nuclear materials, and (3) inspect facilities and users of nuclear materials to ensure compliance with the requirements. These regulatory functions relate both to nuclear power plants and other uses of nuclear materials – like nuclear medicine programs at hospitals, academic activities at educational institutions, research, and such industrial applications as gauges and testing equipment.

NRC maintains a current Web site and a public document room at NRC headquarters in Rockville, Maryland; holds public hearings and public meetings in local areas and at NRC offices; and engages in discussions with individuals and organizations.

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# OIG HISTORY, MISSION, AND GOALS

## OIG History

In the 1970s, Government scandals, oil shortages, and stories of corruption covered by newspapers, television, and radio stations took a toll on the American public's faith in its Government. The U.S. Congress knew it had to take action to restore the public's trust. It had to increase oversight of Federal programs and operations. It had to create a mechanism to evaluate the effectiveness of Government programs. And, it had to provide an independent voice for economy, efficiency, and effectiveness within the Federal Government that would earn and maintain the trust of the American people.

In response, Congress passed the landmark legislation known as the Inspector General (IG) Act, which President Jimmy Carter signed into law in 1978. The IG Act created independent Inspectors General, who would protect the integrity of Government; improve program efficiency and effectiveness; prevent and detect fraud, waste, and abuse in Federal agencies; and keep agency heads, Congress, and the American people fully and currently informed of the findings of IG work.

Today, the IG concept is a proven success. IGs continue to deliver significant benefits to our Nation. Thanks to IG audits and investigations, billions of dollars have been returned to the Federal Government or have been better spent based on recommendations identified through those audits and investigations. IG investigations have also contributed to the prosecution of thousands of wrongdoers. In addition, IG concepts of good governance, accountability, and monetary recovery encourages foreign governments to seek advice from IGs, with the goal of replicating the basic IG principles in their own governments.

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## OIG Mission and Goals

NRC's OIG was established as a statutory entity on April 15, 1989, in accordance with the 1988 amendment to the IG Act. NRC OIG's mission is to (1) independently and objectively conduct and supervise audits and investigations relating 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.

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 effectively. To that end, OIG developed a *Strategic Plan*<sup>1</sup> that includes the major challenges and critical risk areas facing NRC.

The plan identifies the priorities of OIG and establishes a shared set of expectations regarding the goals OIG expects to achieve and the strategies that will be employed to do so. OIG's *Strategic Plan* features three goals, which generally align with NRC's mission and goals:

- 1. Strengthen NRC's efforts to protect public health and safety and the environment.**
- 2. Enhance NRC's efforts to increase security in response to an evolving threat environment.**
- 3. Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.**

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<sup>1</sup> OIG's current *Strategic Plan* covers the period FY 2008 through FY 2013.

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# OIG PROGRAMS AND ACTIVITIES

## AUDIT PROGRAM

The OIG Audit Program focuses on management and financial operations; economy or efficiency with which an organization, program, or function is managed; and whether the programs achieve intended results. OIG auditors assess the degree to which an organization complies with laws, regulations, and internal policies in carrying out programs, and they test program effectiveness as well as the accuracy and reliability of financial statements. The overall objective of an audit is to identify ways to enhance agency operations and promote greater economy and efficiency. Audits comprise four phases:

- **Survey phase**—An initial phase of the audit process is used to gather information, without detailed verification, on the agency’s organization, programs, activities, and functions. An assessment of vulnerable areas determines whether further review is needed.
- **Verification phase**—Detailed information is obtained to verify findings and support conclusions and recommendations.
- **Reporting phase**—The auditors present the information, findings, conclusions, and recommendations that are supported by the evidence gathered during the survey and verification phases. Exit conferences are held with management officials to obtain their views on issues in the draft audit report. Comments from the exit conferences are presented in the published audit report, as appropriate. Formal written comments are included in their entirety as an appendix in the published audit report.
- **Resolution phase**—Positive change results from the resolution process in which management takes action to improve operations based on the recommendations in the published audit report. Management actions are monitored until final action is taken on all recommendations. When management and OIG cannot agree on the actions needed to correct a problem identified in an audit report, the issue can be taken to the NRC Chairman for resolution.

Each September, OIG issues an *Annual Plan* that summarizes the audits planned for the coming Fiscal Year. Unanticipated high priority issues may arise that generate audits not listed in the *Annual Plan*. OIG audit staff continually monitor specific issues areas to strengthen OIG’s internal coordination and overall planning process. Under the OIG 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.

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## INVESTIGATIVE PROGRAM

OIG's responsibility for detecting and preventing fraud, waste, and abuse within NRC includes investigating possible violations of criminal statutes relating to NRC programs and activities, investigating misconduct by NRC employees, interfacing with the Department of Justice on OIG-related criminal matters, and coordinating investigations and other OIG initiatives with Federal, State, and local investigative agencies and other OIGs. Investigations 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 OIG initiatives directed at areas bearing a high potential for fraud, waste, and abuse.

Because NRC's mission is to protect the health and safety of the public, OIG's Investigative Program directs much of its resources and attention to investigations of alleged conduct by NRC staff that could adversely impact matters related to health and safety. These investigations may address allegations of:

- Misconduct by high-ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact public health and safety.
- Failure by NRC management to ensure that health and safety matters are appropriately addressed.
- Failure by NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.
- Conflicts of interest involving NRC employees and NRC contractors and licensees, including such matters as promises of future employment for favorable or inappropriate treatment and the acceptance of gratuities.
- Fraud in the NRC procurement program involving contractors violating Government contracting laws and rules.

OIG has also implemented a series of proactive initiatives designed to identify specific high-risk areas that are most vulnerable to fraud, waste, and abuse. A primary focus is electronic-related fraud in the business environment. OIG is committed to improving the security of this constantly changing electronic business environment by investigating unauthorized intrusions and computer-related fraud, and by conducting computer forensic examinations. Other proactive initiatives focus on determining instances of procurement fraud, theft of property, Government credit card abuse, and fraud in Federal programs.

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# OIG GENERAL COUNSEL REGULATORY REVIEW

## Regulatory Review

Pursuant to the Inspector General Act, Title 5, U.S. Code, Appendix 3, Section 4(a)(2), OIG reviews existing and proposed legislation, regulations, policy, and implementing Management Directives (MD), and makes recommendations to the agency concerning their impact on the economy and efficiency of agency programs and operations.

Regulatory review is intended to provide assistance and guidance to the agency prior to the concurrence process so as to avoid formal implementation of potentially flawed documents. The OIG does not concur or object to the agency actions reflected in the regulatory documents, but rather offers comments and requests responsive action within specified timeframes.

Comments provided in regulatory review reflect an objective analysis of the language of proposed agency statutes, directives, regulations, and policies resulting from OIG insights from audits, investigations, and historical data, along with experience with agency programs. The OIG review is structured to identify vulnerabilities and offer additional or alternative choices.

During this reporting period, OIG reviewed numerous agency documents, including Commission papers (SECYs), Staff Requirements Memoranda, Federal Register Notices, regulatory actions, and statutes.

To effectively track the agency's response to OIG regulatory review, comments to agency offices include a request for written replies within 90 days, with either a substantive reply or status of issues raised by OIG.

## *Telework Management Directive*

OIG reviewed the draft agency Management Directive and Directive Handbook on Telework. Significant review comments provided by OIG are summarized below:

- OIG suggested the addition of a description of the series of forms related to telework requests and approvals (e.g., Employee Request to Participate in the Telework Program; Evaluation of Employee Request to Participate in the Telework Program; Telework Program Participation Agreement; and the Telework Program Employee Self-Certification Safety Checklist), an identification of these forms at the end of the handbook to facilitate their reference, and a description of the telework process.
- OIG suggested that in order to further promote the advantages of telework and encourage its use, telework should be incorporated as a component of emergency planning and work life balance.

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- With regard to OIG's role, suggested changes were provided to reflect that OIG conducts audits and investigations related to the telework program, not only to promote economy, efficiency, and effectiveness, but also prevent and detect fraud, waste, abuse, and mismanagement.
  - OIG commented on functions related to information technology (IT) aspects of telecommuting and offered overall suggestions on clarifying office roles and responsibilities related to telework functions.
  - OIG recommended that the review requirement by the Office of Information Services (OIS) be revised to reflect that its review is to ensure employees have all necessary IT equipment at the alternative work site to complete their work and to review requests for agency laptops and agency-owned software. Further, OIG recommended clarification that the Computer Security Office (CSO) review is to ensure that participant access to and use of IT equipment meets agency computer security requirements.
  - Also, because the agency's Telework Managing Officer serves as an advisor to agency leadership and the Agency's Telework Coordinator administers the program, OIG suggested the directive be revised to provide that the Director, Office of Human Resources, and the Telework Managing Officer or Agency Telework Coordinator be notified of participants in the program.
  - To further define the responsibilities required of supervisors and managers, OIG suggested the directive state the full spectrum of their responsibilities.
  - OIG suggested the directive include guidance that employees are also permitted to work from home during emergency situations on days that they are not regularly scheduled to telework. Further, OIG suggested that in addition to an included identification of positions not eligible for fixed-schedule telework, positions that are excluded from project-based telework, if any, should be spelled out.

## Other OIG General Counsel Activities

### *Support of the IG Community in Training and Presentation*

The *Council of Counsels to Inspectors General*, a group of attorneys who serve as legal advisors in the Federal Inspector General community, in response to a request from the American Bar Association Administrative Law and Regulatory Practice Section Conference, made a panel presentation at the conference titled, "OIG 101." As part of a five-member panel, the NRC OIG General Counsel, Maryann Lawrence Grodin, addressed aspects of legal practice related to administrative law, including ethics and privacy issues, to more than 50 Government and private practice attorneys.

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## OTHER OIG ACTIVITIES

### NRC OIG Receives CIGIE Awards for Excellence

In 2011, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognized two OIG audit teams by awarding each the prestigious CIGIE Award for Excellence.



*Nuclear Power Plant Access Security Audit Team receives CIGIE Award for Excellence. Pictured left to right are Steven E. Zane, Deputy Assistant Inspector General for Audits; Andrea M. Ferkile, Senior Analyst; Stephen D. Dingbaum, Assistant Inspector General for Audits; Beth H. Serepca, Team Leader; David C. Lee, Deputy Inspector General; Hubert T. Bell, Inspector General; and Robert L. Woodward, Audit Manager.*

Source: NRC

- The Nuclear Power Plant Access Security Audit Team was recognized for outstanding efforts to help ensure that individuals who pose any type of threat to the United States are not granted access to nuclear power plants. The team consisted of Beth H. Serepca, Team Leader; Robert L. Woodward, Audit Manager; and Andrea M. Ferkile, Senior Analyst.
- The Nuclear Reactor Component Safety Oversight Audit Team was recognized for exceptional performance in identifying weaknesses in NRC's implementation of programs to ensure the quality of safety-related components supplied to U.S. Nuclear power plants. The team consisted of Sherri A. Miotla, Team Leader; Robert K. Wild, Team Leader; Kevin J. Nietmann, Senior Technical Advisor; Michael S. Zeitler, Audit Manager; Vicki L. Foster, Audit Manager; Levar S. Cole, Senior Analyst; and Timothy Wilson, Senior Analyst.

### *CIGIE Award for Excellence in Audit – Nuclear Power Plant Access Security Audit*

In March 2010, Sharif Mobley was arrested and charged in Yemen as a suspected member of al Qaeda. Prior to his arrest, Mr. Mobley worked as a general laborer with unescorted access at six nuclear power plants in the United States between 2002 and 2008. Mr. Mobley's arrest prompted congressional interest and in early 2010, following Mr. Mobley's arrest, Senator Charles Schumer (D-NY) and Congressman William Owens (D-NY) sent letters to the NRC Inspector General requesting a thorough and comprehensive review of NRC's process requirements for licensees granting unescorted access at nuclear power plants. Specifically, the requests asked the Inspector General to analyze if current background checks and employee monitoring are conducted in a manner that effectively ensures that individuals who may pose any type of threat to the United States are not granted access to nuclear power plants.

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NRC’s access authorization requirements are intended to provide high assurance that individuals granted unescorted access to nuclear power plants are trustworthy and reliable and do not constitute an unreasonable risk to public health and safety, including the potential to commit radiological sabotage.

Nuclear power plants need workers with unescorted access during normal operations and scheduled outages (power generation shutdowns) for required maintenance. During a scheduled outage, a significant additional workforce with specific skills is required. Many of these workers move from one nuclear power plant, when the required work is completed, to the next plant that is commencing its maintenance outage.

Obtaining unescorted access requires that an individual satisfactorily completes all NRC regulatory requirements established in the access authorization program. The primary requirements that individuals must satisfy when initially applying for unescorted access and during periodic reinvestigations consist of a background and criminal history check, a psychological assessment, and a drug test.

The audit team found that NRC’s access authorization requirements could be strengthened by implementing the audit report recommendations. As a result, NRC will:

1. Improve screening and monitoring of those individuals with unescorted access against a terrorist watch list and begin re-verifying those nuclear power plant employees on a more frequent basis.
2. Require nuclear power plant operators to provide additional employee training so that workers can better identify and report behaviors associated with terrorist intent.
3. Obtain direct access to an important background check database instead of access through a third party.

Senator Schumer was pleased with the audit report, stating that OIG “stepped up to the plate and provided concrete, actionable recommendations that can be put in place immediately.”

### *CIGIE Award for Excellence – Nuclear Reactor Component Safety Oversight Audit*

NRC endeavors to protect the public health and safety and the environment by overseeing several programs for assuring the quality of domestic and global components—which includes safety-related parts and services—that are supplied to nuclear power reactors in the United States. Among these efforts are NRC programs for vendor inspection and licensee reporting of manufacturing defects.



*Nuclear Reactor Component Safety Oversight Audit Team receives CIGIE Award for Excellence. Pictured left to right are Levar S. Cole, Senior Analyst; Kevin J. Nietmann, Senior Technical Advisor; Timothy Wilson, Senior Analyst; Stephen D. Dingbaum, Assistant Inspector General for Audits; Vicki L. Foster, Audit Manager; David C. Lee, Deputy Inspector General; Hubert T. Bell, Inspector General; Michael S. Zeitler, Audit Manager; Sherrri A. Miotla, Team Leader; Steven E. Zane, Deputy Assistant Inspector General for Audits; and Robert K. Wild, Team Leader.*

Source: NRC

NRC directly oversees vendor compliance by conducting reactive and routine inspections of vendors, and indirectly through reactor licensee audits of vendors and through American Society of Mechanical Engineers standards. Vendors manufacture a range of components such as fasteners, pumps, valves, and reactor vessels, as well as provide design, engineering, and construction services. While most vendors do not hold NRC licenses, they are nonetheless bound through contracts with licensees, applicants, or other vendors to comply with quality assurance and defect reporting regulations. In addition, vendors providing safety-related parts and services for the nuclear industry have become increasingly global over the last few decades.

Vendors and their customers often acquire parts from commercial suppliers that do not produce parts specifically designed or manufactured for a nuclear safety-related application. These parts are called commercial-grade items. If a customer decides to purchase commercial-grade items, NRC regulations require the customer receiving the items to use a commercial-grade dedication process to provide reasonable assurance that these items destined for use in nuclear power plants will perform their intended safety function.

Licensees also contribute to the quality of nuclear components through reporting the failure of components to NRC. Section 206 of the Energy Reorganization Act of 1974, as amended, provides NRC's statutory basis for requiring licensees to report component defects in operating reactors. A key provision in the regulations relates to reporting defects in installed components that are caused by the manufacturing process. Importantly, these manufacturing defect reports are used by NRC to determine whether additional licensees have the same potentially defective components installed in their plants.

The purpose of the audit work performed by the nuclear reactor component safety oversight audit team was to (1) assess NRC's regulatory approach for ensuring the integrity of domestic and foreign safety-related parts and services supplied to current or prospective nuclear power reactors, and (2) determine if NRC's implementation of Federal regulations requiring reactor licensees to report defects contained in installed equipment is meeting the intent of Section 206 of the Energy Reorganization Act of 1974, as amended.

The audit team identified key program implementation areas and guidance that required management attention. Specifically, with regard to program planning and implementation, the audit team found:

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- The agency's planning process for identifying and selecting vendors for routine inspections, and its strategy for guiding the process, is largely an informal one, which could result in missing vendors that should be identified for potential vendor inspections and in appropriately focusing vendor inspections on verifying the vendor's compliance with the regulations.
  - NRC staff members are unsure of the effectiveness of the agency's outreach and communications activities targeted to reactor licensees and nuclear component vendors because it does not have an outreach/communications plan to do so, resulting in NRC's inability to fully identify and reach its target audience, or effectively plan presentations in light of varying vendor sophistication or ability to understand information.
  - NRC's approach to monitoring and evaluating counterfeit, fraudulent, and substandard items has been primarily reactive and informal, contributing to NRC's inability to identify such issues in a timely fashion, with the potential for counterfeit or fraudulent components being installed in safety-related reactor systems.

With regard to program guidance and requirements, the audit team found:

- NRC's expectations and requirements for licensees and vendors in obtaining parts from non-nuclear, commercial suppliers are unclear, which could result in substandard safety-related parts being supplied to nuclear power plants.
- NRC's guidance for approving accredited commercial-grade calibration laboratories—which calibrate measuring and test equipment used by vendors to evaluate the properties of materials and parts—is unclear, potentially leaving vendors unknowingly in violation of NRC regulations and later determining that they used out-of-calibration measuring and test equipment during the manufacture and assembly of safety-related components.
- NRC regulations and guidance for licensees to report manufacturing component defects are contradictory and unclear, leaving licensees uncertain as to NRC's expectations for submitting component defect reports, underreporting or non-reporting of such defects, and thus a reduced margin-of-safety for operating nuclear power reactors when licensees fail to report manufacturing defects.
- NRC's Baseline Inspection Program does not include requirements to inspect licensee reporting of such defects, which impedes NRC inspectors' ability to enforce defect reporting requirements.

Ultimately, these report findings point to risks in NRC's and the nuclear industry's ability to ensure the quality and integrity of safety-related components supplied to U.S. Nuclear power plants. If counterfeit or fraudulent items were to make it into a safety-related system in a nuclear power plant, it could degrade the ability of the system to perform its safety function, which could reduce the protection of public

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health and safety. Similarly, if component defects go unreported, it is possible that substandard safety-related parts could be supplied to, or in service at, operating nuclear power plants.



*Latonya Mablabla, Sr. Health Physicist, oversees OIG Audit Program Staff Kevin Nietmann and Tim Wilson as they work with the radiography camera during an NRC radiography class.*

Source: NRC

## Special Feature Article: OIG Radiography Training

In accordance with Federal Government Accounting Standards, audit professionals should have the collective experience, training, knowledge, skills, abilities, and overall understanding of an area sufficiently to assess the risks of the audit subject matter. To fulfill training needs before beginning the audit of NRC's oversight of radiography sources, OIG staff requested that the NRC's Technical Training Center<sup>2</sup> develop a radiography course for OIG staff.

Topics covered by the radiography course, conducted in November 2011 in Rockville, Maryland, included:

- An introduction to ionizing radiation terminology.
- How radiography cameras work.
- How the sources in the cameras are changed.
- The radiographer certification process and requirements.
- What can go wrong during industrial radiography operations (risks to the workers and the public).

Of particular interest during the training was a focus on safety measures for OIG staff who would be observing radiography inspections in the field. The instructor reviewed radiation monitoring requirements and practices; dosimetry requirements; how to wear, use, and read dosimetry properly; and ALARA<sup>3</sup> principles, including time, distance, and shielding.

The training was well received by OIG audit staff auditors who, subsequently, were well prepared to observe NRC inspectors conduct inspections at licensees' facilities and temporary job sites.

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<sup>2</sup> NRC's Technical Training Center was established in Chattanooga, Tennessee in 1980, after the event at Three Mile Island, to improve technical training for NRC staff.

<sup>3</sup> As defined in Title 10, Section 20.1003, of the Code of Federal Regulations (10 CFR 20.1003), ALARA is an acronym for "as low as (is) reasonably achievable," which basically means making every reasonable effort to maintain exposures to ionizing radiation as far below the dose limits as practical.

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# MANAGEMENT AND PERFORMANCE CHALLENGES

**Most Serious Management and Performance Challenges  
Facing the Nuclear Regulatory Commission\***  
**as of October 1, 2011**  
*(as identified by the Inspector General)*

- |             |   |
|-------------|---|
| Challenge 1 | <i>Oversight of nuclear material used for civilian purposes.</i>  |
| Challenge 2 | <i>Managing information to balance security with openness and accountability.</i>   |
| Challenge 3 | <i>Ability to modify regulatory processes to meet a changing environment, to include the licensing of new nuclear facilities.</i> |
| Challenge 4 | <i>Oversight of radiological waste.</i>   |
| Challenge 5 | <i>Implementation of information technology and information security measures.</i>  |
| Challenge 6 | <i>Administration of all aspects of financial management and procurement.</i>   |
| Challenge 7 | <i>Managing human capital.</i>  |

*\*The most serious management and performance challenges are not ranked in any order of importance.*

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# AUDITS

*To help the agency improve its effectiveness and efficiency during this period, OIG completed 11 financial and performance audits or evaluations, seven of which are summarized here that resulted in numerous recommendations to NRC management. In addition, Defense Contract Audit Agency completed two contract audits for OIG.*

## AUDIT SUMMARIES

### **Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing NRC**

#### *OIG Strategic Goal: Corporate Management*

The Reports Consolidation Act of 2000 requires the Inspector General (IG) of each Federal agency to annually summarize what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges.

In accordance with the Act, the IG at the NRC updated what he considers to be the most serious management and performance challenges facing NRC. The IG considered OIG's overall work, the OIG staff's general knowledge of agency operations, and other relevant information to develop and update his list of management and performance challenges. In addition, OIG staff sought input from NRC's Chairman, Commissioners, and management to obtain their views on what challenges the agency is facing and what efforts the agency has taken or are underway or planned to address previously identified management and performance challenges.

#### *Evaluation Results:*

The IG identified seven challenges that he considers the most serious management and performance challenges facing NRC. The challenges identify critical areas or difficult tasks that warrant high-level management attention.

The 2011 list of challenges reflects two changes from the 2010 list. Prior Challenge 1, *Protection of nuclear material used for civilian purposes*, was reworded to *Oversight of nuclear material used for civilian purposes*. This change was made to more accurately describe NRC's regulatory oversight role relative to nuclear material as NRC does not directly protect nuclear material, but provides oversight of licensees that are charged to protect the material. Prior Challenge 3, *Ability to modify regulatory processes to meet a changing environment, to include the licensing of new nuclear facilities*, was reworded to reflect changing economic conditions for new facility construction, as well as ongoing efforts to evaluate post-Fukushima Dai-ichi lessons learned for NRC's oversight of currently operating facilities. Current Challenge 3 now reads *Ability to modify regulatory processes to meet a changing environment in the oversight of nuclear facilities*.

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The following chart provides an overview of the seven most serious management and performance challenges as of October 1, 2011.

<b>Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission* as of October 1, 2011</b> <i>(as identified by the Inspector General)</i>	
Challenge 1	<i>Oversight of nuclear material used for civilian purposes.</i>
Challenge 2	<i>Managing information to balance security with openness and accountability.</i>
Challenge 3	<i>Ability to modify regulatory processes to meet a changing environment, to include the licensing of new nuclear facilities.</i>
Challenge 4	<i>Oversight of radiological waste.</i>
Challenge 5	<i>Implementation of information technology and information security measures.</i>
Challenge 6	<i>Administration of all aspects of financial management and procurement.</i>
Challenge 7	<i>Managing human capital.</i>

*\*The most serious management and performance challenges are not ranked in any order of importance.*

*(Addresses All Management and Performance Challenges)*

## **Independent Evaluation of NRC's Contract Award Process**

### ***OIG Strategic Goal: Corporate Management***

NRC's contract award process will continue to play an increasingly critical role as the NRC continues to carry out its regulatory responsibility to ensure that the Nation's 104 commercial nuclear power plants are operated in a safe and secure manner. NRC obligated approximately \$175M with 1,727 contract actions in 2009 and approximately \$211M with 2,705 contract actions in 2010.

This evaluation was undertaken to assess the compliance of NRC's contract award process and to identify opportunities to improve both the efficiency and the performance of the NRC contracting process, as well as adequacy of internal controls over the process. The evaluation focused on new contract awards during FYs 2009 and 2010. OIG contracted with Censeo Consulting Group to evaluate the NRC's contract award process for regulatory compliance, timeliness, efficiency, and

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effectiveness. The evaluation considered the major aspects of the contract award process, including regulatory compliance, training of those who use or facilitate the contract award process, market research, sole-source awards, justifications for other than full and open competition, policies and procedures, and internal controls.

The results of the evaluation were based on 20 interviews and more than 200 responses to a survey of program office and Division of Contracts (DC) personnel. Furthermore, evaluators reviewed 20 sample contract actions and relevant policy documents.

### *Evaluation Results:*

The evaluation identified several positive findings that represent aspects of NRC's process:

- NRC's culture is mission-focused and driven to succeed.
- Compliance issues are rare and relatively insignificant.
- Process improvements already underway were supported by the results of this evaluation.
- DC is well organized and maintains extensive records.

However, the analysis also identified opportunities for NRC to streamline its contract award process while maintaining those aspects that are already mastered. Specifically, five findings and observations were identified in the following areas:

**Contract award policies and procedures**—The evaluation identified perceptions among agency program office staff that contract award policies and procedures are out of date and difficult to access. As a result, many program office staff members are not formally utilizing policies and procedures related to the contract award process, relying instead on anecdotal guidance. As a result, procedures may be implemented inconsistently from person to person, resulting in inconsistent work products and potential confusion among both DC and agency program office staff.

**Contract award process roles, responsibilities, and expectations**—While the initial documents that project officers provide to DC should meet DC's expectations for regulatory compliance, there is the perception that this is often not the case. Although DC ultimately gets final contract award documents into compliance, initial project officer documents lack sufficient rigor to comply with Federal contracting requirements and DC expectations. This situation often results in rework, usually accomplished by DC staff, who do not feel they should be performing this function. This need to rework the documents delays the process and prevents DC personnel from performing other duties, which makes DC staff feel overworked, affects the quality and timeliness of other DC work, and contributes to the frustration between DC and program office staff.

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**Source Evaluation Panel (SEP) documentation**—Despite generally arriving at defensible decisions, SEPs often fail to document their decisions in a manner that meets DC and Office of the General Counsel (OGC) expectations of thorough, logical, defensible written communications within the report. When a report fails to meet DC/OGC expectations, DC and OGC often work with the SEP members to rework the report. This rework makes the process take longer, which delays awards.

**Timeliness of contract award**—Although DC communicates final award schedules, they are based on Procurement Administrative Lead Times, which are outdated and unrealistic due to many factors.

**Program office satisfaction**—The survey noted a low level of program office staff satisfaction with DC support and a perception on the part of both program office and DC staff that employee retention issues have made it difficult for DC to maintain adequate human resources required to address this issue. At the same time, it was noted that there are already a number of actions being taken to address this issue and it was not yet clear whether these actions would be adequate or whether other actions would be needed.

*(Addresses Management and Performance Challenge #6)*

## **Results of the Audit of the United States Nuclear Regulatory Commission's Financial Statements for Fiscal Year 2011**

### *OIG Strategic Goal: Corporate Management*

The Chief Financial Officers Act of 1990, as amended, requires the Inspector General or an independent external auditor, as determined by the Inspector General, to annually audit NRC's financial statements to determine whether the agency's financial statements are free of material misstatement. The audit, conducted by Clifton Gunderson under a contract with OIG, includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation.

In addition, the audit evaluated the effectiveness of internal controls over financial reporting and the agency's compliance with laws and regulations.

### *Audit results:*

#### **Financial Statements**

The auditors expressed an unqualified opinion on the agency's FY 2011 financial statements.

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## Internal Controls

The auditors expressed an unqualified opinion on the agency's internal controls.

## Compliance with Laws and Regulations

The auditors found no reportable instances of noncompliance with laws and regulations.

*(Addresses Management and Performance Challenge #6)*

## Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act (FISMA) for FY 2011

### *OIG Strategic Goal: Security*

On December 17, 2002, the President signed the E-Government Act of 2002, which included the Federal Information Security Management Act (FISMA) of 2002.<sup>4</sup> FISMA outlines the information security management requirements for agencies, which include an annual independent evaluation of an agency's information security program<sup>5</sup> and practices to determine their effectiveness. This evaluation must include testing the effectiveness of information security policies, procedures, and practices for a representative subset of the agency's information systems. FISMA requires the annual evaluation to be performed by the agency's OIG or by an independent external auditor. Office of Management and Budget (OMB) memorandum M-11-33, *FY 2011 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management*, dated September 14, 2011, requires OIGs to respond to OMB's annual FISMA reporting questions directed to OIGs via an automated collection tool.

Richard S. Carson & Associates, Inc. (Carson Associates), under contract with OIG, performed an independent evaluation of NRC's implementation of FISMA for FY 2011. Carson Associates also submitted responses to OMB's annual FISMA reporting questions for OIGs.

The evaluation objective was to perform an independent evaluation of the NRC's implementation of FISMA for FY 2011.

### *Evaluation Results:*

#### **Program Enhancements and Improvements**

Over the past 9 years, NRC has continued to make improvements to its information system security program and continues to make progress in implementing the

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<sup>4</sup> FISMA was enacted on December 17, 2002, as part of the E-Government Act of 2002 (Public Law 107-347), and replaces the Government Information Security Reform Act, which expired in November 2002.

<sup>5</sup> For the purposes of FISMA, the agency uses the term "information system security program."

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recommendations resulting from previous FISMA evaluations. The agency has accomplished the following since the FY 2010 FISMA independent evaluation:

- The agency continued to make significant progress in assessing and authorizing its systems.<sup>6</sup> In FY 2011, the agency completed security assessment and authorization of two new agency systems, and completed security assessment and re-authorization of two existing agency systems and one existing contractor system.<sup>7</sup> As of the completion of fieldwork for FY 2011, all 22 operational NRC information systems and both systems used or operated by a contractor or other organization on behalf of the agency had a current authorization to operate.
- The agency completed or updated security plans for all of the agency's 22 operational systems and for both contractor systems.
- The agency completed annual security control testing for all agency systems and for all contractor systems.
- The agency completed annual contingency plan testing for all agency systems and for all contractor systems, including updating the contingency plans.
- The agency issued several new or updated Computer Security Office processes and standards. This included the NRC Risk Management Framework and Authorization Process (new), a series of standards defining the values NRC has assigned for the 17 families of security controls (new), the NRC System Back-up Standard (new), and the NRC Plan of Action and Milestones (POA&M) Process (updated).

### **Program Weaknesses**

While the agency has continued to make improvements in its information system security program and has made progress in implementing the recommendations resulting from previous FISMA evaluations, the independent evaluation identified three information system security program weaknesses:

- There is a repeat finding from several previous independent evaluations: the agency's POA&M program still needs improvement.
- The agency has not developed an organization-wide risk management strategy.
- Configuration management procedures are not consistently implemented.

*(Addresses Management and Performance Challenge #5)*

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<sup>6</sup> With the issuance of NIST SP 800-37, Revision 1, *Guide for Applying the Risk Management Framework to Federal Information Systems*, the terms *certification* and *accreditation* are no longer being used. The new terminology is *security assessment* and *authorization*.

<sup>7</sup> The *Licensing Support Network* was decommissioned subsequent to re-authorization. This system is no longer included in the agency's inventory of contractor systems.

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## Audit of NRC's Oversight of Decommissioned Uranium Recovery Sites and Sites Undergoing Decommissioning

### *OIG Strategic Goal: Safety*



*The Rio Algom uranium mill tailings site in Grants, NM.*  
Source: NRC

NRC regulates uranium recovery operations. Through the 1980s, commercial uranium recovery mills operated in support of both a fledgling nuclear power industry and U.S. defense programs. The waste from the mills (uranium mill tailings) caused environmental contamination that the Federal Government continues to address.

In 1978, Congress enacted the Uranium Mill Tailings Radiation Control Act (UMTRCA) to provide for the disposal, long-term stabilization, and control of uranium mill tailings in a safe and environmentally sound manner, to minimize or eliminate radiation health hazards to the public. UMTRCA defines two categories of uranium mill tailings sites (Title I and Title II) and assigns differing responsibilities to three Federal agencies.

Under Title I, the Federal Government assumed responsibility for cleanup at abandoned, inactive uranium milling sites. Once decommissioning is complete, the Department of Energy's (DOE) Office of Legacy Management accepts the site for long-term care and maintenance under a general license from NRC. As of June 2011, decommissioning had been completed at 21 Title I sites.

Title II places responsibility for cleanup of sites with the licensees that were operating in 1978 or licensed by NRC or an Agreement State after 1978. Licensees must conduct cleanup activities according to an NRC approved reclamation plan. Once cleanup activities are complete, NRC terminates the license and approves site transfer to DOE. As of June 2011, decommissioning had been completed at six Title II sites, which are now in long-term DOE custody. Decommissioning is underway at 11 other NRC regulated Title II sites.

NRC, the Environmental Protection Agency (EPA), and DOE have distinct responsibilities under UMTRCA. NRC's responsibility is to ensure that decommissioning at both Title I and Title II sites meets the standards for protecting human health and the environment. EPA's responsibility is to set the standards for air and water quality. Additionally, EPA is responsible for administering the Comprehensive Environmental Response, Compensation and Liability Act, as amended (CERCLA), which impacts two uranium recovery sites undergoing decommissioning.

EPA and NRC entered into memoranda of understanding (MOUs) regarding oversight of two sites. The MOUs outline EPA and NRC obligations to coordinate

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distinct regulatory responsibilities. DOE's responsibility under UMTRCA is to remediate Title I sites and provide long-term custody for both Title I and Title II sites.

The audit objective was to determine the effectiveness of NRC's regulatory oversight of decommissioned uranium recovery sites and sites undergoing decommissioning.

### *Audit Results:*

NRC's oversight of Title I and Title II uranium recovery decommissioning is largely effective. In particular, recent NRC initiatives to improve knowledge management have addressed self-identified areas of inefficiency and have enhanced the agency's oversight efforts. However, OIG has identified two opportunities for more effective oversight of uranium recovery decommissioning by:

- Improving compliance with the terms of the site-specific MOUs with EPA.
- Reducing reliance on DOE's inspection program to alert NRC to problems at decommissioned uranium recovery sites in DOE custody.

### **NRC Does Not Fully Comply With NRC-EPA CERCLA Site MOUs**

NRC does not fully comply with the conditions of the jointly developed and agreed upon MOUs with EPA for uranium recovery CERCLA sites. Specifically, NRC has not provided required progress reports to EPA. An NRC senior manager acknowledged that NRC is not meeting this requirement. Moreover, NRC has not met its responsibility to conduct an annual review of the MOUs. Conditions in the MOUs require NRC to review the MOUs annually in order to make modifications based on changes in regulatory authorities or priorities. NRC senior managers stated that agency staff never reviewed the MOUs.

NRC does not fully comply with the conditions of the MOUs with EPA for uranium recovery sites subject to CERCLA. NRC agreed to conditions in the MOUs that would promote effective and efficient regulatory oversight. However, NRC lacks controls to ensure compliance with the terms of the MOUs. Therefore, NRC approaches oversight of remediation activities in a way that increases the risk that these activities will not occur in an effective and timely manner.

### **NRC Relies on DOE's Inspection Program**

NRC relies on DOE's inspection program at decommissioned uranium recovery sites in DOE custody. A DOE contractor conducts annual inspections of all uranium mill tailing sites in DOE long-term custody, compiles the observations into separate



*A decommissioned Title I uranium mill tailings site in Canonsburg, PA.  
Source: NRC*



*Uranium mill tailings on the banks of the Colorado in Moab part of a DoE cleanup project.*  
Source: DOE

reports on the Title I and Title II sites, and then DOE submits the inspection reports to NRC.

Although inspections are a key component of NRC's oversight, NRC has chosen not to inspect the sites transferred to DOE. NRC managers explained that the agency conducts extensive oversight during decommissioning so that the sites will not require scrutiny after transfer. They contended that when regulatory requirements are met during decommissioning, NRC can certify that a site is stable and ready for closure with only minimal monitoring according to the long-

term surveillance plan. The managers also concluded that DOE would be at least as effective in monitoring as NRC would be, and therefore NRC could rely on DOE to alert NRC to any problems and address them through the process of amending the long-term surveillance plan.

Because NRC does not inspect sites transferred to DOE for long-term custody, NRC may not know if all regulatory requirements are being met regarding the protection of public health and safety and the environment. Some decommissioned uranium recovery sites have proven more dynamic than originally expected, and NRC may not have the best information regarding conditions at these sites. Transfer of all remaining Title II sites to DOE will result in approximately 226 million metric tons of radioactive and hazardous waste in DOE long-term custody. Given the current approach, NRC will not independently verify that these sites are meeting regulatory standards that protect public health and safety and the environment.

*(Addresses Management and Performance Challenge #4)*

## **Audit of NRC's Use of Confirmatory Action Letters**

### *OIG Strategic Goal: Safety*

NRC regulates commercial nuclear power plants and other civilian uses of nuclear materials, such as in nuclear medicine, through licensing, inspection, and enforcement of its requirements. In carrying out its regulatory responsibilities, NRC uses administrative actions, such as Confirmatory Action Letters (CALs), to supplement the agency's enforcement program. CALs are "letters confirming a licensee's agreement to take certain actions to remove significant concerns about health and safety, safeguards, or the environment."

NRC expects CAL recipients to adhere to any obligations and commitments addressed in the letter. CALs do not establish legally binding commitments with the exception of

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a provision to report information to NRC. If a recipient failed to meet a commitment in a CAL, according to agency guidance, NRC would likely proceed with stringent enforcement sanctions such as an order. An order is an enforcement sanction that NRC issues to modify, suspend, or revoke licenses or to impose civil penalties.

NRC's Office of Enforcement (OE) is responsible for the development and implementation of the *NRC Enforcement Policy (Policy)* and the *NRC Enforcement Manual (Manual)*. The Policy sets forth the general principles governing NRC's enforcement program. The Manual contains guidance on preparation, issuance, coordination, tracking, and closure of CALs and delegates authority for issuing CALs to the NRC regional administrators and some program office directors.

From January 1, 2000, to April 30, 2011, NRC issued approximately 195 CALs to different entities, including nuclear power plants, decommissioned reactors, research and test reactors, materials licensees, certificate of compliance holders,<sup>8</sup> and non-licensees. During this approximate 11-year period, the agency has issued, on average, 17 CALs each year, with NRR issuing the most and Region I issuing the second largest number of CALs.

The audit objective was to determine the effectiveness of NRC's utilization of CALs as a regulatory tool. To meet this objective, auditors focused on the agency's administration of the CAL process.

### *Audit Results:*

NRC's administration of the CAL process is not as effective as it could be. The agency's position is that CALs are a valuable enforcement tool for obtaining timely confirmation that the recipient has agreed to take action that will remove significant concerns regarding health and safety, the environment, safeguards, or security. As such, maintaining a viable and consistent CAL program is of utmost importance to the agency.

However, NRC's CAL guidance lacks consistency and the agency does not fully comply with its guidance. Specifically, CAL guidance is inconsistent because the CAL guidance does not include some offices' roles or clearly identify all CAL recipients. Further, NRC program and regional offices do not fully comply with CAL guidance. Despite requirements contained in the Manual for the concurrence, tracking, and numbering of CALs,

- Some required office concurrences on CALs are missing.
- CAL tracking practices vary among offices.
- CAL numbering conventions vary among offices.

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<sup>8</sup> A certificate of compliance holder is an entity that has a certificate issued by the Commission approving the design of a spent fuel storage cask in accordance with Title 10 Code of Federal Regulations (10 CFR) Part 72, Licensing Requirements for the Independent Storage of Spent Nuclear Fuel, High-Level Radioactive Waste and Reactor-Related Greater than Class C Waste.

## Various Recipients and Concerns Addressed in CALs

RECIPIENT TYPE	CONCERN	ISSUING OFFICE
Commercial Power Reactor Licensee	Inattentive security guards	Region I
Research and Test Reactor Licensee	Unexpectedly high dose rates	NRR
Medical Use Licensee	No radiation safety officer and broken lock	Region I
Fuel Cycle Facility Licensee	Unacceptable enriched uranium configuration	Region II
Certificate of Compliance Holder	Waste transportation drum performance	NMSS
Real Estate Company Non-Licensee in Possession of Materials	Unlicensed tritium found in building	Region II

Source: OIG analysis of agency-provided documentation

Weaknesses in NRC's CAL guidance and compliance with the guidance exists because NRC currently does not have a centralized control point for oversight and implementation of an effective agencywide CAL process to include holding program and regional offices accountable for following CAL guidance. If the agency had a centralized control point, it would be able to, among other things:

- **Assess and update the Policy, the Manual, and other associated guidance to ensure that NRC's approach for utilizing CALs is consistent, effective, and efficient.** With authority over guidance, a centralized control point would be uniquely positioned to serve as a resource for program and regional offices issuing CALs. Even though no such control point currently exists at NRC, some program and regional office points-of-contact were under the impression that OE was already fulfilling this role to offer clarification of guidance and track their CALs.
- **Conduct periodic CAL audits that verify compliance with CAL policies and procedures.** In fact, in 2004, OE conducted an audit of agencywide CALs and found some tracking and numbering issues similar to those described in this OIG report. Yet, without being designated as a clear agencywide control point for CALs, the office lacked leverage to encourage the changes and lost institutional memory that it had conducted the audit.
- **Implement a comprehensive, agencywide CAL tracking system.** Doing so would eliminate the confusion over numbering schemes and sequences, and help to ensure agency staff and management awareness of the status of open CALs.

Without a centralized control point for oversight of the CAL process, NRC may be missing opportunities to effectively use CALs for potential CAL recipients not identified in current guidance and to efficiently track and trend CALs.

*(Addresses Management and Performance Challenge #3)*

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## Audit of NRC's Management of the Baseline Security Inspection Program

### *OIG Strategic Goal: Security*

NRC's baseline security inspection program is the agency's primary means for ensuring that nuclear power plants across the United States are protected in accordance with Federal Government regulations.<sup>9</sup> Specifically, the baseline security inspection program has six objectives:

- To gather sufficient, factual information to determine with high assurance if a licensee's security system and material control and accounting program<sup>10</sup> can protect against radiological sabotage, and the theft or loss of special nuclear material.
- To determine a licensee's ability to identify, assess, and correct security issues in proportion with the significance of these issues.
- To determine if licensees, working with external agencies, are capable of deterring and protecting against the Design Basis Threat.<sup>11</sup>
- To validate performance indicator data, which NRC uses in conjunction with inspection findings to assess the security performance of power reactor licensees.
- To help NRC monitor plants' security status and conditions.
- To identify significant issues that may have generic or crosscutting applicability to the safe and secure operation of licensees' facilities.



*Security Barriers at a Nuclear Power Plant.*  
Source: NRC

To meet these objectives, NRC conducts routine inspections at nuclear power plants that focus on specific issue areas such as access controls, protective strategy, security training, and safeguards information (SGI) controls.<sup>12</sup>

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<sup>9</sup> Chapter 10 Part 73, of the Code of Federal Regulations (10 CFR 73) establishes security regulations for operating nuclear power plants.

<sup>10</sup> The basic objective of material control and accounting is to prevent the loss or misuse of Special Nuclear Material (i.e., enriched uranium or plutonium).

<sup>11</sup> The Design Basis Threat describes the capabilities of adversaries, such as terrorist groups, that could attack a nuclear power plant. The Design Basis Threat is based on classified and other sensitive information, and NRC revises it periodically to reflect current security issues. An unclassified version appears in 10 CFR 73.1(a).

<sup>12</sup> SGI is defined as information, the disclosure of which could reasonably be expected to have a significant adverse effect on the health and safety of the public and/or the common defense and security by significantly increasing the likelihood of theft, diversion, or sabotage of material or facilities subject to NRC jurisdiction. This information is not classified as National Security Information or Restricted Data.

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The Significance Determination Process (SDP) is the process by which NRC staff assess the risks and potential effects of inspection findings. In following the SDP, NRC staff systematically analyze apparent violations and characterize them under the following color-code scheme:

- Green = Very low safety significance.
- White = Low to moderate safety significance.
- Yellow = Substantial safety significance.
- Red = High safety significance.

NRC staff closed Green findings in their inspection reports without additional analysis, but White, Yellow, and Red findings require more in-depth analysis using SDP assessment tools. Since 2004, NRC has created several assessment tools (Physical Protection, Material Control and Accounting of Radiological Materials, Unsecured Safeguards Information, Significance Screen, Force-on-Force Exercise Performance) for different types of security violations. Correct and consistent application of SDP assessment tools is essential to the Reactor Oversight Process (ROP), which is NRC's framework for regulating the nuclear power industry. The ROP, which is based on principles of risk-informed decisionmaking and transparency, categorizes NRC's oversight activities into seven distinct "cornerstones" of safe operation, one of which is physical protection.

The audit objective was to evaluate NRC's management of the baseline security inspection program, including specific program features such as the Significance Determination Process.

#### *Audit Results:*

NRC has appropriate management controls to ensure the baseline security inspection program meets its objectives. However, a more systematic approach to analyzing security findings data beyond the regional level can help NRC staff better identify licensee performance trends. Further, periodic reviews of SDP assessment tools and systematic testing of new and revised SDP assessment tools can help staff apply SDP assessment tools in a more transparent and consistent manner.

#### **NRC Does Not Perform Systematic Cross-Regional or Cross-Fleet Analysis of Security Trends**

NRC maintains and uses multiple information sources to monitor plant performance, but managers do not perform systematic analysis to assess trends across NRC regions or licensee fleets.<sup>13</sup> This occurs because NRC does not perform trend analysis across regions and fleets as program management emphasizes analysis of individual plant performance, and trends within each of the four regions. Additionally, NRC does not actively maintain and manage a centralized database for analyzing security inspection

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<sup>13</sup> A fleet refers to a group of nuclear power plants operated by one licensee. Plants belonging to a licensee's fleet can be located in one or more NRC regions.

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findings across regions and fleets as evidenced by OIG's analysis of NRC's current information sources. Further, two of the data systems NRC headquarters staff use to access information may not be complete or accurate.

Despite the lack of trending across regions and fleets, OIG found no material adverse effect on NRC operations. However, NRC may miss opportunities to improve monitoring and management of security issues, inspection tools and procedures, and program results. Additionally, improved data management and analysis can help NRC staff identify trends that merit additional oversight or regulatory emphasis. This, in turn, can give NRC greater assurance that the inspection program is meeting its objective to conduct fact-based assessments of licensee security program performance.

### **NRC Lacks Consensus on Content and Application of SGI and Significance Screen Tools**

The ROP sets general standards for NRC's oversight of power reactors, and emphasizes objectivity, transparency, and consistency in NRC's assessments of licensee performance. NRC staff and industry representatives expressed concern about the technical basis and application of the Safeguards Information and Significance Screen tools. Although NRC solicited staff comments in developing these assessment tools, NRC did not test draft versions of the tools and, further, does not have procedures for systematically reviewing SDP assessment tools on a periodic basis. Staff consensus and understanding of SDP assessment tools is critical to ensuring that staff can apply these tools in accordance with ROP standards and avoid undue resource burdens on NRC and licensees.

*(Addresses Management and Performance Challenge #1)*

## AUDITS IN PROGRESS

### **Audit of NRC's Process for Evaluating the Relevance of Inspections, Tests, Analyses, and Acceptance Criteria**

#### *OIG Strategic Goal: Safety*

When licensing a plant under 10 CFR 52 (*Licenses, Certifications, And Approvals For Nuclear Power Plants*), NRC is required to verify, within the combined license application, the inspections, tests, analyses, and acceptance criteria (ITAAC) that, if met, are sufficient to provide reasonable assurance that the facility has been constructed and will be operated in conformity with the license, the provisions of the Atomic Energy Act, and the Commission's rules and regulations.

Prior to the implementation of 10 CFR 52, the agency identified the ITAACs needed to issue an operating license for new nuclear power facilities. NRC staff have taken steps to implement an ITAAC review and closure process, to include developing some guidance and tracking tools. As such, the agency's overall readiness to track, inspect, and assess ITAACs in order to make its licensing decisions is paramount.

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The audit objective is to assess NRC's regulatory approach, through the ITAAC review process, to ensure that new nuclear power plants have been constructed and will be operated in conformity with the license, the provisions of the Atomic Energy Act, and the Commission's rules and regulations.

*(Addresses Management and Performance Challenge #3)*

## Audit of NRC's Management of Import/Export Authorizations

### *OIG Strategic Goal: Security*

The Atomic Energy Act of 1954, as amended, assigns to NRC responsibility for licensing imports and/or exports of specified nuclear materials and equipment. 10 CFR 110 (*Export and Import of Nuclear Equipment and Material*) contains the regulations that prescribe licensing procedures. NRC coordinates with other executive branch agencies, such as the Department of State and the Department of Energy, in reviewing the license applications.

NRC processed approximately 143 import/export licenses during FY 2009, and approximately 104 during FY 2010, as of August 9, 2010.

The audit objectives are to determine whether NRC (1) properly reviews and approves import/export authorizations in a timely manner, (2) effectively coordinates this activity with other Federal agencies, and (3) efficiently and effectively coordinates import/export authorizations internally.

*(Addresses Management and Performance Challenge #1)*

## Audit of NRC's Oversight of Radiography Sources

### *OIG Strategic Goal: Safety*



*Radiography camera.*  
Source: NRC

Radiography uses radiation to create images of an object, especially the internal features of an object. Industrial radiography enables detection of internal physical imperfections such as voids, cracks, and flaws. It is frequently used for visualization of inaccessible internal parts in order to check their location or condition and is extensively applied wherever internally sound metallic components are required.

Each year radiography camera sources are lost, stolen, or abandoned. These sources are of great concern because they are usually made from Cobalt 60 or other highly radioactive material that can be lethal even in small amounts. For example, 1 gram of Cobalt 60 will cause a lethal exposure to anyone exposed for 1 hour or more at 1 meter or closer.

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The audit objective is to determine the adequacy of NRC's processes for overseeing licensee activities addressing the safety and control of radiography sources.

*(Addresses Management and Performance Challenge #1)*

## **Audit of NRC's Protection of Safeguards Information**

### *OIG Strategic Goal: Security*

Safeguards information (SGI) is defined as information, the disclosure of which could reasonably be expected to have a significant adverse effect on public health and safety and/or the common defense and security by significantly increasing the likelihood of theft, diversion, or sabotage of materials or facilities subject to NRC jurisdiction. Further, SGI identifies the detailed (1) security measures of a licensee or an applicant for the physical protection of special nuclear materials, or (2) security measures for the physical protection and location of certain plant equipment vital to the safety of production or utilization facilities.

NRC established its SGI Security Program to ensure that this information is handled appropriately and protected from unauthorized disclosure. In accordance with the Atomic Energy Act of 1954 as amended, civil and criminal penalties can be levied for the unauthorized disclosure of safeguards information. The requirements of NRC's program are described in Management Directive and Handbook 12.7, *NRC Safeguards Information Security Program*.

The audit objectives are to assess if NRC adequately (1) ensures the protection of safeguards information, (2) prevents the inappropriate release of safeguards information to individuals who should not have access, (3) defines what constitutes safeguards information, and (4) conforms to agency policy directions.

*(Addresses Management and Performance Challenges #2 and #5)*

## **Audit of NRC's General Licensing Program**

### *OIG Strategic Goal: Safety*

General license devices typically consist of radioactive material contained within a shielded device such as fixed gauging devices, static eliminators, and gas chromatographs. The purchasers of the devices are known as "general licensees" and they do not need authorization from NRC or a State regulatory agency to possess the devices. However, generally licensed devices do contain radioactive material and are subject to regulatory requirements regarding handling, transfer, and disposal. These regulations are in place because if the source is damaged or broken, it could cause radioactive contamination of an immediate area requiring a potentially expensive cleanup.

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NRC is responsible for implementing an annual registration program for certain general licensees, and facilitating enhanced oversight, tracking, and accountability of these general licensees and general licensed devices. NRC uses the General License Tracking System to fulfill this obligation.

The audit objective is to determine if NRC's General Licensing Program provides for the necessary accountability and tracking of generally licensed devices to protect public health and safety.

*(Addresses Management and Performance Challenge #1)*

## **Audit of NRC's Issuance of General Licenses**

### *OIG Strategic Goal: Safety*

NRC considers general licensed devices to be inherently safe, so no radiation training or experience is required to operate the devices. Consequently, the general license simplifies the licensing process.

In 2004, the International Atomic Energy Agency (IAEA) issued the *Code of Conduct on the Safety and Security of Radioactive Sources*, in part, to protect individuals, society, and the environment from the harmful effects of possible accidents and malicious acts involving radioactive sources. The Code of Conduct categorizes radionuclides by activity level. The IAEA defines Categories 1, 2, and 3 as varying degrees of dangerous, while Categories 4 and 5 are considered unlikely to be dangerous.

The audit objective is to determine if NRC issues general licenses for only inherently safe nuclear materials.

*(Addresses Management and Performance Challenge #1)*

## **Audit of NRC's Budget Execution Process**

### *OIG Strategic Goal: Corporate Management*

The Federal budget execution process involves activities related to the 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.

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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 (e.g., 4.2, *Administrative Control of Funds*); OMB 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 budget request for FY 2012 is approximately \$1.038 billion and 3,981 full-time equivalents.

The audit objectives 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.

*(Addresses Management and Performance Challenge #6)*

## **Audit of NRC's Travel Charge Card Program**

### *OIG Strategic Goal: Corporate Management*

NRC's Travel Charge Card Program is part of the Governmentwide Commercial Charge Card Program established to pay the official travel expenses of employees while on temporary duty or other official business travel. The program's intent is to improve convenience for the traveler and reduce the Government's costs of administering travel. OMB has issued guidance that establishes requirements (including internal controls designed to minimize the risk of travel card misuse) and suggested best practices for the Government travel card programs.

During FY 2011, 2,613 NRC employees charged approximately \$8.8 million on travel charge cards, primarily issued to employees as individually billed accounts. Travel cardholders are directly responsible for all charges incurred on their account.

The Office of the Chief Financial Officer administers NRC's travel charge card program and controls the use of agency funds to ensure that they are expended in accordance with applicable laws and regulations.

The audit objective is to assess whether NRC's policies and procedures are effective in preventing and detecting travel charge card misuse and delinquencies.

*(Addresses Management and Performance Challenge #6)*

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## Audit of NRC's Implementation and Use of Orders

### *OIG Strategic Goal: Safety*

Orders can be used to modify, suspend, or revoke licenses or require specific actions by licensees or other persons. Orders can also be used to impose civil penalties. The Commission's order issuing authority under Section 161 of the Atomic Energy Act, as amended, is broad and extends to any area of licensed activity that the Commission deems necessary to promote the common defense and security or to protect health or to minimize danger to life or property. In addition, orders may be issued to persons who are not themselves licensed. This would include vendors and contractors (and employees) when (1) the NRC has identified deliberate misconduct that may cause a licensee to be in violation of an NRC requirement, (2) where incomplete or inaccurate information is deliberately submitted, or (3) where the NRC loses its reasonable assurance that the licensee will meet NRC requirements with that person involved in licensed activities.

A number of NRC program offices and the regions propose and prepare the various types of orders. Multiple offices are also involved in the agency's order implementation process, including legal adjudication, Federal Register notification, issuance of press releases, and the conduct of inspections that verify completion of the actions identified in the order.

The audit objective is to evaluate NRC's implementation and use of orders.

*(Addresses Management and Performance Challenge #1)*

## Audit of NRC's FY 2012 Financial Statements

### *OIG Strategic Goal: Corporate Management*

Under the Chief Financial Officers Act and the Government Management and Reform Act, OIG is required to audit the financial statements of the NRC. The report on the audit of the agency's financial statements is due on November 15, 2012. In addition, OIG will issue reports on:

- Special Purpose Financial Statements.
- Implementation of the Federal Managers' Financial Integrity Act.
- Condensed Financial Statements.
- Compliance with the Improper Payments Elimination and Recovery Act of 2010.

The audit objectives are to:

- Express opinions on the agency's financial statements and internal controls.

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- Review compliance with applicable laws and regulations.
  - Review the controls in the NRC's computer systems that are significant to the financial statements.
  - Assess the agency's compliance with OMB Circular A-123, Revised, Management's Responsibility for Internal Control.
  - Assess agency compliance with the Improper Payments Elimination and Recovery Act of 2010.

*(Addresses Management and Performance Challenge #6)*

## Survey of NRC's Safety Culture and Climate

### *OIG Strategic Goal: Corporate Management*

In 1998, 2002, 2006, and 2009, OIG contracted with an international survey firm to conduct surveys that evaluated the organizational safety culture and climate of the agency's workforce and identified agency strengths and opportunities for improvements. Comparisons were made to the previous surveys as well as to national and Government norms. In response to the survey results, the agency evaluated the key areas for improvement and developed strategies for addressing them.

A clear understanding of NRC's current safety culture and climate will facilitate identification of agency strengths and opportunities as it continues to experience significant challenges. These challenges include the licensing of new nuclear facilities, disposal of high-level waste, the loss of valuable experience from retirements, operating under continuing resolutions, smaller budgets, and legislation that froze Federal civilian employee pay rates.

Through these surveys, OIG gained a thorough understanding of NRC's organizational safety culture and climate as perceived by employees. This information is useful to the OIG in programming future work.

The survey objectives are to:

- Measure NRC's safety culture and climate to identify areas of strength and opportunities for improvement.
- Compare and analyze the results of this survey against the survey results that OIG reported previously.
- Provide comparative analysis of NRC qualitative and quantitative survey findings against those of other organizations.

*(Addresses Management and Performance Challenge #7)*

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## Audit of NRC's Progress in Reforming Information Technology Management

### *OIG Strategic Goal: Corporate Management*

In December 2010, the U.S. Chief Information Officer (CIO) issued the “25 Point Implementation Plan to Reform Federal Information Technology Management.” This guidance directs OMB and Federal agencies to undertake a variety of management reforms for more efficient – and thus, cost-effective – use of information technology (IT) investments.

The U.S. CIO created this guidance through engagements with Federal agency staff, Congress, private industry, and academia, and aimed to identify practical solutions to IT management problems. To that end, the “25 Point Plan” emphasizes near-term procedural fixes that may promote longer-term reforms. Consequently, the “25 Point Plan” is divided into two sections: (1) Achieving Operational Efficiency, and (2) Managing Large-Scale IT Programs Effectively. The former focuses on cloud computing and shared services at the agency level, while the latter focuses on structural changes that could improve IT programs across the Federal Government.

For each of its 25 points, the U.S. CIO's guidance assigns implementation responsibility to some combination of OMB, CIO and Chief Financial Officer Councils, specific agencies with unique missions, and all executive branch agencies. NRC is thus involved in some action items, such as #3, “Shift to a cloud-first policy.” However, action items such as #5, “Stand up contract vehicles for ‘commodity’ services” (which belongs to the General Services Administration), fall outside NRC's purview. Lastly, all action items have implementation milestones ranging from 6 to 18 months. Given the “25 Point Plan” release date, NRC staff should be able to discuss their efforts to achieve shorter-term action items due for completion before January 2012. Longer-term action items should be completed or nearing completion by July 2012.

The audit objective is to assess NRC's progress in executing the President's “25 Point Implementation Plan to Reform Federal Information Technology Management.” OIG will conduct this work in accordance with the OIG FY 2012 *Annual Plan*, which includes an audit of NRC's information technology governance. Given the limited scope of this audit, OIG intends to pursue future audit work focusing on different aspects of information technology governance.

*(Addresses Management and Performance Challenge #5)*

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## Audit of NRC's Process for Calculating License Fees

### *OIG Strategic Goal: Corporate Management*

The Omnibus Budget Reconciliation Act of 1990 (OBRA-90), as amended, requires that NRC recover, through fees assessed to its applicants and licensees, approximately 90 percent of its budget authority (less amounts appropriated from the Nuclear Waste Fund, amounts appropriated for Waste Incidental to Reprocessing activities, and amounts appropriated for generic homeland security activities).

To meet the requirements of OBRA-90, as amended, NRC assesses two types of fees – user charges and annual fees. First, under the authority of the Independent Offices Appropriation Act of 1952, NRC assesses user charges to recover costs of providing special benefits to identifiable applicants and licensees. NRC implements user charges for inspection services and licensing actions for the reactor and materials programs under the 10 CFR Part 170. Second, annual fees, established in 10 CFR Part 171 under the authority of OBRA-90, as amended, recover generic and other regulatory costs not recovered through 10 CFR Part 170 fees.

On an annual basis, NRC amends the licensing, inspection, and annual fees. NRC publishes the annual Fee Rule in the Federal Register.

The audit objective is to determine if NRC has established and implemented management controls to ensure that the license fee calculation process produces timely and accurate fees in accordance with applicable requirements.

*(Addresses Management and Performance Challenge #6)*

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# INVESTIGATIONS

*During this reporting period, OIG received 119 allegations, opened 30 investigations, and closed 30 cases. In addition, the OIG made 17 referrals to NRC management and 9 to the Department of Justice.*

## INVESTIGATIVE CASE SUMMARIES

### Release of Predecisional Information Regarding Commission COMSECY Vote

#### *OIG Strategic Goal: Corporate Management*

OIG conducted an investigation into an allegation that sensitive information concerning the outcome of a non-public Commission vote was leaked to the office of U.S. Senator Bernard Sanders (VT). The vote pertained to a “Statement of Interest” matter (i.e., pre-empted by Federal law) by the Department of Justice (DOJ) in a lawsuit filed by Entergy Nuclear against the State of Vermont.

Between June 9 and June 15, 2011, the NRC Chairman and Commissioners cast their votes on COMSECY-11-0009 – Energy Nuclear Vermont Yankee, LLC v. Shumlin, No.11-CV-99 (D. Vermont). This COMSECY<sup>14</sup> had been provided to the Commission on June 7, 2011, subsequent to a June 6, 2011, time-sensitive request from DOJ. The purpose of the COMSECY was to request the Commission’s views on whether to support the filing of a U.S. “Statement of Interest” in the lawsuit. The lawsuit invoked Federal preemption doctrine and sought to enjoin Vermont from using its “certificate-of-public-good” law to shut down the Vermont Yankee nuclear plant when the plant’s original license term expired in March 2012. COMSECY-11-0009 communicated two options to the Commission. Option A supported the filing of a “Statement of Interest” by the DOJ on the Federal preemption issue, and Option B did not support such a filing at the current time.

In accordance with Commission voting procedures, each Commission member submitted his or her vote to the Office of the Secretary by e-mail with copies to the other Commission members’ offices and program office staff with a need-to-know. In this case, approximately 45 employees in the various Commission offices, Office of the Secretary, Office of the General Counsel, and Office of Commission Appellate Adjudication received e-mails from the Chairman’s and each Commissioner’s office with his or her vote.

On June 15, 2011, the Chairman’s legal counsel sent an e-mail with suggested language for NRC’s response to DOJ to the same recipients who had previously received e-mails on the individual votes. The legal counsel’s e-mail provided the final 3 to 2 vote tally and a breakout of how each Commissioner voted.

NRC’s Solicitor informed DOJ in a June 15, 2011, letter that NRC supported the filing of a “Statement of Interest.” This letter stated only that “we” (NRC)

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<sup>14</sup> A COMSECY, or Commission Action Memorandum, is a type of document used for Commission decisionmaking.

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support filing a statement of interest by the United States on Federal preemption. The letter did not indicate how each Commission member voted on the matter or provide the vote tally.

OIG learned that Senator Sanders' Senior Legislative Assistant called the Office of Congressional Affairs on June 15, 2011, to inquire about the vote outcome. The Senior Legislative Assistant also called each Commissioner's office to ask how each Commissioner voted and told one Commissioner's Chief of Staff that he knew the overall vote was 3 to 2. The Senior Legislative Assistant also called the Chairman's office on or about June 15, 2011, to ask about the Chairman's position.

OIG was unable to determine if someone from NRC provided Senator Sanders' office with the Commission vote on COMSECY-11-0009 or how Senator Sanders' staff learned about the vote tally. Senator Sanders' office declined OIG's request to interview the Senator's Senior Legislative Assistant with regard to this investigation.

*(Addresses Management and Performance Challenge #2)*

## **Harassing E-Mail Sent to NRC Chairman's Office**

### *OIG Strategic Goal: Security*

OIG conducted an investigation into an allegation from the NRC Division of Facilities and Security that on July 6, 2011, an e-mail was sent to the NRC Chairman's Resource e-mail account containing harassing language that rises to the level of character defamation concerning the NRC Chairman. The e-mail was sent from a "hotmail" account.

OIG identified the sender of the e-mail to the NRC Chairman. The individual was an unemployed man with mental health issues from the State of Washington. OIG coordinated this investigation with local law enforcement officials and prosecutors in Washington State who said the individual's mental health issues would be addressed during his upcoming prosecution proceedings for local crimes.

*(Addresses Management and Performance Challenge #7)*

## **Possible Cost Mischarging by NRC Contractor**

### *OIG Strategic Goal: Corporate Management*

OIG conducted an investigation based on an allegation from Division of Contracts (DC) staff that an NRC contractor had submitted questionable invoices to NRC for certain task orders on an information technology support contract. The questionable invoices contained overtime hours, which according to DC staff, required preapproval by the NRC. The NRC had not authorized the contractor

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employees to work overtime hours. The contract was an indefinite-quantity contract with a period of performance from September 26, 2007, through September 25, 2008, with two option periods totaling \$47,099,350.66. In addition the contract was extended after the option periods for 2 more years. Funding is obligated under 30 individual task orders.

OIG's review of invoices submitted by the contractor to NRC for the period of September 2007 through September 2010 found that contractor employees had recorded overtime hours; however, there was no overtime charged or billed to the NRC. The contractor employees who worked more than 40 hours per week were storing these work hours. The stored hours were later used as compensatory time off; however, when the compensatory time off was actually taken (using the stored hours), the invoice submitted to NRC incorrectly reflected that the employee was working.

OIG found that the NRC contract did not stipulate a cap on hours worked per task order per billing cycle or state that the contractor employees could not exceed 80 hours worked biweekly. In addition, the contract did not require preapproval for extra hours worked at regular pay rates.

An NRC Project Manager (PM) verified that the work was performed by the contractor employees and that it was well documented. However, the PM's concern was that NRC could not tell when contractor-employees were working or taking compensatory time, and that compensatory time was being reported on invoices as work performed for that week when it was actually performed during a prior week.

An OGC attorney stated that the NRC contract and statement of work were poorly written, which created challenges for NRC. He advised that the contractor did not charge NRC any overtime rates on the contract. If the NRC manager had work to be performed and the contractor employees elected to work past their shifts without claiming overtime rates, it was a cost savings for NRC. Administratively, the OGC would have preferred that the contractor annotate on the invoice when an employee used his or her stored hours. The attorney advised that the contract terminated in January 2012, and the same company was awarded the new contract beginning on January 26, 2012. OGC and DC were structuring the new contract differently and incorporating language, clauses, and requirements that were not in the previous NRC contract. The attorney advised that the new contract as written will eliminate the challenges that NRC had on the previous contract, and would address "stored" hours.

The U.S. Attorney's Office declined to prosecute based on no financial loss to the Government and that the work was satisfactorily performed by the contractor. The NRC declined to take administrative action against the company based on the termination of the contract in January 2012.

*(Addresses Management and Performance Challenge #6)*

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## Alleged Failure to Inspect North Anna Nuclear Power Plant Unit 1 After Earthquake And Inspection of Unit 2

### *OIG Strategic Goal: Safety*

OIG conducted an investigation into an allegation that NRC's Region II Regional Administrator failed to protect public health and safety by not inspecting North Anna Nuclear Power Plant (North Anna), Unit 1 internals, after it was shut down due to an August 23, 2011, earthquake centered in Mineral, Virginia.

OIG learned that on August 30, 2011, in accordance with Management Directive 8.3, *NRC Incident Investigation Program*, NRC dispatched an Augmented Inspection Team (AIT) to North Anna to better understand the event and the licensee's response after the August 23, 2011, earthquake. Using guidance provided in Regulatory Guide 1.167, *Restart of a Nuclear Power Plant Shut Down by a Seismic Event*, the AIT concluded that the licensee performed adequate inspections, walk downs, and testing to ensure that safety related structures, systems, and components for Units 1 and 2 at North Anna had not been adversely affected by the earthquake.

In September 2011, the licensee submitted to NRC a restart readiness plan for returning North Anna to service. This plan included an evaluation and inspection of North Anna Units 1 and 2. NRC staff assessed the licensee's completed evaluation and inspection and concluded that no functional damage occurred to either of the reactor vessels internals such that, "The resumption of plant operations would not result in undue risk to the health and safety of the public."

OIG reviewed NRC technical evaluation, dated November 11, 2011, of the North Anna Units 1 and 2 regarding the restart of North Anna following the earthquake. The technical evaluation documented NRC inspection activities and conclusions supporting NRC's decision to allow North Anna to restart to include a conclusion regarding the functionality of the reactor vessel internals. The technical evaluation explained in detail the inspection activities at both Units 1 and 2. The technical evaluation also explained why certain inspection results of Unit 2 would be representative of the findings for Unit 1. As authorized by Regulatory Guide 1.167, the Director of NRC's Office of Nuclear Reactor Regulation (NRR) determined that North Anna could be operated safely.

OIG did not substantiate that NRC failed to protect public health and safety following the August 23, 2011, earthquake near the North Anna. OIG found that NRC headquarters dispatched an AIT to North Anna following the August 23, 2011, earthquake. The decision to restart North Anna was not the Region II Regional Administrator's responsibility. On November 11, 2011, the NRR Director declared North Anna safe to restart after confirming regulatory requirements were met.

*(Addresses Management and Performance Challenge #1)*

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## Alleged NRC Grant Fraud by City College of New York Professor

### *OIG Strategic Goal: Corporate Management*

OIG initiated this investigation based on an allegation that the principal investigator (PI) for an NRC education grant awarded to the City College of New York (CCNY), and another CCNY professor, utilized grant funding to travel internationally to attend conferences without prior authorization from NRC.

OIG reviewed the grant file and learned that NRC awarded \$450,000 to CCNY for the development of a Nuclear Thermal-Hydraulics and Safety Research program at the college for a 3-year period beginning July 1, 2009. OIG also learned the PI and another CCNY professor used grant money to travel internationally in connection with the grant.

An NRC senior contract specialist, knowledgeable about the CCNY grant, informed OIG that CCNY staff's international travel was in accordance with applicable requirements in 2 CFR Part 220 (*Cost Principles for Educational Institutions*) which makes no mention of "prior approval" for domestic or foreign travel. OIG also found the CCNY staff's travel was in accordance with NRC Terms and Conditions for international air travel and transportation. The CCNY staff met this requirement by including in its grant budget justification information about the trips planned, and receiving budget approval from NRC.

OIG determined that the CCNY staff used NRC grant funding to conduct international travel related to the grant in accordance with applicable requirements in 2 CFR Part 220 and with NRC Terms and Conditions for international air travel.

*(Addresses Management and Performance Challenge #6)*

## Possible Violation of 10 CFR 2.206

### *OIG Strategic Goal: Safety*

OIG conducted an investigation based on a referral from the Division of Waste Management and Environmental Protection, NRC, relating to a 10 CFR 2.206 petition filed by a resident of Hawaii. The alleger requested that NRC take action against the U.S. Army for violating an NRC material source license. The allegation was that the U.S. Army potentially violated the law after its license expired in handling and disposing of depleted uranium (DU) for spotting rounds used for the Davy Crockett weapons system.

OIG determined the U.S. Army notified the NRC in the summer of 2006 and again in November 2006 of separate incidents whereby DU fragments were found on firing ranges at Schofield Barracks, Hawaii. Since the notifications, the U.S. Army applied for a materials license with the NRC in an attempt to properly resolve the DU matter. The investigation determined the U.S. Army was licensed from 1961 to 1978 to

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possess the material. However, when the license expired, the U.S. Army was no longer subject to NRC policies or regulations. At the time the license was approved by the Atomic Energy Commission (AEC), it was of no concern that the U.S. Army was leaving expended DU on the firing ranges because such practice was considered to involve insignificant levels of radioactivity. Further, documentation reviewed in support of this investigation revealed that in April 1969, the AEC authorized the U.S. Army to dispose of 44,000 spotting rounds at sea.

In March 2010, the alleged's 10 CFR 2.206 petition was granted in part. The NRC determined that the U.S. Army was in violation of 10 CFR 40.3 because it was in possession of licensable quantities of DU at several installations without authorization through a specific license issued by the NRC. Subsequently, the NRC issued a Severity Level III notice of violation to the U.S. Army. The NRC stated in the notice of violation that the corrective actions taken by the U.S. Army and those planned were sufficient to prevent recurrence and no monetary penalty was assessed.

On October 29, 2011, the NRC issued a final decision and accepted the U.S. Army's course of action without further enforcement. The Army's corrective actions included the submission of a license application and the implementation of measures to ensure access and control of areas suspected to contain DU.

*(Addresses Management and Performance Challenge #4)*

## **Improper Handling of Personally Identifiable Information by iLearn Contractor**

### *OIG Strategic Goal: Security*

OIG initiated an investigation based on notification from NRC's Computer Security Office of a possible leak of NRC employees' Personally Identifiable Information (PII) in an e-mail sent from Office of Personnel Management's (OPM) training provider, which manages the NRC's learning management system known as iLearn. NRC uses the OPM training provider to manage iLearn as part of OMB requirement that all agencies use one of five authorized certified training providers to track Federal employee training. The e-mail in question was sent to three NRC employees located in the Office of Human Resources and one training provider contractor employee.

OIG found that the training provider mishandled NRC employee PII by sending it in clear text as an attachment to a regular e-mail. Upon notification of the PII transmittal by an NRC employee, the training provider coordinated with OPM to remove all remnants of the e-mail, the attachment, and all documents used to create the attachment.

The training provider also implemented steps to prevent this from happening in the future and promised to re-educate its employees regarding handling and transporting of PII via secure transfer methods.

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OIG also found that NRC's task order with OPM does not adequately address the retention and destruction of NRC employee PII used by the training provider to update the training database. This shortcoming put the agency at risk of having old sets of PII in the possession of OPM's contractor for inadvertent misuse.

This investigation did not find any criminal misconduct with regard to the allegation but identified a shortcoming in NRC's contractual arrangement that required the training provider to provide NRC employee PII to OPM, to meet the training documentation requirement under OPM's e-Government initiative, *Enterprise Human Resources Integration*.

*(Addresses Management and Performance Challenge #5)*

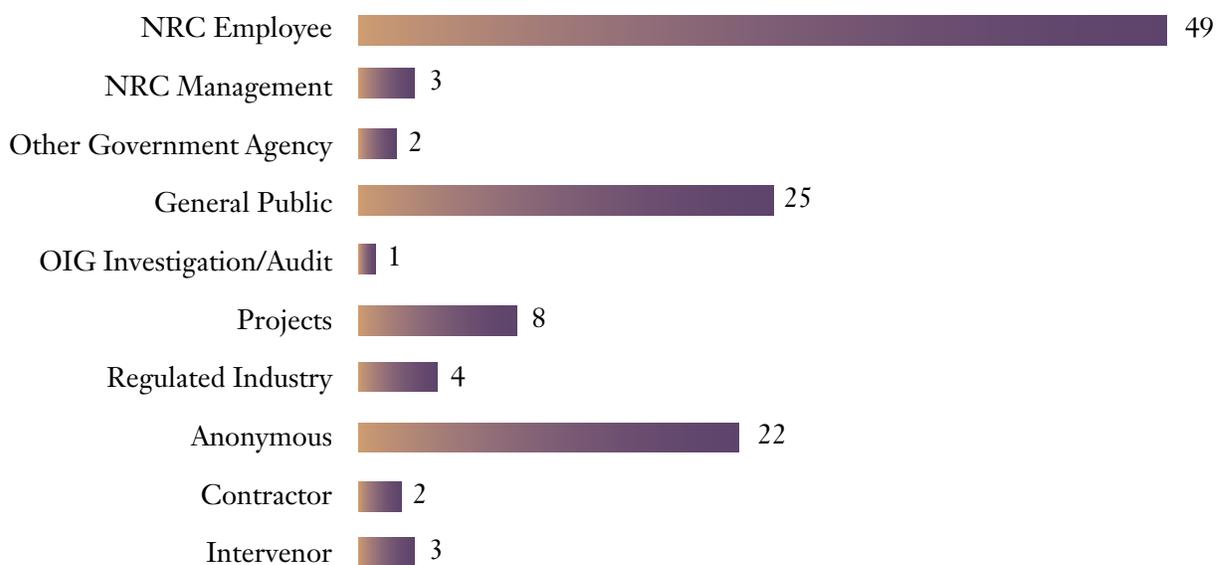
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# SUMMARY OF OIG ACCOMPLISHMENTS

October 1, 2011, through March 31, 2012

## INVESTIGATIVE STATISTICS

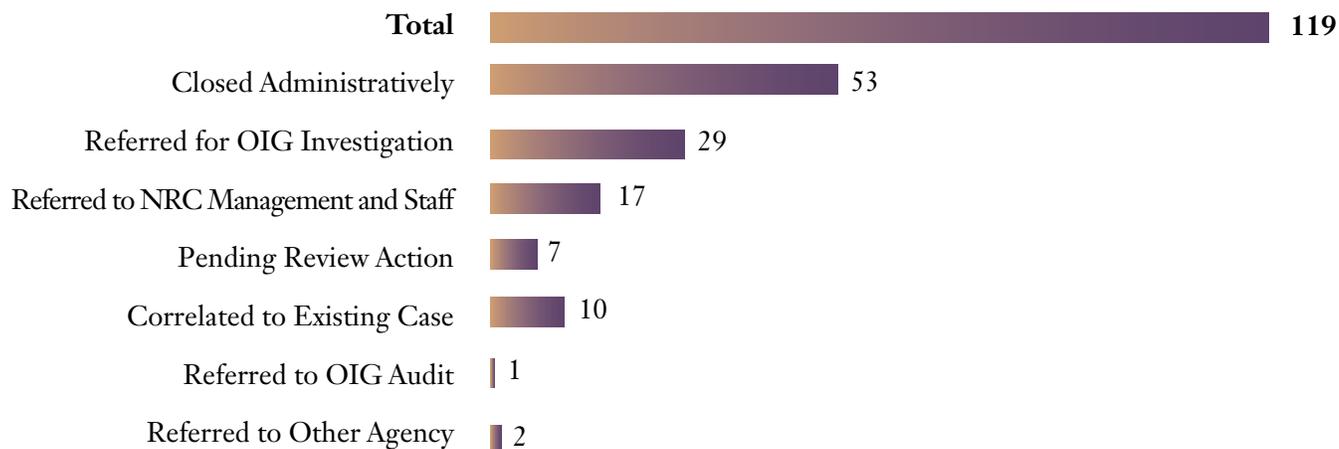
### Source of Allegations



Allegations resulting from Hotline Program: 47

**Total: 119**

### Disposition of Allegations—October 1, 2011, through March 31, 2012



## Status of Investigations

DOJ Acceptance . . . . .	1
DOJ Referrals . . . . .	9
DOJ Pending . . . . .	2
DOJ Declinations . . . . .	6
Sentencing . . . . .	0
NRC Administrative Actions:	
Terminations and Resignations . . . . .	2
Suspensions and Demotions . . . . .	1
Counseling . . . . .	1
Recoveries . . . . .	0
Other . . . . .	3
State Referrals . . . . .	0
State Pending . . . . .	0
State Accepted . . . . .	0
PFCRA <sup>18</sup> Referral . . . . .	1
PFCRA Acceptance . . . . .	0
PFCRA Recovery . . . . .	0
PFCRA Pending . . . . .	1

## Summary of Investigations

Classification of Investigations	Carryover	Opened Cases	Closed Cases	Cases in Progress
Conflict of Interest	0	1	0	1
Employee Misconduct	23	14	17	20
Event Inquiry	1	0	0	1
External Fraud	6	1	2	5
False Statements	1	0	0	1
Management Misconduct	2	7	2	7
Miscellaneous	3	3	2	4
Misuse of Government Property	1	0	1	0
Proactive Initiatives	13	2	4	11
Technical Allegations	0	2	2	0
Theft	1	0	0	1
<b>Grand Total</b>	<b>51</b>	<b>30</b>	<b>30</b>	<b>51</b>

<sup>18</sup> Program Fraud Civil Remedies Act.

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## AUDIT LISTINGS

<b>Date</b>	<b>Title</b>	<b>Audit Number</b>
10/03/2011	Evaluation Report: Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing NRC	OIG-12-A-01
11/07/2011	Independent Evaluation of NRC's Contract Award Process	OIG-12-A-02
11/09/2011	Results of the Audit of the United States Nuclear Regulatory Commission's Financial Statements for Fiscal Year 2011	OIG-12-A-03
11/09/2011	Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act (FISMA) for FY 2011	OIG-12-A-04
11/15/2011	Independent Auditor's Report on the U.S. Nuclear Regulatory Commission's Special-Purpose Financial Statements as of September 30, 2011, and for the Year Then Ended	OIG-12-A-05
12/13/2011	Audit of NRC's Oversight of Decommissioned Uranium Recovery Sites and Sites Undergoing Decommissioning	OIG-12-A-06
01/26/2012	Memorandum Report: Audit of NRC's Implementation of the Federal Managers' Financial Integrity Act for Fiscal Year 2011	OIG-12-A-07
02/01/2012	Independent Auditor's Report on the Condensed Financial Statements	OIG-12-A-08
02/10/2012	Audit of NRC's Use of Confirmatory Action Letters	OIG-12-A-09
03/08/2012	Audit of NRC's Management of the Baseline Security Inspection Program	OIG-12-A-10
03/15/2012	Audit of NRC's Fiscal Year 2011 Compliance with the Improper Payment Elimination and Recovery Act of 2010	OIG-12-A-11

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## Contract Audit Reports

<b>OIG Issued Date</b>	<b>Contractor/Title/Contract Number</b>	<b>Questioned Costs</b>	<b>Unsupported Costs</b>
11/18/2011	Dade Moeller & Associates Fiscal Year 2011 Provisional Billing Rates NRC-HQ-11-C-04-0012	0	0
03/22/2012	Southwest Research, Inc. Independent Evaluation of Southwest Research Institute's Floor Checks (MAAR 6) NRC-02-06-018 NRC-02-06-021 NRC-41-09-011 NRC-03-09-070 NRC-03-10-066 NRC-03-10-070 NRC-03-10-081 NRC-04-10-144 NRC-HQ-11-C-03-0047 NRC-HQ-11-C-03-0058	0	0
03/22/2012	Southwest Research, Inc. Independent Follow-up Audit of Two Previously Reported Significant Deficiencies/Material Weaknesses in Southwest Research Institutes' Accounting System NRC-02-06-018 NRC-02-06-021 NRC-41-09-011 NRC-03-09-070 NRC-03-10-066 NRC-03-10-070 NRC-03-10-081 NRC-04-10-144 NRC-HQ-11-C-03-0047 NRC-HQ-11-C-03-0058	0	0
03/22/2012	Southwest Research, Inc. Independent Report on Audit of Southwest Research Institute's Fiscal Year 2010 Fringe Burden Rate for Provisional Billing Purposes NRC-02-06-018 NRC-02-06-021 NRC-41-09-011 NRC-03-09-070 NRC-03-10-066 NRC-03-10-070 NRC-03-10-081 NRC-04-10-144 NRC-HQ-11-C-03-0047 NRC-HQ-11-C-03-0058	0	0

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# AUDIT RESOLUTION ACTIVITIES

## TABLE I

### OIG Reports Containing Questioned Costs<sup>15</sup>

Reports	Number of Reports	Questioned Costs (Dollars)	Unsupported Costs (Dollars)
A. For which no management decision had been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	0	0	0
Subtotal (A + B)	0	0	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by the end of the reporting period	0	0	0
E. For which no management decision was made within 6 months of issuance	0	0	0

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<sup>15</sup> Questioned costs are costs that are questioned by OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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## TABLE II

### OIG Reports Issued with Recommendations That Funds Be Put to Better Use<sup>16</sup>

Reports	Number of Reports	Dollar Value of Funds
A. For which no management decision had been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period	0	0
E. For which no management decision was made within 6 months of issuance	0	0

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<sup>16</sup> A “recommendation that funds be put to better use” is a recommendation by OIG that funds could be used more efficiently if NRC management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

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## TABLE III

### Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed

Date	Report Title	Number
05/26/2003	Audit of NRC's Regulatory Oversight of Special Nuclear Materials  Recommendation 1: Conduct periodic inspections to verify that material licensees comply with material control and accountability requirements, including, but not limited to, visual inspections of licensees' special nuclear material inventories and validation of reported information.	OIG-03-A-15
9/26/2008	Audit of NRC's Enforcement Program  Recommendation 2: Define systematic data collection requirements for non-escalated enforcement actions.  Recommendation 3: Develop and implement a quality assurance process that ensures that collected enforcement data is accurate and complete.	OIG-08-A-17

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# ABBREVIATIONS AND ACRONYMS

AEC	Atomic Energy Commission
ALARA	as low as (is) reasonably achievable
AIT	Augmented Inspection Team
CAL	Confirmatory Action Letter
Carson Associates	Richard S. Carson and Associates, Inc.
CCNY	City College of New York
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
CFR	Code of Federal Regulations
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIO	U.S. Chief Information Officer
CSO	Computer Security Office (NRC)
DC	Division of Contracts (NRC)
D-NY	Democrat, New York
DOE	U.S. Department of Energy
DOJ	U.S. Department of Justice
DU	depleted uranium
EPA	U.S. Environmental Protection Agency
FISMA	Federal Information Security Management Act
FY	Fiscal Year
HR	Office of Human Resources (NRC)
IAEA	International Atomic Energy Agency
IAM	Issue Area Monitor
IG	Inspector General
IT	information technology
ITAAC	inspections, tests, analyses, and acceptance criteria
Manual	NRC Enforcement Manual
MOU	Memorandum of Understanding
North Anna	North Anna Nuclear Power Plant
NRC	U.S. Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation (NRC)
OBRA-90	The Omnibus Budget Reconciliation Act of 1990
OE	Office of Enforcement (NRC)
OGC	Office of the General Counsel (NRC)
OIG	Office of the Inspector General (NRC)
OIS	Office of Information Services (NRC)
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
PII	Personally Identifiable Information
PM	Project Manager
POA&M	Plan of Action and Milestones
Policy	NRC Enforcement Policy
ROP	Reactor Oversight Process
SDP	Significance Determination Process
SEP	Source Evaluation Panel
SGI	safeguards information
UMTRCA	Uranium Mill Tailings Radiation Control Act

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# REPORTING REQUIREMENTS

*The Inspector General Act of 1978, as amended (1988), specifies reporting requirements for semiannual reports. This index cross-references those requirements to the applicable pages where they are fulfilled in this report.*

<b>Citation</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of Legislation and Regulations	6-7
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	14-27, 36-41
Section 5(a)(2)	Recommendations for Corrective Action	14-27
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed	49
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	44
Section 5(a)(5)	Information or Assistance Refused	None
Section 5(a)(6)	Listing of Audit Reports	45
Section 5(a)(7)	Summary of Significant Reports	14-27, 36-41
Section 5(a)(8)	Audit Reports — Questioned Costs	47
Section 5(a)(9)	Audit Reports — Funds Put to Better Use	48
Section 5(a)(10)	Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions With Which the OIG Disagreed	None

*Public Law 111-203, the Dodd-Frank Wall Street Reform and Consumer Protection Act, requires IGs to include their peer review results as an appendix to each Semiannual Report to Congress.*

Section 989C	Peer Review Information	52
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# APPENDIX

## *Peer Review Information*

During this reporting period, NRC OIG conducted a Quality Assessment Review (QAR) of the Investigative Operations of the U.S. Railroad Retirement Board Office of Inspector General. Our review found that the Railroad Retirement Board Office of Inspector General is in compliance with the QAR quality standards. The NRC OIG did not identify any recommendations associated with any reportable findings and there are no outstanding recommendations from any prior review.

## *Audits*

The NRC OIG Audit Program was peer reviewed most recently by the U.S. Small Business Administration Office of Inspector General. The peer review final report, dated August 24, 2009, reflected that NRC OIG received a peer review rating of pass. This is the highest rating possible based on the available options of pass, pass with deficiencies, or fail.

## *Investigations*

The NRC OIG Investigative Program was peer reviewed most recently by the U.S. Department of State Office of Inspector General. The peer review final report, dated July 6, 2010, reflected that NRC OIG is in compliance with the quality standards established by the President's Council on Integrity and Efficiency/ Executive Council on Integrity and Efficiency and the Attorney General guidelines.

## **OIG STRATEGIC GOALS**

1. Strengthen NRC's efforts to protect public health and safety and the environment.
2. Enhance NRC's efforts to increase security in response to an evolving threat environment.
3. Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.



## The NRC OIG Hotline

The Hotline Program provides NRC employees, other Government employees, licensee/utility employees, contractors, and the public with a confidential means of reporting suspicious activity concerning fraud, waste, abuse, and employee or management misconduct. Mismanagement of agency programs or danger to public health and safety may also be reported. We do not attempt to identify persons contacting the Hotline.

### What should be reported:

- Contract and Procurement Irregularities
- Conflicts of Interest
- Theft and Misuse of Property
- Travel Fraud
- Misconduct
- Abuse of Authority
- Misuse of Government Credit Card
- Time and Attendance Abuse
- Misuse of Information Technology Resources
- Program Mismanagement

## Ways to Contact the OIG



**Call:**  
**OIG Hotline**  
**1-800-233-3497**  
**TDD: 1-800-270-2787**  
7:00 a.m. – 4:00 p.m. (EST)  
After hours, please leave a message



**Submit:**  
On-Line Form  
[www.nrc.gov](http://www.nrc.gov)  
Click on Inspector General  
Click on OIG Hotline



**Write:**  
U.S. Nuclear Regulatory Commission  
Office of the Inspector General  
Hotline Program, MS 05 E13  
11555 Rockville Pike  
Rockville, MD 20852-2738