



# *Office of the Inspector General*

*U.S. Nuclear Regulatory Commission*

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***Annual Plan***

*Fiscal Year 2016*

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## FOREWORD

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I am pleased to present the Office of the Inspector General's (OIG) fiscal year (FY) 2016 *Annual Plan* for the U.S. Nuclear Regulatory Commission (NRC). The *Annual Plan* provides the audit and investigative strategies and associated summaries of the specific work planned for the coming year. It sets forth OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2016. (Effective April 1, 2014, the NRC OIG was assigned also to serve as the OIG for the U.S. Defense Nuclear Facilities Safety Board; OIG's annual plan for that agency is contained in a separate document.)

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

This *Annual Plan* was prepared to align with the OIG *Strategic Plan* for FYs 2014 – 2018, which is based, in part, on an assessment of the strategic challenges facing NRC. The *Strategic Plan* identifies OIG's priorities and establishes a shared set of expectations regarding the goals we expect to achieve and the strategies we will employ over that timeframe. The *Strategic Plan* is the foundation on which our *Annual Plan* is based. OIG sought input from the Commission, NRC Headquarters, and NRC Regions in developing this *Annual Plan*.

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

Hubert T. Bell  
Inspector General

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## MISSION AND AUTHORITY

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

In furtherance of the execution of this mission and of particular importance to OIG's annual plan development, the IG summarizes what he considers to be the most serious management and performance challenges facing NRC and assesses the agency's progress in addressing those challenges. In the latest annual assessment (October 2015) the IG identified the following as the most serious management and performance challenges facing NRC:<sup>1</sup>

1. Regulation of nuclear reactor safety programs.
2. Regulation of nuclear materials and radioactive waste programs.
3. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.
4. Management of information technology and information management.
5. Management of financial programs.
6. Management of administrative functions.

Through its Issue Area Monitor (IAM) program, OIG staff monitor agency performance on these management challenges. These challenges, in conjunction with OIG's strategic goals, serve as an important basis for deciding which audits and evaluations to conduct each fiscal year.

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

## **PLANNING STRATEGY**

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The FY 2016 *Annual Plan* is linked with OIG's *Strategic Plan* for FYs 2014 – 2018. The *Strategic Plan* identifies the major challenges and critical risk areas facing the NRC so that OIG resources may be directed in these areas in an optimum fashion.

The *Strategic Plan* recognizes the mission and functional areas of the agency and the major challenges the agency faces in successfully implementing its regulatory program. The plan presents strategies for reviewing and evaluating NRC programs under the strategic goals that OIG established. OIG's strategic goals are to (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*, and (3) *increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources*. To ensure that each audit and evaluation carried out by OIG aligns with the *Strategic Plan*, program areas selected for audit and evaluation have been crosswalked from the *Annual Plan* to the *Strategic Plan* (see planned audits in appendixes A, B, and C).

## **AUDIT AND INVESTIGATION UNIVERSE**

NRC's proposed FY 2016 budget is \$1,032.2 million, including 3,754.1 full-time equivalents. The agency's mission is to license and 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. The agency also has a role in enhancing nuclear safety and security throughout the world.

NRC is headquartered in suburban Maryland, just outside of Washington, DC; has four regional offices located throughout the United States; and operates a technical training center located in Chattanooga, Tennessee.

The agency carries out its mission through various licensing, inspection, research, and enforcement programs. NRC responsibilities include regulating 99 commercial nuclear power reactors licensed to operate in the United States; 74 licensed and/or operating Independent Spent Fuel Storage Installations; 31 licensed research and test reactors; 13 fuel cycle facilities; and approximately 2,800 licenses issued for medical, academic, and industrial uses of nuclear material. NRC has also received 18 applications for new power reactors, is reviewing renewal applications for 12 sites, and is overseeing the decommissioning of 19 commercial nuclear power plants and 5 research and test reactors.

The audit and investigation oversight responsibilities are therefore derived from the agency's wide array of programs, functions, and support activities established to accomplish NRC's mission.

## **AUDIT STRATEGY**

Effective audit planning requires current knowledge about the agency's mission and the programs and activities used to carry out that mission. Accordingly, OIG continually monitors specific issue areas to strengthen its internal coordination and overall planning process. Under the office's 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, information management, security, financial and administrative programs, human resources, and international programs. Appendix E contains a listing of the IAMs and the issue areas for which they are responsible.

The audit planning process, which is informed by the OIG *Strategic Plan* and identified agency management and performance challenges, yields audit assignments that will identify opportunities for efficiency, economy, and effectiveness in NRC programs and operations; detect and prevent fraud, waste, and mismanagement; improve program and security activities at headquarters and regional locations; and respond to emerging circumstances and priorities. The priority for conducting audits is based on (1) mandatory legislative requirements; (2) critical agency risk areas; (3) emphasis by the President, Congress, NRC Chairman, or other NRC Commissioners; (4) a program's susceptibility to fraud, manipulation, or other irregularities; (5) dollar magnitude or resources involved in the proposed audit area; (6) newness, changed conditions, or sensitivity of an organization, program, function, or activities; (7) prior audit experience, including the adequacy of internal controls; and (8) availability of audit resources.

## **INVESTIGATION STRATEGY**

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

- Misconduct by high-ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact public health and safety.
- Failure by NRC management to ensure that health and safety matters are appropriately addressed.
- Failure by the NRC to appropriately transact nuclear regulation.
- Conflict of interest by NRC employees with NRC contractors and licensees.
- Indications of management or supervisory retaliation or reprisal.

OIG will also implement initiatives designed to monitor specific high-risk areas within NRC's corporate management that are most vulnerable to fraud, waste, and abuse. A significant focus will be on emerging information technology and national security issues that could negatively impact the security and integrity of NRC data and operations. This will also include efforts to ensure the continued protection of personal privacy information held within agency databases and systems. OIG is committed to improving the security of the constantly changing electronic business environment by investigating unauthorized intrusions and computer-related fraud, and by conducting computer forensic examinations. Other proactive initiatives will focus on determining instances of procurement fraud, identifying vulnerabilities in the nuclear supply chain, theft of property, insider threats, and Government travel and purchase card abuse.

As part of these proactive initiatives, OIG will meet with agency internal and external stakeholders to identify systemic issues or vulnerabilities. This approach will allow the identification of potential vulnerabilities and an opportunity to improve agency performance, as warranted.

With respect to OIG's strategic goals pertaining to safety and security, OIG routinely interacts with public interest groups, individual citizens, industry workers, and NRC staff to identify possible lapses in NRC regulatory oversight that could impact public health and safety. OIG also conducts proactive initiatives and reviews into areas of current or future regulatory safety or security interest to identify emerging issues or address ongoing concerns regarding the quality of NRC's regulatory oversight. Such areas might include new reactor licensing and relicensing of existing plants, aspects of the transportation and storage of high-level and low-level waste, as well as decommissioning activities. Finally, OIG conducts a limited number of Event Inquiries and Special Inquiries. Event Inquiry reports document OIG's examination of events or agency regulatory actions to determine if staff actions may have contributed to the occurrence of an event. Special Inquiry reports document those instances where

an investigation identifies inadequacies in NRC regulatory oversight that may have resulted in a potential adverse impact on public health and safety.

Appendix D provides investigation objectives and initiatives for FY 2016. Specific investigations are not included in the plan because investigations are primarily responsive to reported violations of law and misconduct by NRC employees and contractors, as well as allegations of irregularities or abuse in NRC programs and operations.

## PERFORMANCE MEASURES

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For FY 2016, we will use a number of key performance measures and targets for gauging the relevancy and impact of our audit and investigative work. OIG calculates these measures in relation to each of OIG's strategic goals to determine how well we are accomplishing our objectives. The performance measures are:

1. Percentage of OIG products/activities that have a high impact<sup>2</sup> on improving NRC's safety, security, and corporate management programs.
2. Percentage of audit recommendations agreed to by agency.
3. Percentage of final agency actions taken within 2 years on audit recommendations.
4. Percentage of agency actions taken in response to investigative reports.
5. Percentage of active cases completed in less than 18 months on average.
6. Percentage of closed investigations referred to the U.S. Department of Justice (DOJ) or other relevant authorities.
7. Percentage of closed investigations resulting in indictments, convictions, civil suits or settlements, judgments, administrative actions, clearance, or monetary results.

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<sup>2</sup> High impact is the effect of an issued report or activity undertaken that results in (a) confirming risk areas or management challenges that caused the agency to take corrective action, (b) real dollar savings or reduced regulatory burden, (c) identifying significant wrongdoing by individuals that results in criminal or administrative action, (d) clearing an individual wrongly accused, or (e) identifying regulatory actions or oversight that may have contributed to the occurrence of a specific event or incident or resulted in a potential adverse impact on public health or safety.

## **OPERATIONAL PROCESSES**

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

### **AUDITS**

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

OIG performs the following types of audits:

**Performance** – Performance audits focus on NRC administrative and program operations and evaluate the effectiveness and efficiency with which managerial responsibilities are carried out, including whether the programs achieve intended results.

**Financial** – These audits, which include the financial statement audit required by the Chief Financial Officers Act, attest to the reasonableness of NRC's financial statements and evaluate financial programs.

**Contract** – Contract audits evaluate the costs of goods and services procured by NRC from commercial enterprises.

The key elements in the audit process are as follows:

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

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

**Entrance Conference** – A meeting is held to advise agency officials of the objective(s), and scope of the audit, and the general methodology to be followed.

**Survey** – Exploratory work is conducted before the more detailed audit commences to gather data for refining audit objectives, as appropriate;

documenting internal control systems; becoming familiar with the activities to be audited; and identifying areas of concern to management.

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

**End of Fieldwork Briefing With Agency** – At the conclusion of audit fieldwork, the audit team discusses the tentative report findings and recommendations with the auditee.

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

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

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

**Final Audit Report** – The final report includes, as necessary, any revisions to the facts, conclusions, and recommendations of the draft report discussed in the exit conference or generated in written comments supplied by agency managers. Written comments are included as an appendix to the report. Some audits are sensitive and/or classified. In these cases, final audit reports are not made available to the public.

**Response to Report Recommendations** – Offices responsible for the specific program audited provide a written response on each recommendation (usually within 30 days) contained in the final report. Agency management responses include a decision for each recommendation indicating agreement or disagreement with the recommended action. For agreement, agency management provides corrective actions taken or planned and actual or target dates for completion. For disagreement, agency management provides their reasons for disagreement and any alternative proposals for corrective action.

**Impasse Resolution** – If the response by the action office to a recommendation is unsatisfactory, OIG may determine that intervention at a higher level is

required. The Executive Director for Operations is NRC's audit followup official, but issues can be taken to the Chairman for resolution, if warranted.

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

## **INVESTIGATIONS**

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

Investigations are opened in accordance with OIG priorities as set forth in the OIG *Strategic Plan* and in consideration of prosecutorial guidelines established by the local U.S. attorneys for the DOJ. OIG investigations are governed by the Council of the Inspectors General on Integrity and Efficiency Quality Standards for Investigations, the OIG Special Agent Handbook, and various guidance provided periodically by DOJ.

Only four individuals in the OIG can authorize the opening of an investigative case: the IG, the Deputy IG, the Assistant IG for Investigations, and the Senior Assistant for Investigative Operations. Every allegation received by OIG is given a unique identification number and entered into a database. Some allegations result in investigations, while others are retained as the basis for audits, referred to NRC management, or, if appropriate, referred to another law enforcement agency.

When an investigation is opened, it is assigned to a special agent who prepares a plan of investigation. This planning process includes a review of the criminal and civil statutes, program regulations, and agency policies that may be involved. The special agent then conducts the investigation, and uses a variety of investigative techniques to ensure completion.

In cases where the special agent determines that a crime may have been committed, he or she will discuss the investigation with a Federal and/or local prosecutor to determine if prosecution will be pursued. In cases where a prosecuting attorney decides to proceed with a criminal or civil prosecution, the special agent assists the attorney in any preparation for court proceedings that may be required.

For investigations that do not result in prosecution but are handled administratively by the agency, the special agent prepares an investigative report summarizing the facts disclosed during the investigation. The investigative report is distributed to agency officials who have a need to know the results of the investigation. For investigative reports provided to agency officials, OIG requires a response within 120 days regarding action taken as a result of the investigative findings. OIG monitors corrective or disciplinary actions that are taken.

OIG collects data summarizing the criminal and administrative action taken as a result of its investigations and includes this data in its semiannual reports to Congress.

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

## **HOTLINE**

The OIG Hotline Program provides NRC employees, contract employees, and the public with a confidential means of reporting to the OIG instances of fraud, waste, and abuse relating to agency programs and operations.

### **Please Contact:**

E-mail:	<a href="#">Online Form</a>
Telephone:	1-800-233-3497
TDD	1-800-270-2787
Address:	U.S. Nuclear Regulatory Commission Office of the Inspector General Hotline Program Mail Stop O5-E13 11555 Rockville Pike Rockville, MD 20852

**APPENDIX A**

**NUCLEAR SAFETY AUDITS  
PLANNED FOR FY 2016**

## **Audit of NRC's Operator Licensing Program for the AP1000 Power Reactor**

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### **DESCRIPTION AND JUSTIFICATION:**

Pursuant to the Atomic Energy Act of 1954, as amended, Title 10, Code of Federal Regulations, Part 55 (10 CFR 55) establishes procedures and criteria for the issuance of operator licenses to persons who operate commercially owned nuclear power reactors in the United States. The AP1000 power reactor is a newly designed system that will be incorporated in four nuclear power reactor units currently under construction. Specifically, units 3 and 4 at the Vogtle plant in Georgia and units 2 and 3 at the V.C. Summer plant in South Carolina, are scheduled to be operational around the 2019-2020 timeframe.

The new AP1000 power reactor design will require operators to be trained, licensed, and qualified to take the controls in accordance with 10 CFR 55 when the reactors become operational. Each new reactor should have an onsite functional control room simulator for training and testing operators that must duplicate the plant as designed and built; however, some aspects of the AP1000 designs are incomplete. Consequently, the control room simulators may be insufficient for operator licensing when the new nuclear power reactor units are expected to be operational.

### **OBJECTIVE:**

The audit objective is to determine if NRC's program for licensing AP-1000 reactor operators is efficiently and effectively implemented.

### **SCHEDULE:**

Initiated in the 3<sup>rd</sup> quarter of FY 2015.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-1:** Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 1:**

Regulation of nuclear reactor safety programs.

## **Audit of NRC's Reactor Oversight Process**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC provides oversight of commercial nuclear power plants through the Reactor Oversight Process (ROP) to verify that the plants are being operated in accordance with NRC rules, regulations, and license requirements. Generally, the ROP uses both performance indicators and NRC inspections—including baseline-level inspections—to assess the safety performance and security measures of each plant. The NRC determines its regulatory response to performance issues in accordance with an action matrix that provides for a range of actions commensurate with the significance of performance indicators and inspection results. The actions of the matrix are graded such that, as licensee performance declines, NRC oversight increases and the agency may perform supplemental inspections and take additional actions to ensure that significant performance issues are addressed.

Recently, safety-significant issues have arisen that did not garner regulatory attention until after NRC oversight was increased under ROP. For example, one nuclear power plant received increased NRC scrutiny in the aftermath of inadequate flood preparations and an electrical fire, and a significant number of safety-related components were subsequently discovered to be in service past their recommended service life.

### **OBJECTIVE:**

The audit objective is to assess the effectiveness of the reactor oversight process in discovery of plant performance issues.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2015.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-1:** Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 1:**

Regulation of nuclear reactor safety programs.

## **Audit of NRC's Technical Assistance Request Process**

### **DESCRIPTION AND JUSTIFICATION:**

The Technical Assistance Request (TAR) process is used to address questions or concerns raised within the NRC regarding regulatory compliance and safety oversight programs. The process should ensure that questions or concerns raised by NRC organizations are resolved in a timely manner and the resolutions are appropriately communicated.

A TAR is a written request to the Office of Nuclear Material Safety and Safeguards' for technical assistance from a region, an Office of Nuclear Material Safety and Safeguards division, or another NRC office. A TAR contains questions pertaining to regulatory or policy interpretations, inspection findings, or technical areas; for example, a TAR might be used to seek information on a specific facility or vendor licensing basis, applicable staff positions on an issue, regulatory requirements, or the safety or risk significance of particular facility configurations or operating practices. A TAR request may also be used to obtain information on an allegation-related issue. Ensuring that adequate, appropriate, and timely feedback is provided to NRC staff is central to the agency's mission to protect public health and safety and the environment.

### **OBJECTIVE:**

The audit objective will be to determine if the agency's Technical Assistance Request process facilitates effective and efficient responses.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2015.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

### **Strategy 1-3:**

Identify risk areas associated with NRC's oversight of nuclear materials, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 2:**

Regulation of nuclear materials and radioactive waste programs.

## **Audit of NRC's Knowledge Management for Reactor Safety Programs**

### **DESCRIPTION AND JUSTIFICATION:**

Knowledge management is an aid in retaining knowledge within an organization when employees leave. Knowledge management is particularly useful when employees leave an organization due to retirement as these employees often have extensive knowledge that is of value to the organization. NRC has a high number of senior experts and managers who are becoming eligible to retire. This presents a substantial challenge and underlines the importance of a sound knowledge management program that consistently captures the knowledge of departing employees.

NRC defines knowledge management as a continuous, disciplined, and timely process of identifying, collecting, and using information to better accomplish the job. Since 2006, NRC has attempted to accomplish this mission through a process intended to systematically capture and disseminate operating experience gained from a variety of activities, including research, and inspections, licensing, and other regulatory activities. The NRC Knowledge Management program is broadly overseen by the Office of the Chief Human Capital Officer and covers a wide variety of activities intended to collect and retain information across the agency.

### **OBJECTIVE:**

The audit objective will be to determine whether NRC's Knowledge Management program is meeting its stated objectives for reactor safety programs efficiently and effectively.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-1:** Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 1:**

Regulation of nuclear reactor safety programs.

## **Audit of NRC's Implementation of 10 CFR 50.59 (Changes, Tests and Experiments)**

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### **DESCRIPTION AND JUSTIFICATION:**

10 CFR 50.59 establishes the conditions under which licensees may make changes to their facility or procedures and conduct tests or experiments without prior NRC approval. NRC is responsible for consistently and effectively overseeing licensee implementation of 10 CFR 50.59. The Office of Nuclear Reactor Regulation's Generic Communications Branch, as the agency's 10 CFR 50.59 process owner and subject matter expert, assists regional inspectors and headquarters staff in resolving 10 CFR 50.59-related questions.

Under the provisions of 10 CFR 50.59, a licensee is allowed to make changes to the facility and its operation as described in the final safety analysis report (as updated) or conduct tests or experiments not described in the final safety analysis report without prior NRC approval, provided a change in the technical specifications (TS) incorporated into the license is not involved, and the change does not satisfy any of the eight criteria for prior NRC approval specified in Paragraph (c)(2). These criteria must be used to determine whether plant safety, safety limits, or design basis are impacted. If a change to the TS is required, or if any of the criteria in Paragraph (c)(2) are met, the licensee must apply for and obtain a license amendment per 10 CFR 50.90 prior to implementing the change, test, or experiment. The licensee must maintain records of such changes, supported by a safety evaluation that provides the basis for the determination that prior NRC approval was not required, and report such changes to the NRC.

### **OBJECTIVE:**

The audit objective will be to assess the consistency and effectiveness of NRC's implementation of 10 CFR 50.59.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-1:** Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 1:**

Regulation of nuclear reactor safety programs.

## **Audit of NRC's Oversight of Low Level Radioactive Waste Disposal and Waste Blending**

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### **DESCRIPTION AND JUSTIFICATION:**

Low-level radioactive waste (LLRW) is typically produced at nuclear power reactors, hospitals, research facilities, and clinics from the use of nuclear materials for industrial and medical purposes. LLRW disposal occurs at commercially operated disposal facilities that must be licensed by either NRC or an Agreement State. LLRW is classified at the time of disposal in terms of the concentration of specific radioactive isotopes in the waste. Most LLRW (about 95 percent) has the lowest concentration and is Class A. Class B and Class C wastes may have higher concentrations. Currently, there are four LLRW disposal facilities, all of which are licensed and regulated by Agreement States.

Blending of LLRW means mixing wastes of different concentrations to create product with more uniform and sometimes lower radionuclide concentrations. Blending higher activity and lower activity waste can lower the average concentration of radioactivity, making it suitable for disposal at more locations and at a lower cost. Disposal of LLRW is an expensive endeavor for licensees, and waste blending could be a cost-cutting solution. NRC's oversight of licensees is important to ensure that concentration averaging requirements for licensees result in the safe and effective disposal of both blended and non-blended LLRW.

### **OBJECTIVE:**

The audit objective is to determine if the disposal and waste blending processes at disposal facilities are done safely and effectively.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-4:** Identify risk areas associated with NRC's oversight of high-level and low-level waste, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 2:**

Regulation of nuclear materials and radioactive waste programs.

## **Audit of NRC's Oversight of Source Material Export to Foreign Countries**

### **DESCRIPTION AND JUSTIFICATION:**

NRC regulations governing the import/export licensing process are provided in Title 10, Code of Federal Regulations Part 110, *Export and Import of Nuclear Equipment and Material*. NRC issues two types of licenses for the import and export of nuclear material: general licenses and specific licenses.

The Office of Nuclear Material Safety and Safeguards' Material Control and Accounting Branch is involved in oversight of export/import of source material. The branch has responsibilities to facilitate the application of International Atomic Energy Agency (IAEA) safeguards and evaluates the adequacy of physical protection for export licensing reviews and retransfer requests. This branch works to enhance safeguards programs in other countries and promote nuclear non-proliferation. The branch also provides oversight and management of the U.S. National Accounting System for tracking transfers and possession of Special Nuclear Material and it maintains a center of expertise for material control and accountability issues.

Ensuring the effective oversight of source material export controls and associated processes is key to the agency's mission to protect public health and safety and the environment.

### **OBJECTIVE:**

The audit objective is to determine the effectiveness of NRC's oversight of the export of source material and transfer of control of source material licensees.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **Strategic Goal 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-3:** Identify risk areas facing NRC's oversight of nuclear materials, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 2:**

Regulation of nuclear materials and radioactive waste programs.

## **Audit of NRC's Fire Protection Oversight**

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### **DESCRIPTION AND JUSTIFICATION:**

The NRC requires every U.S. nuclear power plant to have a robust fire protection program to ensure that the nuclear reactors operate safely. Plants can manage their fire safety with either a deterministic or a risk-informed, performance-based approach.

A 1975 fire at the Browns Ferry commercial nuclear reactor in Alabama prompted NRC, in 1979, to establish deterministic fire protection requirements. This approach stipulates that the plant's fire protection plan must outline the overall fire protection program and installed fire protection systems, as well as the means to ensure safe reactor shutdown in the event of a fire.

NRC modified its fire protection regulations, 10 CFR 50.48, "Fire protection," in 2004 to incorporate risk-informed, performance-based fire protection requirements contained in National Fire Protection Association Standard 805. The regulation allows plants to request exemptions to the 1979 or the 2004 standards if the plants can show specific special circumstances. NRC grants exemptions if they do not present an undue risk to health and safety and if other relevant requirements are met.

### **OBJECTIVE:**

The audit objective will be to determine the effectiveness and efficiency of NRC's oversight of fire protection at operating nuclear power plants.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2016.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-1:** Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 1:**

Regulation of nuclear reactor safety programs.

## **Audit of NRC's ROP Self-Assessment Program**

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### **DESCRIPTION AND JUSTIFICATION:**

The Reactor Oversight Process (ROP) is a regulatory framework that includes licensee performance indicator data, NRC inspection activity and determination of inspection finding significance, and licensee performance assessment. The ROP Self-Assessment program annually evaluates the overall effectiveness of the ROP through its success in meeting its pre-established goals and intended outcomes. Its primary objectives are to (1) establish a process for objectively evaluating the effectiveness of the ROP in achieving the goals of being objective, risk-informed, understandable, and predictable as well as the applicable agency performance goals listed in the NRC Strategic Plan; (2) provide timely, objective information to inform program planning and to develop recommended improvements to the ROP; and (3) inform the Commission, NRC senior management, and the public of the results of the ROP self-assessment program, including any conclusions and resultant improvement actions.

The ROP Self-Assessment Program collects data from a variety of sources to develop metrics to assess the effectiveness of the ROP. Data sources include the Reactor Program System, internal and external stakeholder surveys, independent audits, responses to Federal Register notices, and information collected via program document reviews. The Office of Nuclear Reactor Regulation has overall responsibility for analyzing program data and developing recommended improvements to the ROP.

### **OBJECTIVE:**

The audit objective will be to determine the effectiveness and efficiency of NRC's ROP Self-Assessment Program.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2016.

### **STRATEGIC GOAL 1:**

Strengthen NRC's efforts to protect public health and safety and the environment.

**Strategy 1-1:** Identify risk areas associated with NRC's oversight of operating reactors, and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 1:**

Regulation of nuclear reactor safety programs.

**SECURITY AUDITS  
PLANNED FOR FY 2016**

## **Audit of NRC's Security Operations Center**

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### **DESCRIPTION AND JUSTIFICATION:**

The Security Operations Center (SOC) – is responsible for monitoring NRC's computing networks, detecting and isolating incidents, and managing the agency's security products, network devices, end-user devices, and systems. This function is performed 7 days a week, 24 hours per day. The SOC is the primary location of the staff and systems dedicated for this function. Basically, the SOC is a centralized facility responsible for every aspect of computer security in an organization.

The System Engineering and Security Operations Branch in the Office of Information Services is responsible for NRC's SOC operations. The branch is responsible for security functions related to enterprise-wide security incident monitoring and response such as (1) operating, maintaining, and supporting the SOC; (2) configuring, monitoring, and maintaining information technology (IT) security tools to protect the agency computing environment; (3) detecting and analyzing emerging threats and vulnerabilities and analyze information technology security events; and (4) identifying, assessing, mitigating, and coordinating information technology security incidents.

### **OBJECTIVE:**

The audit objective is to determine whether NRC's network SOC meets its operational requirements, and to assess the effectiveness of SOC coordination with organizations that have a role in securing NRC's network.

### **SCHEDULE:**

Initiated in the 3<sup>rd</sup> quarter of FY 2015.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to an evolving threat environment.

**Strategy 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e. physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

## **Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act for Fiscal Year 2015**

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### **DESCRIPTION AND JUSTIFICATION:**

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

FISMA provides the framework for securing the Federal Government's information technology including both unclassified and national security systems. All agencies must implement the FISMA requirements and report annually to the Office of Management and Budget and Congress on the effectiveness of their security programs.

### **OBJECTIVE:**

The objective is to conduct an independent evaluation of the NRC's implementation of FISMA for FY 2015.

### **SCHEDULE:**

Initiated in the 3<sup>rd</sup> quarter of FY 2015.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to an evolving threat environment.

**Strategy 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

## Evaluation of NRC's Security Over Publicly Accessible Web Applications

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### **DESCRIPTION AND JUSTIFICATION:**

NRC manages numerous publicly accessible Web applications to share nuclear information with licensees and the public. NRC publicly accessible Web applications consist mainly of Web sites, but also include Web-based login portals and administrative systems that provide authorized personnel remote access to agency information technology resources. NRC is a regular target of cyber attacks because it maintains technical and other sensitive information highly sought by criminals.

### **OBJECTIVE:**

The evaluation objective is to determine the effectiveness of NRC's efforts to secure its publicly accessible web applications.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2016.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to an evolving threat environment.

**Strategy 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

## **Audit of NRC's Access Controls**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC's Office of Administration (ADM) is responsible for facilities and personnel security. A Personal Identification Verification (PIV) card is a programmable key card which displays the cardholder's photograph. NRC's PIV card is used for personal identification, for controlling physical access to NRC buildings and premises at Headquarters, the regional offices, and the Technical Training Center, and for controlling logical access to NRC networks. A PIV card is required for all employees and contractors approved to work at the NRC.

NRC PIV cards are U.S. Government property and must be returned to NRC at the conclusion of the cardholder's employment with NRC, or for a contractor, at the end of a contract term. NRC requires that lost or stolen PIV cards be reported immediately to the Badging Office. The Badging Office will suspend the card until it is recovered or replaced.

### **OBJECTIVE:**

The audit objective will be to assess access controls.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2016.

### **STRATEGIC GOAL 2:**

Enhance NRC's effort to increase security in response to an evolving threat environment.

**Strategy 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security) and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

## **Audit of NRC's Foreign Assignee Program**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC's Foreign Assignee Program was approved by the Commission in 1974 and began accepting assignees during the 1980s. Following background and biographical checks, NRC's Office of International Programs approves or disapproves the assignment and designates the NRC office to which the foreign assignee will be assigned.

Multiple NRC offices develop security plans specifying the security-related procedures, requirements, and restrictions for the assignee's tour of duty. An information technology security plan covers computer configurations and connections.

In June 2015, NRC's Designated Approval Authority, approved a request to initiate a pilot program to allow foreign assignees access to NRC's Local Area Network. This approval waived the background investigation requirements for NRC Local Area Network access as required by NRC Management Directives for the requested foreign assignee.

### **OBJECTIVE:**

The audit objective will be to assess the foreign assignee program.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2016.

### **STRATEGIC GOAL 2:**

Enhance NRC's effort to increase security in response to an evolving threat environment.

**Strategy 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security) and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

## **Audit of NRC's Implementation of Federal Classified Information Laws and Policies**

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### **DESCRIPTION AND JUSTIFICATION:**

According to the President, protecting national security information and demonstrating our commitment to open government through the proper application of classification standards are equally important and compatible priorities. The National Commission on Terrorist Attacks Upon the United States (also known as the 9/11 Commission) concluded that over-classification and inadequate information sharing contributed to the Government's failure to prevent the attacks of September 11, 2001.

### **OBJECTIVES:**

The audit objectives are to (1) assess whether applicable classification policies, procedures, rules, and regulations have been adopted, followed, and effectively administered, and (2) identify policies, procedures, rules, regulations, or management practices that may be contributing to persistent misclassification of material.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to an evolving threat environment.

**Strategy 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

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**Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act for Fiscal Year 2016**

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**DESCRIPTION AND JUSTIFICATION:**

FISMA was enacted on December 17, 2002. FISMA outlines the information security management requirements for agencies, including the requirement for an annual independent assessment by agency Inspectors General. In addition, FISMA includes provisions such as the development of minimum standards for agency systems, aimed at further strengthening the security of the Federal Government information and information systems. The annual assessments provide agencies with the information needed to determine the effectiveness of overall security programs and to develop strategies and best practices for improving information security.

FISMA provides the framework for securing the Federal Government's information technology including both unclassified and national security systems. All agencies must implement the FISMA requirements and report annually to the Office of Management and Budget and Congress on the effectiveness of their security programs.

**OBJECTIVE:**

The objective will be to conduct an independent evaluation of the NRC's implementation of FISMA for FY 2016.

**SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2016.

**STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to an evolving threat environment.

**Strategy 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

**MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

## **Audit of NRC's Adoption of Cloud Computing**

### **DESCRIPTION AND JUSTIFICATION:**

Cloud computing refers to information technology services that allow delivery of on-demand computing solutions through the use of converged infrastructure and shared services. Cloud computing frees up organizations from having to invest in technology infrastructure, and allows them to focus resources on their actual business, get applications up and running faster, achieve greater agility in meeting fluctuating business requirements, and improve systems manageability and maintenance.

The Office of Management and Budget established the Federal Cloud Computing Strategy. The strategy instituted a 'cloud-first' policy designed to accelerate the adoption and usage of cloud computing technologies by Federal agencies. The General Services Administration established the Federal Risk Authorization Management Program (FedRAMP), which provides a standard, centralized approach to assessing cyber controls and authorization of cloud computing based systems. All Federal agencies must use the FedRAMP process for doing security assessments, authorizations, and continuous monitoring of cloud services.

### **OBJECTIVE:**

The audit objective is to assess the extent to which NRC has adopted and managed cloud computing services.

### **SCHEDULE:**

Initiate in the 4<sup>th</sup> quarter of FY 2016.

### **STRATEGIC GOAL 2:**

Enhance NRC's efforts to increase security in response to an evolving threat environment.

**Strategy: 2-2:** Identify risk areas associated with maintaining a secure infrastructure (i.e., physical security, personnel security, and information security), and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 3:**

Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

**APPENDIX C**

**CORPORATE MANAGEMENT AUDITS  
PLANNED FOR FY 2016**

## **Audit of NRC's FY 2015 Financial Statements**

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### **DESCRIPTION AND JUSTIFICATION:**

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, 2015. In addition, OIG will issue reports on NRC's

- 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.

### **OBJECTIVES:**

The audit objectives are to (1) express opinions on the agency's financial statements and internal controls; (2) review compliance with applicable laws and regulations; (3) review the controls in NRC's computer systems that are significant to the financial statements; (4) assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, Management's Responsibility for Internal Control; and (5) assess agency compliance with the Improper Payments Elimination and Recovery Act of 2010.

### **SCHEDULE:**

Initiated in the 2<sup>nd</sup> quarter of FY 2015.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 5:**

Management of financial programs.

## **Evaluation of NRC's Agencywide Documents Access and Management System**

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### **DESCRIPTION AND JUSTIFICATION:**

The Agencywide Documents Access and Management System (ADAMS) is NRC's official recordkeeping system, through which the agency provides access to "libraries" or collections of NRC documents. ADAMS provides for functions such as searching, document storage, and retrieval. Because it is such an important system for NRC operations, it is critical that information is available to authorized users when needed, data integrity is kept intact, and that appropriate contingency plans are in place and have been tested.

### **OBJECTIVE:**

The objective is to determine if ADAMS meets its required operational capabilities and adequately provides for functionality.

### **SCHEDULE:**

Initiated in the 3<sup>rd</sup> quarter of FY 2015.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 4:**

Management of information technology and information management.

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

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### **DESCRIPTION AND JUSTIFICATION:**

In 1998, 2002, 2006, 2009, and 2012, 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, and legislation that froze Federal civilian employee pay rates.

### **OBJECTIVE:**

The survey objectives are to (1) measure NRC's safety culture and climate to identify areas of strength and opportunities for improvement, (2) compare the results of this survey against the survey results that OIG reported previously, and (3) provide, where practical, benchmarks for the qualitative and quantitative findings against other organizations.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2015.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGES 1 THROUGH 6:**

This survey addresses all of the management challenges.

## **Audit of NRC's Decommissioning Funds Process**

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### **DESCRIPTION AND JUSTIFICATION:**

Under 10 CFR Part 50.75, NRC must receive reasonable assurances from nuclear reactor licensees that funds will be available for the decommissioning process. As of the prior biennial reporting and review period (as of December 31, 2012), the Decommissioning Trust Funds dedicated to NRC requirements for decommissioning and radiological decontamination totaled \$45.7 billion. During the spring of calendar year 2015, NRC reviewed biennial decommissioning reports submitted by licensees that include information as of December 31, 2014.

It is important to understand NRC actions to ensure that the licensees have reasonable plans in place to make up any shortfalls that exist between the current funded amount and the amount estimated as needed by NRC's two-tiered formula. (The formula can be found in 10 CFR 50.75(c).) OIG and the Government Accountability Office previously reported that NRC's decommissioning formula was developed in 1986 and may not reliably estimate adequate decommissioning costs (see Audit Report OIG-06-A-07, dated February 6, 2006, and GAO-12-258, dated April 2012).

### **OBJECTIVES:**

The audit objectives are to (1) identify opportunities for program improvement, and (2) determine the adequacy of NRC's processes for coordinating with licensees to address possible shortfalls.

### **SCHEDULE:**

Initiated in the 4<sup>th</sup> quarter of FY 2015.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 5:**

Management of financial programs.

## **Audit of NRC's Managerial Cost Accounting Practices**

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### **DESCRIPTION AND JUSTIFICATION:**

NRC must be a prudent steward of its fiscal resources through sound financial management. Sound financial management includes the production of timely, useful and reliable cost accounting information to support agency management. An effective cost accounting system assures full alignment of programs with outcomes in compliance with the Statement of Federal Financial Accounting Standards No. 4, Managerial Cost Accounting Concepts and Standards.

To be an effective tool for management decisionmaking, a cost accounting system requires an effective internal control process over data collected and its reporting functions. NRC is required to generate cost accounting information as well as use cost information to support managerial decisionmaking to provide accountability for decisions and to assure achievement of the best value for the agency's dollars.

### **OBJECTIVE:**

The audit objectives will be to determine whether NRC is complying with the requirements of Statement of Federal Financial Accounting Standards No. 4 and has established an effective system of internal control over the production and use of cost accounting data and information.

### **SCHEDULE:**

Initiate in the 1<sup>st</sup> quarter of FY 2016.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 5:**

Management of financial programs.

## **Audit of NRC's Purchase Card Program**

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### **DESCRIPTION AND JUSTIFICATION:**

The *Government Charge Card Abuse Prevention Act of 2012* (Charge Card Act), Public Law 112-194, requires all executive branch agencies to establish and maintain safeguards and internal controls for charge cards. Office of Management and Budget guidance requires each agency head to provide an annual certification that the appropriate policies and controls are in place or that corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices. The annual certification should be included as part of the existing annual assurance statement under the Federal Managers' Financial Integrity Act of 1982 (31 U.S.C. 3512(d)(2)).

Under the Charge Card Act, Inspectors General are required to conduct periodic risk assessments of agency purchase card programs to analyze the risks of illegal, improper, or erroneous purchases. Status reports on Inspectors General purchase card audit recommendations, if any, must be submitted to the Office of Management and Budget by January 31, 2016, for compilation and transmission to Congress and the U.S. Comptroller General.

### **OBJECTIVES:**

The audit objectives will be to (1) review compliance with applicable laws and regulations, (2) review internal controls over the use of Federal purchase cards at NRC, and (3) assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, Appendix B, *Improving the Management of Government Charge Card Programs*.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and make recommendations, as warranted, for addressing them.

### **MANAGEMENT CHALLENGE 6:**

Management of administrative functions.

## **Audit of NRC's PMDA and DRMA Functions**

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### **DESCRIPTION AND JUSTIFICATION:**

The Program Management, Policy Development and Analysis function at NRC headquarters offices and the Division of Resource Management and Administration (PMDA/DRMA) function at NRC regional offices manage service delivery in such support areas as administration, human capital, budget, contract management, and information management/ technology. These organizations exist across the agency and evolved over the years to address individual office support needs depending on the specific mission of each office. They perform functions that are specific to their organization, functions that are common across all the PMDA/DRMA organizations, and functions performed in corporate offices or functions transferred over the years from corporate offices to program offices for a variety of reasons. The FY 2015 budget has more than 200 FTEs for PMDA/DRMA functions.

### **OBJECTIVE:**

The audit objective is to determine if the activities performed by NRC's PMDA/DRMA programs produce the intended results from operational processes in a manner that minimizes the waste of resources.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and make recommendations, as warranted, for addressing them.

### **MANAGEMENT CHALLENGE 6:**

Management of administrative functions.

## **Audit of NRC's Contract Administration Process**

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### **DESCRIPTION AND JUSTIFICATION:**

The Federal Acquisition Regulation (FAR) and Management Directive (MD) 11.1 discuss the importance of contract administration once a contract is awarded and are the criteria NRC uses for contract administration. According to the FAR, only Contracting Officers (CO), acting within the scope of their authority, are able to enter into and administer contracts. However, COs may, when appropriate, delegate responsibility for specific contract administration or technical supervision tasks to a Contracting Officer's Representative (COR) or other person such as a program manager. CORs may not redelegate any authority delegated to them by the CO.

CORs and COs are required to take biennial training to maintain certification as contracting professionals. CORs, or other staff designated by the CO, are responsible for the day-to-day administration and technical direction of a contract during the period of performance. These responsibilities can include verification of products/service and charges on invoices, monitoring of contract funding and expenses, performance of contract in accordance with contract terms, security requirements of contractors onsite in a Government facility, on/off-boarding of contractor staff, and verification of support for Intra-Governmental Payment and Collection.

### **OBJECTIVE:**

The audit objective will be to assess the effectiveness of and compliance with agency regulations of contract administration at NRC.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and make recommendations, as warranted, for addressing them.

### **MANAGEMENT CHALLENGE 6:**

Management of administrative functions.

## Audit of NRC's NRC's FY 2016 Financial Statements

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### **DESCRIPTION AND JUSTIFICATION:**

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, 2016. In addition, OIG will issue reports on NRC's

- 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.

### **OBJECTIVES:**

The audit objectives will be to (1) express opinions on the agency's financial statements and internal controls; (2) review compliance with applicable laws and regulations; (3) review the controls in NRC's computer systems that are significant to the financial statements; (4) assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, Management's Responsibility for Internal Control; and (5) assess agency compliance with the Improper Payments Elimination and Recovery Act of 2010.

### **SCHEDULE:**

Initiate in the 2<sup>nd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and conduct audits and investigations that lead to NRC program improvements.

### **MANAGEMENT CHALLENGE 5:**

Management of financial programs.

## **Audit of NRC's Process for Managing Intra-Government Payment and Collection System Payments**

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### **DESCRIPTION AND JUSTIFICATION:**

Federal agencies frequently provide services to other agencies. These services require an exchange of money when the agencies enter into an agreement and services are performed. Federal agencies use the Department of Treasury's Intra-Government Payment and Collection (IPAC) system to transfer funds from one agency to another with standardized descriptive data. While the Department of Treasury administers the IPAC system, NRC has to make sure that transactions in the system are accurate and paid in a timely manner. NRC processes approximately \$80 million a year through the IPAC system. The agency's Office of the Chief Financial Officer receives the IPAC payment or reimbursement request and then forwards the IPAC to the corresponding NRC project manager for review and approval.

In recent years, there have been concerns about IPAC payment requests being sent to incorrect NRC project managers, payments not submitted on time, and insufficient data to review IPAC transactions in a timely manner.

### **OBJECTIVE:**

The audit objective will be to assess whether NRC has established and implemented an effective process to ensure that IPAC payments are processed in a timely and accurate manner.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2016.

### **STRATEGIC GOAL 3:**

Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.

**Strategy 3-1:** Identify areas of corporate management risk within NRC and make recommendations, as warranted, for addressing them.

### **MANAGEMENT CHALLENGE 5:**

Management of financial programs.

## **Assessment of NRC's Most Serious Management and Performance Challenges**

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### **DESCRIPTION AND JUSTIFICATION:**

In January 2000, Congress enacted the Reports Consolidation Act of 2000, which requires Federal agencies to provide an annual report that would consolidate financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. Included in the act is a requirement that, on an annual basis, IGs summarize the most serious management and performance challenges facing their agencies. Additionally, the act provides that IGs assess their respective agency's efforts to address the challenges.

### **OBJECTIVES:**

The objectives will be to:

- Identify the most serious management and performance challenges facing the NRC.
- Assess the agency's efforts to address the management and performance challenges.

### **SCHEDULE:**

Initiate in the 3<sup>rd</sup> quarter of FY 2016.

### **STRATEGIC GOALS AND STRATEGIES:**

Addresses all OIG strategic goals and strategies.

### **MANAGEMENT CHALLENGES 1 THROUGH 6:**

Addresses all of the management and performance challenges.

**INVESTIGATIONS –  
PRIORITIES, OBJECTIVES,  
AND INITIATIVES FOR FY 2016**

## **INTRODUCTION**

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

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

This investigative plan was developed to focus OIG investigative priorities and use available resources most effectively. It provides strategies and planned investigative work for FY 2016 in conjunction with the OIG *Strategic Plan*. The most serious management and performance challenges facing the NRC as identified by the Inspector General were also considered in the development of this plan.

## **PRIORITIES**

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The OIG will initiate approximately 50 investigations and a limited number of Event/Special Inquiries in FY 2016. As in the past, reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority on OIG's use of available resources. Because NRC's mission is to protect public health and safety and the environment, Investigations' main concentration of effort and resources will involve investigations of alleged NRC staff misconduct that could adversely impact public health and safety related matters.

## **OBJECTIVES**

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

## **INITIATIVES**

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### **Safety and Security**

- Investigate allegations that NRC employees improperly disclosed alleged (mainly licensee employees) identities and allegations; NRC employees improperly handled alleged concerns; and NRC failed to properly address retaliation issues involving NRC management officials and/or NRC licensee employees who raised public health and safety or security concerns regarding NRC activities..
- Examine allegations that NRC has not maintained an appropriate “arms length” distance from licensees, and contractors.
- Investigate allegations that NRC employees released predecisional, proprietary, or official-use-only information.
- Investigate allegations that NRC employees had improper personal relationships with NRC licensees and where NRC employees violated government-wide ethics regulations concerning the solicitation of employment with NRC licensees.
- Interact with public interest groups, individual alleged, and industry workers to identify indications of lapses or departure in NRC regulatory oversight that could create safety and security problems.
- Maintain close working relationships with members of the intelligence community to identify and ameliorate vulnerabilities and threats to NRC employees and resources, including instances of economic espionage.
- Conduct a limited number of Event and Special Inquiries into specific events that indicate an apparent shortcoming in NRC’s regulatory oversight of the nuclear industry’s safety and security programs to determine the appropriateness of the staff’s actions to protect public health and safety.
- Proactively review and become knowledgeable in areas of NRC staff regulatory emphasis to identify emerging issues that may require future OIG involvement such as decommissioning activities. Also provide real time OIG assessments of the appropriateness of NRC staff’s handling of contentious regulatory activities related to nuclear safety and security matters.
- Identify risks associated with the proliferation of nuclear material and nuclear technology.

- Take an aggressive stand to protect NRC's infrastructure against both internal and external computer intrusions by working in close coordination with staff within the Office of Information Services and NRC systems administrators. This will include developing and disseminating intelligence to assist in protecting NRC computer systems and aggressively pursuing suspected computer intrusion incidents.
- As appropriate, investigate allegations of misconduct by NRC employees and contractors.

### **Corporate Management**

- Attempt to detect possible wrongdoing perpetrated against NRC's procurement and contracting and grant program by maintaining a close working relationship with the Office of Administration, Division of Contracts and cognizant NRC Program Offices.
- Aggressively pursue investigations appropriate for Program Fraud Civil Remedies Act action, including abuses involving false reimbursement claims by employees and contractors.
- As appropriate, coordinate with OIG Audit IAMs in an effort to identify areas or programs with indicators of possible fraud, waste, and abuse.
- Conduct fraud awareness and information presentations for NRC employees and external stakeholders regarding the role of NRC OIG.
- As appropriate, investigate allegations of misconduct by NRC employees and contractors.

### **OIG Hotline**

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

### **Freedom of Information Act/Privacy Act**

- Promptly process all requests for information received under the Freedom of Information Act. Coordinate as appropriate with the General Counsel to the IG and the Freedom of Information Act/Privacy Section.

**NRC Support**

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

**Liaison Program**

- Maintain close working relationships with other law enforcement agencies, public interest groups, and the Congress. This will be accomplished through periodic meetings with AIGs, pertinent congressional staff, public interest groups, and appropriate law enforcement organizations.
- Maintain a viable regional liaison program to foster a closer working relationship with NRC regional offices.
- Establish and maintain NRC OIG active participation in OIG community fraud working groups, multiagency fraud task forces, and multiagency undercover operations where a nexus to NRC programs and operations has clearly been established.

**ALLOCATION OF RESOURCES**

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Investigations undertakes both proactive initiatives and reactive investigations. Approximately 85 percent of available investigative resources will be used for reactive investigations. The balance will be allocated to proactive investigative efforts such as reviews of NRC contract files, examinations of NRC information technology systems to identify weaknesses or misuse by agency employees, participation in interagency task forces and working groups, reviews of delinquent Government travel and purchase card accounts, and other initiatives.

**APPENDIX E**

**ISSUE AREAS AND DESIGNATED  
ISSUE AREA MONITORS**

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

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### **NUCLEAR SAFETY**

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

Michael Blair  
Avinash Jaigobind  
Sherri Miotla  
Regina Revinzon  
John Thorp

#### **NUCLEAR WASTE SAFETY**

George Gusack  
Meredith Johnson  
Stephen Morgan  
Jacki Storch  
John Thorp

#### **NUCLEAR REACTOR SAFETY**

Jenny Cheung  
Levar Cole  
Vicki Foster  
Roxana Hartsock  
John Thorp  
Larry Vaught  
R.K. Wild  
Tim Wilson

### **SECURITY AND INFORMATION TECHNOLOGY**

#### **NUCLEAR SECURITY**

Ziad Buhaiissi  
Amy Hardin  
Paul Rades  
Beth Serepca

#### **INFORMATION MANAGEMENT**

Ebaide Esoimeme  
Kristen Lipuma  
Beth Serepca  
Felicia Silver

## **CORPORATE MANAGEMENT**

### **FINANCIAL AND ADMINISTRATIVE**

Gail Butler  
Terri Cooper  
Mary Meier  
Eric Rivera  
Michael Steinberg  
Chanele Stridiron  
Tincy Thomas  
Jimmy Wong

### **CONTRACTS AND PROCUREMENT**

Terri Cooper  
Eric Rivera

### **HUMAN RESOURCES**

Gail Butler  
Jimmy Wong

**ABBREVIATIONS  
AND ACRONYMS**

## **ABBREVIATIONS AND ACRONYMS**

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ADAMS	Agencywide Documents Access and Management System
AIGI	Assistant Inspector General for Investigations
CFR	Code of Federal Regulations
CO	Contracting Officer
COR	Contracting Officer's Representative
DOJ	U.S. Department of Justice
DRMA	Division of Resource Management and Administration
FedRAMP	Federal Risk Authorization Management Program
FISMA	Federal Information Security Management Act
FY	fiscal year
IAM	Issue Area Monitor
IG	Inspector General
IPAC	Intra-Government Payment and Collection
LLRW	low-level radioactive waste
NRC	U.S. Nuclear Regulatory Commission
OIG	Office of the Inspector General
PIV	Personal Identification Verification
PMDA	Program Management, Policy Development and Analysis
ROP	Reactor Oversight Process
SOC	Security Operations Center
TAR	Technical Assistance Request
TS	technical specification