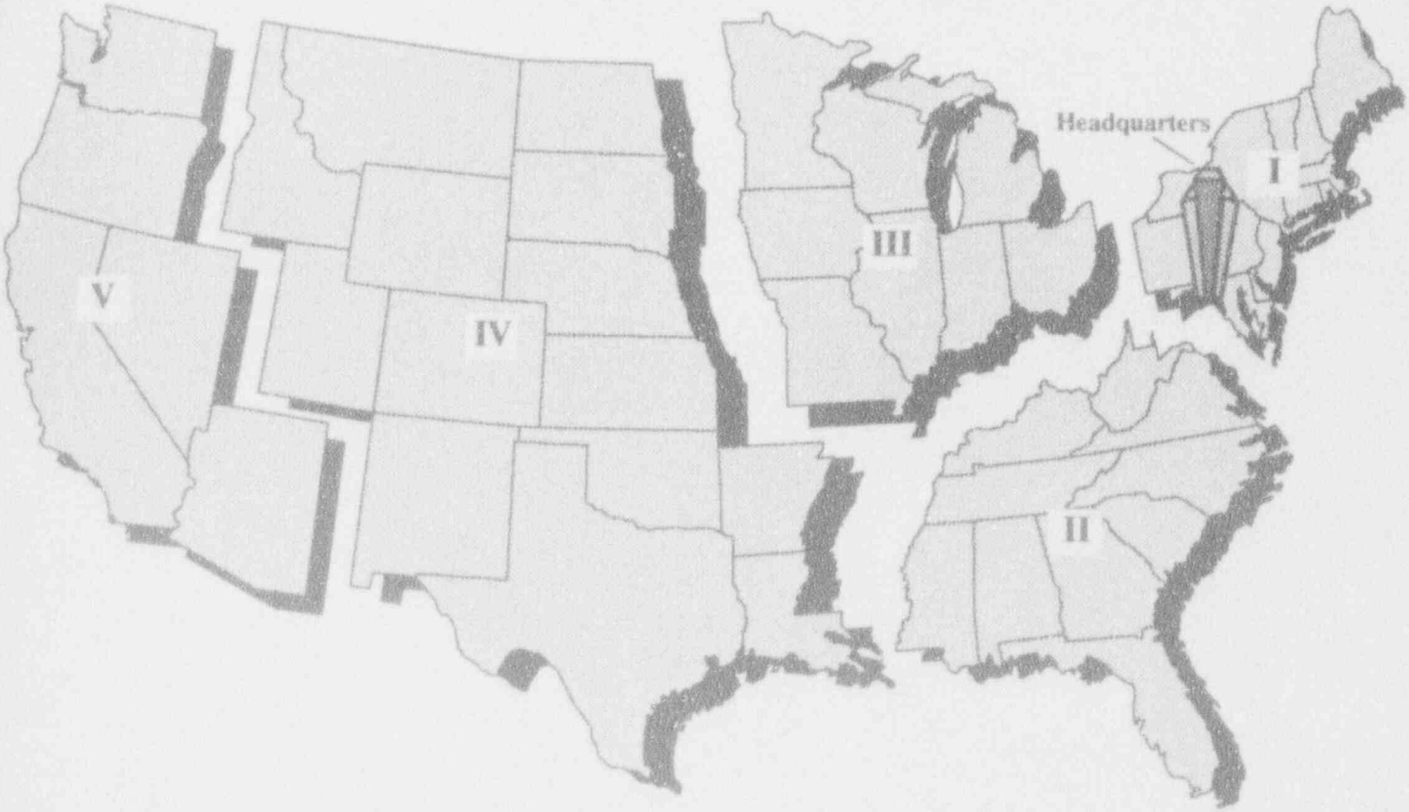
ASSISTANT INSPECTOR GENERAL FOR AUDITS

ANNUAL AUDIT PLAN

STRATEGY AND FY 1994 WORK PLANNED

NRC Headquarters and Regions



OFFICE OF THE INSPECTOR GENERAL

U.S. NUCLEAR REGULATORY COMMISSION

ANNUAL AUDIT PLAN

STRATEGY AND FY 1994 WORK PLANNED

OFFICE OF THE INSPECTOR GENERAL
U. S. NUCLEAR REGULATORY COMMISSION

FOREWORD

The Office of the Inspector General (OIG) is pleased to present its fiscal year 1994 Audit Plan. The plan provides our overall audit strategy for the next three years and summaries of the specific audits planned for this year.

The U.S. Nuclear Regulatory Commission (NRC) is responsible for protecting the public health and safety during civilian uses of nuclear materials. This plan reflects the results of our strategic planning process aimed at concentrating our audit efforts on key issues directly related to the primary mission of the NRC.

As part of this process, we obtained input from several sources including, the Congress, the General Accounting Office, the Office of Management and Budget, and senior-level NRC managers, including the Commissioners. We also considered such factors as NRC programs' dollar value, vulnerability to fraud and waste, and prior audit coverage. This process enables us to maximize the use of our audit resources.

Rather than set aside time to respond to unexpected high priority issues that inevitably arise, we have programmed all our direct audit resources and will defer lower priority audits as necessary. This approach ensures that we only use our limited resources on high priority audits.

David C. Williams
Inspector General

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BACKGROUND

The U.S. Nuclear Regulatory Commission's (NRC's) Office of the Inspector General (OIG) was established April 15, 1989 pursuant to Inspector General Act Amendments contained in Public Law 95-452. Simply stated, the OIG's mission is to prevent and detect fraud, waste, and mismanagement in NRC programs.

Accordingly, the OIG is committed to ensuring the integrity of NRC programs and operations. Audit planning is a critical aspect of accomplishing this commitment. Without such planning, the OIG cannot be assured that audit resources are used effectively and devoted to Commission programs considered most in need of audit.

The Annual Audit Plan is the OIG's formal plan of action for managing the auditing workload and audit resources for fiscal year (FY) 1994. The plan reflects the interest and concerns of the nuclear industry, the Congress, the President's Council on Integrity and Efficiency (PCIE), the General Accounting Office (GAO), the Office of Management and Budget (OMB) and NRC senior managers, including the Commissioners.

Pursuant to OMB Circular A-73 guidance, we plan our audit coverage using factors such as:

- current and potential dollar impact;
- adequacy of internal control systems as indicated by assessments and reviews required by OMB Circular A-123;
- management needs;
- prior audit experience;
- availability of audit resources; and
- audit risk.

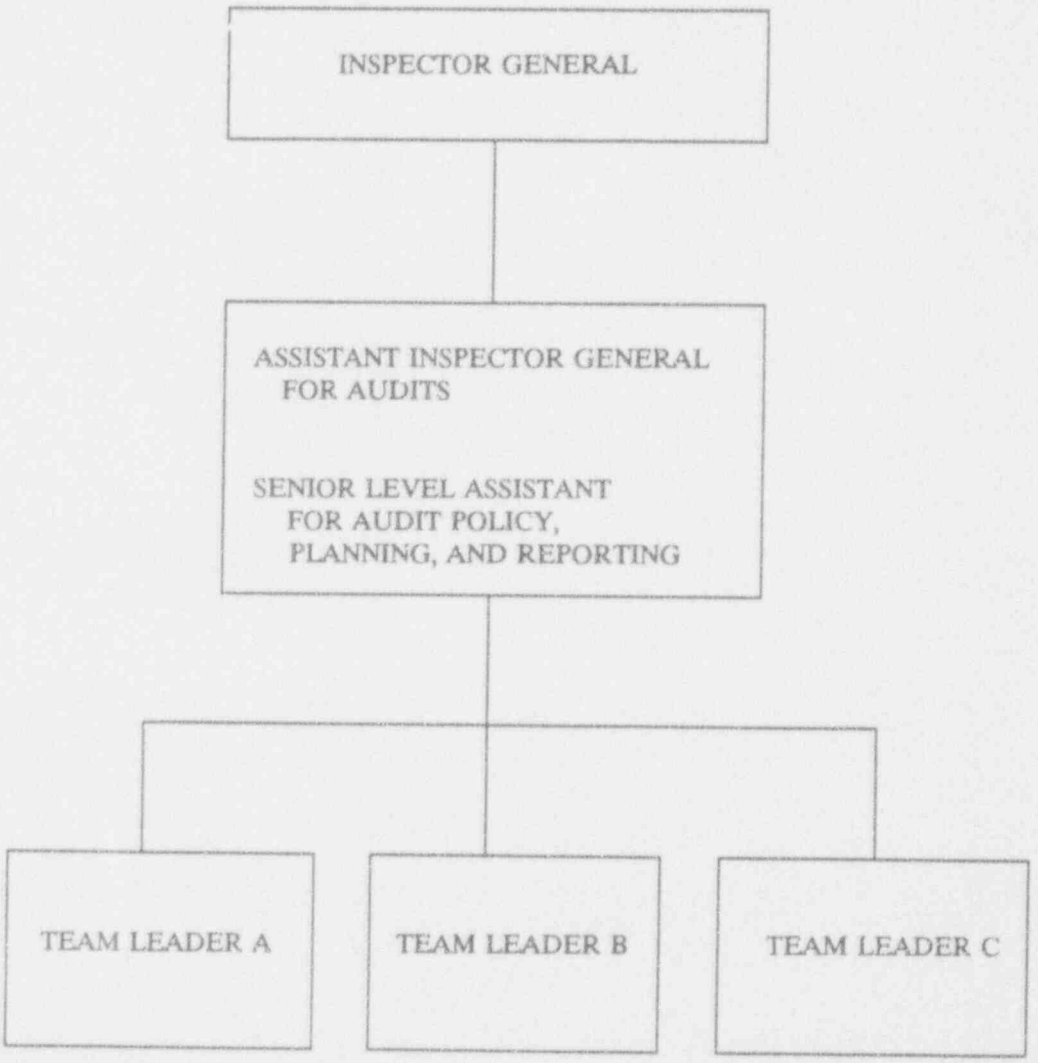
The OIG performs the following types of audits:

Performance - These audits are conducted on selected NRC administrative and program operations to evaluate the effectiveness and efficiency with which managerial responsibilities are carried out. They focus on whether management controls, practices, processes, and procedures are adequate and effective. Performance audits also include reviews of selected programs and activities to evaluate their overall effectiveness in achieving anticipated results.

Financial - These audits include financial statement audits required by the Chief Financial Officers Act and financial related audits. These latter audits include reviews of such items as internal control systems, transaction processing, financial systems, and contracts.

Our audit mission is carried out by three staff groups to facilitate coverage of NRC's programs and activities. The organization chart for the OIG's audit function is as follows:

AUDIT STAFF ORGANIZATION



THE AUDIT PROCESS

The audit process represents the steps taken by OIG to conduct audits. This process involves several steps, ranging from notification of the office to be audited to making audit follow-up. The underlying goal of the audit process is to maintain an open channel of communication between the auditors and management officials to ensure that audit findings are accurate and fairly presented in the audit report. The key elements in the audit process are as follows:

Audit notification - formal notification to the office informing auditee of our intent to begin an audit.

Entrance conference - a meeting to advise agency officials of the purpose, objectives and scope of the audit, and the general methodology to be followed.

Survey - exploratory work conducted before the detailed examination to gather data for identifying audit objectives, documenting internal control systems, becoming familiar with the activities to be audited, and identifying areas of concern to management.

Audit - comprehensive review of selected areas of a program, activity, or function using an audit program developed specifically to answer the audit objectives.

Exit conference - a meeting with the agency's principal officials to present and discuss the results of the audit. This meeting provides agency management the opportunity to confirm information, to ask questions, and to provide any necessary clarifying data.

Draft report - an official draft report provided to the agency to obtain written comments on the audit findings. The agency is normally given 30 days to respond to the draft.

Final audit report - the final report that contains the agency's official written response to the draft.

Audit follow-up and closure - the process that assures that recommendations made to management are acted upon.

STRATEGIC PLANNING

This year's plan continues the strategic approach to planning we initiated a few years ago. As such, we looked two years beyond the current year in planning our audit work. We believe this approach increases the effectiveness and usefulness of our work and also allows us to broaden our audit coverage of NRC's major issue/program areas. During FY 1994, we have planned work in all six NRC issue/program areas. We also plan audit coverage for NRC contracts and audit follow-up.

Appendix I provides a summarized version of our FY 1994 - FY 1996 audit strategy, while Appendix II provides more background on the individual issue areas and the issues we plan to audit. Appendix III provides a sypnopsis of the specific audits we plan to make during FY 1994.

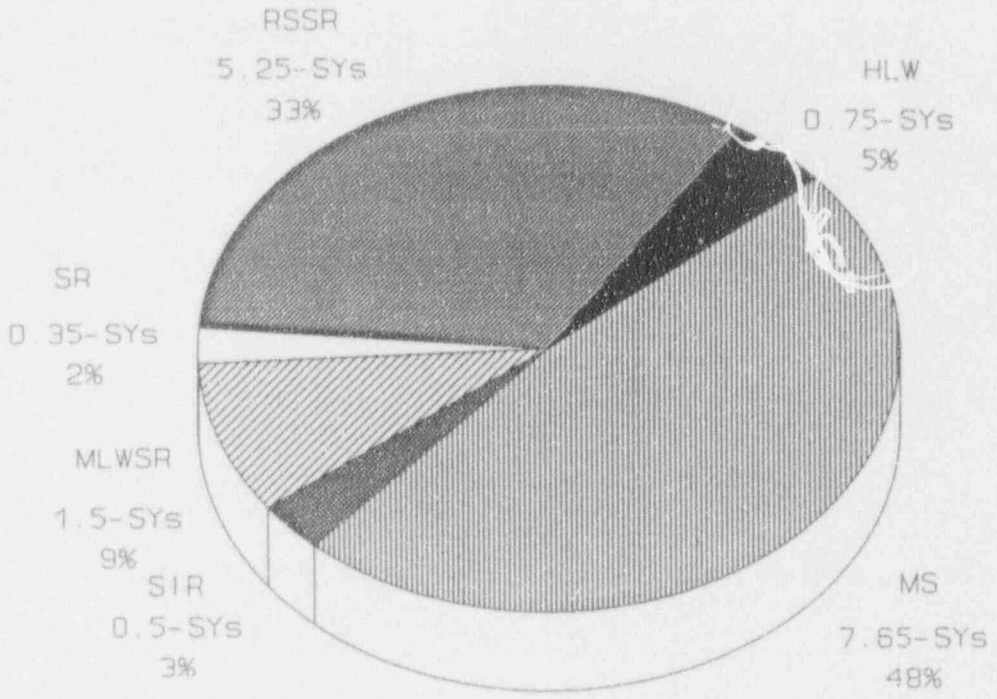
ALLOCATION OF AUDIT RESOURCES

For FY 1994, the Assistant Inspector General has an authorized staff of 19. With this level of resources, we plan to do about 24 program/financial audits, 3 follow-up audits, and 6 contract audits. Since 5 financial audits are annually required by statute or agency regulations, we should reduce the audit universe of 213 actvities by 19 audits per year and, theoretically we would complete the entire audit universe in about 11 years. In reality, this is simply not the case and it takes considerably longer due to unanticipated, high priority audits that are inevitably requested by the Commission or Congress.

Therefore, rather than to simply develop a plan to work through the entire audit universe, we have designated issue area monitors who have assessed each major NRC mission area to identify high dollar value and/or high risk safety related programs and activities most worthy of audit. We believe this approach maximizes our audit coverage, optimizes the use of our audit staff, and provides the greatest potential benefit to agency management and the taxpayer.

Our allocation of audit resources by NRC mission area is depicted in the following chart.

OIG FY 1994 AUDIT PLAN
STAFFING BY NRC MISSION AREA



Legend

RSSR	-	reactor safety and safeguards regulations
MLWSR	-	material and low-level waste safety regulation
SIR	-	special and independent reviews
SR	-	safety research
HLW	-	high level waste
MS	-	management support
SY	-	staff years

NOTE: Percentages do not equal 100 percent due to rounding.

APPENDIX I

SUMMARY OF ISSUE AREA AUDIT STRATEGY

SUMMARY OF ISSUE AREA AUDIT STRATEGY
1994 - 1996

Responsible Office	Issue Area	Issues	Strategy	Goal
NRR, ACRS	Reactor Safety and Safeguards Regulation	-Does NRC effectively and economically allocate reactor inspection resources? -Are Reactor Inspectors adequately trained to perform their work? -Is the Master Inspection Planning System an effective management tool for scheduling and managing reactor inspections? -Does NRC have an effective process/system for tracking inspection findings? -Can the effectiveness of the ACRS be improved? Is its mission current? -What is the progress toward developing criteria for license renewal?	-Conduct a series of audits focusing on the issues -Obtain technical assistance through the use of consultants, as necessary -Participate/attend key NRC technical conferences	-Achieve savings and efficiencies through recommendations on actions to improve program effectiveness, efficiency, and/or economy.

Responsible Office	Issue Area	Issues	Strategy	Goal
NRR, ACRS	Reactor Safety and Safeguards Regulation (Continued)	-How do the Marginal to Safety Program and results of the Regulatory Review Task Group impact effective regulation? -To what extent have the actions based on the results of the Regulatory Review Group been implemented? -Has the agency made progress in identifying and resolving generic safety issues? -Has NRC taken appropriate action to ensure that licensees' safeguards meet the objectives and intent of the new threat criteria? -What is the status of the rotation for resident inspectors? Does this policy unnecessarily increase the cost to NRC to move resident inspectors and families every 5 years? Can NRC measure resident inspector objectivity?		

Responsible Office	Issue Area	Issues	Strategy	Goal
RES, NSRRC	Reactor Safety Research	-How well does NRC research meet the needs of those requesting it, i.e., are research products used and useful to the regulatory process? -Is NRC oversight of its research adequate and does it meet users needs? -Can the effectiveness and efficiency of the NSRRC be improved? Is their charter current and appropriate? -How well does RES carry out its rulemaking responsibilities?	-Audits combined with an opinion survey	-Achieve savings and efficiencies through recommendations on actions to improve program effectiveness, efficiency, and/or economy.
AEOD, OI, OE	Reactor Reviews, Investigation, Enforcement	-Is data used in AEOD analyses reliable? -How is AEOD data used in the decision making process? -How effective is NRC's reactor enforcement program? Are enforcement actions timely? equitable?	-Series of audits	-Achieve savings and efficiencies through recommendations on actions to improve program effectiveness, efficiency, and/or economy.

Responsible Office	Issue Area	Issues	Strategy	Goal
AEOD, OI, OE	Reactor Reviews, Investigation, Enforcement (Continued)	-Can the effectiveness of the Committee for Generic Requirements be improved?		
NMSS/ACMUI	Nuclear Materials/ Low Level Waste	-Is NRC inspection oversight of material licensees adequate? -Does NMSS have adequate reliable data to oversee and track material licensee performance? -Is NRC effectively overseeing and regulating the decommissioning activity of material licensees? -Is NMSS' role in the rulemaking process governing low-level waste adequate? Have needed rules been issued or prepared for?	-Series of audits -Questionnaire opinion survey	-Achieve savings and efficiencies through recommendations on actions to improve program effectiveness, efficiency, and/or economy.

Responsible Office	Issue Area	Issues	Strategy	Goal
NMSS/ACMUI	Nuclear Materials/ Low Level Waste (Continued)	-How is ACMUI's advice used? Can the effectiveness and efficiency of the ACMUI be improved? -What steps has NRC taken to assure that the U.S. Enrichment Corp. facilities at Portmouth, Ohio and Paducah, Kentucky meet health and safety standards? How will NRC enforce compliance? -How does NRC assure that adequate safeguards are taken in their export licensing reviews?		
NMSS, ACNW	High Level Waste Regulation	-Are NRC preparations for reviewing DOE's application for HLW storage facility licenses adequate? -Are there less costly approaches given the delays by DOE in submitting the application for a license? -Is NRC unnecessarily duplicating DOE research?	-Series of Audits	-Achieve savings and efficiencies through recommendations on actions to improve program effectiveness, efficiency, and/or economy.

Responsible Office	Issue Area	Issues	Strategy	Goal
NMSS, ACNW	High Level Waste Regulation (Continued)	-Is NMSS' role in the rulemaking process governing high level waste adequate? Have needed rules been issued or prepared for? -Can the effectiveness and efficiency of the ACNW be improved? How is their advice used by NMSS? -What is the status of licensees spent fuel pools and what is NRC doing to ensure that licensees will have adequate space and facilities to store spent fuel and not increase the public health and safety issue? -How does NMSS allocate resources at NRC and to the CNWRA? -How do NMSS and RES identify and assign priorities to research projects? -What is NRC's role in the development and implementation of the Licensing Support System?		

Responsible Office	Issue Area	Issues	Strategy	Goal
Commission and Staff Offices- (OCA, OGC, OIP, OPA, SECY, EDO, ADM, CONS, OC, IRM, OP, OPP, OSP, SBCR, Regions)	Nuclear Safety Management and Support	-Has NRC developed effective guidance and training programs to adequately train staff in the use and importance of establishing effective systems of internal control? -Are NRC accounting and budget systems adequate? -Is NRC's IRM program effectively managed? -Are information systems effectively and economically developed and maintained in support of mission-critical programs? -Is the data in NRC's information systems reliable and to what extent are systems duplicative? -Is NRC's IRM strategic plan adequate? What is the role of the Information Technology Council on NRC's IRM program?	-Series of Audits	-Achieve savings and efficiencies through recommendations on actions to improve program effectiveness, efficiencies, and/or economy.

Responsible Office	Issue Area	Issues	Strategy	Goal
Commission and Staff Offices	Nuclear Safety Management and Support (Continued)	-Should NRC take a greater leadership role in the international arena? -How effective is NRC's oversight of state programs? -Is NRC's contract administration and award activity effective, economical, and efficient?		

APPENDIX II

AUDIT STRATEGIES

REACTOR SAFETY AND SAFEGUARDS REGULATION

BACKGROUND

The reactor safety and safeguards regulation (RSSR) program encompasses all NRC licensing and inspection of reactor facilities and designs, as required by the Atomic Energy Act of 1954, as amended. This program comprises the following three elements: reactor licensing, reactor inspection, and reactor oversight.

These program elements, conducted by the NRC's Office of Nuclear Reactor Regulation at NRC Headquarters and in the regions, ensure that: licensees operate nuclear power plants safely and are adequately prepared to respond in the event of an accident; nuclear power plants are designed and constructed properly and are ready for safe operation; licensees possess the capability to protect against sabotage and theft of nuclear materials at reactors. NRR also coordinates with the Office of Nuclear Regulatory Research to prepare for the future licensing of reactors through the review of applications for standard reactor design certification and reactor license renewal.

NRC has not received an application to construct a nuclear power plant since 1978. Therefore, over time, the agency's focus has shifted from reviewing license applications and inspecting construction activities for new plants, to ensuring the safe operation of licensed reactors. NRC's inspection program is one of the primary vehicles used to ensure that (1) licensees operate their facilities safely and, (2) the public health and safety is adequately protected.

The operating reactor inspection program is conducted by headquarters and regional inspectors. Headquarters inspectors conduct, or support the Regional Office in the conduct of, inspections under the Team Inspection Program. The Regional Offices conduct most of the required program inspections, and regional inspections are conducted by both region-based and resident inspectors. In general, region-based inspectors are specialists and resident inspectors are generalists. The resident inspectors provide the major on-site NRC presence for direct observation and verification of licensee activity.

During the past two years, we have focused audit attention on the inspection aspect of the RSSR mission area. While we intend to audit other facets of this mission area, we will continue to pay particular emphasis on the reactor inspection program.

AUDIT OBJECTIVE: Our long-term objective is to evaluate NRC's management of its program to regulate nuclear reactor facilities. We intend to (1) evaluate internal assessments to determine the extent to program improvement are made by such assessments, and (2) develop our own approach to auditing several elements of the mission area. NRR recently completed an assessment of the effectiveness of its reactor inspection program. We will review this assessment and determine its impact on program operations. Our reviews will include three important considerations: program planning, execution and reporting.

STRATEGY: We will continue to develop specific audit plans based on our survey of NRC's inspection programs, which we completed two years ago. That survey formed the basis for our continuing audit work in this area. Some of the work completed includes monitoring the progress of the recent inspection program assessment, reviewing selected aspects of NRC's reactor restart process, and we are currently reviewing selected aspects of NRC's process for approving and inspecting safety-related parts and components.

During our audits, we will analyze several issues which cut across various facets of this mission area. Examining these crosscutting issues will identify concerns that affect several regulatory programs. These issues will include resource allocation, training, inspection scheduling, documentation to support regulatory analyses, implementation of recommendations from special studies and other issues.

PLANNING ISSUES

- Resource Allocation: We will assess how NRR resources are determined and allocated between headquarters and the regions.

- Training Requirements: Our audit objective will be to determine how inspector training needs are identified and met.

- Inspection Scheduling: We will determine how reactor inspections and special evaluations are scheduled.

EXECUTION ISSUES

- Program Consistency: Our audit objective will be to determine whether NRC's inspection approach is consistent among regions. We will also review the relationship between utility SALP evaluations and the inspection resources applied.

- Inspection Effectiveness: We will assess NRC's efforts to ensure that NRR and the regions meet inspection goals. This will include examining the results of NRR's Inspection Program Assessment.

- Program Philosophy: We will assess how NRC meets its philosophy of doing performance-type rather than compliance-type inspections.

- Documentation: We examine the adequacy of the various processes for documenting regulatory decisions.

- Implementing Recommendations from Special Studies: We will review the recommendations emanating from specials studies and task forces and assess their impact on the program effectiveness.

REPORTING ISSUES

- Data Preparation: We will review how inspection data is recorded and reported. We will also assess the degree to which NRR uses trend analyses and other evaluation data in guiding NRC's regulatory program.

- Review Process: We will review the internal controls designed to ensure the validity and integrity of reported information.

REACTOR SAFETY RESEARCH

BACKGROUND

Legislative Authorization

Under Section 205 of the Energy Reorganization Act (Public Law 95-209), the Director, Office of Nuclear Regulatory Research (RES), performs functions delegated by the Commission, including (1) developing recommendations for research deemed necessary for performance by the Commission of its licensing and related regulatory functions, and (2) engaging in or contracting for research that the Commission deems necessary for the performance of its licensing and related regulatory functions.

The Office of Nuclear Regulatory Research (1) plans, recommends, and implements programs for nuclear regulatory research, standards development, and resolution of generic safety issues for nuclear power plants and other facilities regulated by the NRC; (2) develops and promulgates technical regulations; and (3) coordinates research activities within and outside the agency, including appointment of staff to committees and conferences.

Goals and Objectives

The research program has three major goals and objectives, namely:

(1) Provide independent expertise and technical information for NRC's regulatory judgments, (2) anticipate potential safety problems, and (3) develop regulations and guides to implement Commission policy or requirements.

Structure of the Research Program

The research program is structured into five program elements, each having multi-program components. The program elements are (1) reactor licensing support, (2) nuclear materials, (3) reactor regulation support, (4) low-level waste, and (5) assessing the safety of high- level waste disposal.

The Nuclear Safety Research Review Committee (NSRRC) was established in 1988 on the recommendation of the National Research Council. NSRRC provides advice to the Director, RES, regarding the direction of NRC's nuclear safety research programs. The NSRRC membership varies between 9 to 12 members, and includes a member from RES who acts as the Designated Federal Official. RES contracts with organizations, such as the Department of Energy's (DOE) national laboratories and private institutions, who perform work on over 700 research projects.

NRC Research Budget Breakdown

The fiscal year 1994 budget estimate of $122 million for nuclear regulatory research represents

- Sixteen percent or $19 million for NRC salaries and expenses; 84 percent or $103 million for contractor-related funding. Of the $103 million for contract funding, approximately 73 percent or $75 million will be spent in the national laboratories.

AUDIT OBJECTIVE: RES's philosophy states that research should (1) yield improved regulations through better definition and refinement of safety margins, (2) anticipate operational problems, and (3) supply tools to deal with emerging safety issues. Our long-term objective is to evaluate the effectiveness of RES's management, and assess whether the various programs meet their intended purpose.

STRATEGY: During the past year, we conducted a survey audit of NRC's research program to determine (1) how the research program is formulated, (2) how funds are budgeted for projects, (3) the basis for selecting contractors, and (4) the benefits obtained from the work performed. Over the next three years, we plan to build upon previous work and focus on issues related to design enhancements at currently operating power plants, license renewal for older facilities, and advanced reactor proposals.

PLANNING ISSUES

We will review RES's coordination with other NRC Offices and Divisions to identify and prioritize research needs. We will also assess how RES and client organizations determine additional research is needed to (1) support new regulations, (2) amend current regulatory policy, and/or (3) anticipate future problems that could adversely impact plant safety.

EXECUTION ISSUES

Our objective will be to review the effectiveness of RES management throughout the life of research projects. We will focus on large multi-year projects that could experience cost overruns and schedule slippages, and evaluate RES's measures to minimize these potentials.

REPORTING ISSUES

We will review major research projects to assess whether they were completed in a timely manner, and are used and useful to the regulatory process.

REACTOR ANALYSIS AND EVALUATION, INVESTIGATIONS, AND ENFORCEMENT

BACKGROUND

NRC established an Office for Analysis and Evaluation of Operational Data (AEOD). One of the office's primary mission is to have a strong, independent capability for the analysis of operational data. To accomplish the AEOD mission, its staff collects, analyzes, and disseminates operational data, develops performance indicators, assesses trends in performance from these data, and analyzes operating events to provide insights and improve understanding of events by providing a risk perspective for events deemed to be significant.

The Office of Investigations (OI) was established to investigate alleged wrongdoing by individuals or organizations other than employees of NRC or NRC contractors. Thus, OI is concerned with the activities of NRC licensees, applicants for licenses, licensee contractors and vendors. In contrast, the Office of the Inspector General investigates alleged wrongdoing by NRC contractors and employees.

Lastly, the Office of Enforcement is responsible for managing the Commission's enforcement program for enforcement actions involving NRC licensees.

AUDIT OBJECTIVE: Our focus in this issue area will be on evaluating the effectiveness of NRC's AEOD operation and activities. In this regard, we will assess the effectiveness of NRC's Office of Analytical Evaluation of Operational Data and the use of its data analyses by other offices in NRC. We also intend to assess the extent that AEOD's independent assessments and trend analyses are used.

STRATEGY: We plan to perform a survey of AEOD activities to identify issues that may warrant in-depth reviews. Following the completion of a series of individual audits of the issues, we will prepare a consolidated report summarizing our overall observations of NRC's management of the use of operational data analyses and other program oversight reviews.

PLANNING ISSUES

- Resource Allocation. We will assess how the offices determine their staffing requirements for the various types of functions they are performing, especially for diagnostic evaluations in AEOD.

- Scheduling of Reviews. We will determine and assess how AEOD evaluations and OI investigations are scheduled and prioritized.

- Reliability of Data. We will examine how AEOD verifies the acceptability of data received from NRC licensees that is used in AEOD's analyses. We will also examine the processes used by OI to determine what needs to be investigated and what can be referred elsewhere for action.

EXECUTION ISSUES

- Program Consistency. We will determine the degree to which diagnostic and trend data prepared by AEOD is used in performing inspections and other regulatory activities of NRC. In addition, we will assess the degree to which diagnostic data and evaluation and trend data is used in correlating licensee performance as measured by the Systematic Assessment of Licensee Performance.

- Usefulness of Analytical Information. We will assess how AEOD's evaluation programs are achieving stated goals. This would include assessing whether duplicative reviews and analyses exist elsewhere in

the agency and the degree to which inspectors and others in NRC utilize AEOD data, such as diagnostic evaluations and incident report data, especially during inspections and notices to licensees.

REPORTING ISSUES

- Preparation of Data. We will determine how operational and trend data is reported. In this regard, we will assess the degree to which AEOD verifies the accuracy of the data prior to using it for trend analyses and other evaluations.

- Review Process. We will assess the process used to ensure the integrity of the information received. We will also evaluate how NRC management validates the data and the evaluation results.

NUCLEAR MATERIAL AND LOW-LEVEL WASTE SAFETY AND SAFEGUARDS REGULATION

BACKGROUND

The nuclear material and low-level waste safety and safeguards regulation program encompasses all NRC activities pertaining to public health and safety. This includes safeguards, enforcement, environmental protection, and research that are related to the licensing, inspection, and regulatory oversight of nuclear fuel cycle facilities, users of nuclear materials, the transportation of nuclear materials, the safe management and disposal of low-level radioactive wastes, the safe interim storage of spent fuel, and uranium recovery activities and related remedial actions. In addition, the program includes an integrated agency effort to oversee decontamination and decommissioning of facilities and sites associated with NRC-licensed activities.

AUDIT OBJECTIVE: Our overall long-term objective is to evaluate the effectiveness of NRC's management of its various licensing and inspection programs. We believe that an effective licensing program should help reduce the potential for incidents that could effect the public health and safety. An integral part of this is the inspection program. The inspection program is confirmation that the licensee is adhering to the regulatory requirements or has violated the regulations and may require enforcement action. We intend to use a three-prong approach to make this assessment. First, we will assess how licensing ensures that applicants and licensees are qualified and that applicable regulatory requirements are addressed in the license. Second, we will evaluate how inspections are planned and executed; and third, we will determine how management uses inspection reports to strengthen its regulatory oversight.

STRATEGY: During the past couple of years we have conducted audits in the nuclear materials area that suggested further audit work was warranted. In addition, an audit survey of NRC's inspection programs also identified a potential need to consider the nuclear materials area for further consideration. Because we have not previously considered this area, except

for individual audits, we believe that the nuclear materials area is an important program that warrants a much broader approach in order to evaluate the management's effectiveness.

By analyzing the licensing and inspection programs for the major nuclear materials area under the auspices of the Office of Nuclear Material Safety and Safeguards, we can better assess the effectiveness of the programs and management's ability to identify program weaknesses.

PLANNING ISSUES

- Licensing Review. We will review NMSS' licensing criteria and assess how the staff uses it to evaluate license applications and license renewals and amendments.

- Inspections. We will review NMSS' inspection policy and procedures to determine inspection priorities and frequency for each group of material licensees.

EXECUTION ISSUES

- Program Consistency. Our audit objective will be to determine whether the licensing and inspection criteria is consistent among regions.

- Licensing Effectiveness. We will assess NMSS' efforts to assure that licensing reviews apply existing standards and that licensing decisions are documented.

- Inspection Effectiveness. We will assess NMSS' efforts to assure that inspection program requirements are met and scheduled inspections are completed in a timely fashion.

REPORTING ISSUES

- Preparation of Data. We will determine how licensing and inspection data is recorded and reported. In this regard, we will assess how Regional management and NMSS headquarters use the data to adjust regulatory oversight.

HIGH-LEVEL NUCLEAR WASTE REGULATION

BACKGROUND

The Office of Nuclear Material Safety and Safeguards (NMSS) manages NRC's High-Level Nuclear Waste Regulation Program. This program encompasses: (1) all of NRC's public health and safety licensing, inspection, and environmental reviews for the safe management and disposal of high-level radioactive wastes (including spent fuel); (2) research to assess the safety of high-level waste management, storage, and disposal; (3) independent safety advice on NRC regulatory actions; and (4) use of the licensing support system (LSS) for the submission and management of documents in the repository licensing proceeding. The Office of Research (RES) provides program support to NMSS. The Advisory Committee on Nuclear Waste (ACNW) was established by NRC to report to and advise NRC on nuclear waste management.

The regulatory activities in this program are mandated by the Nuclear Waste Policy Act (NWPA) of 1982, the Nuclear Waste Policy Amendments Act (NWPAA) of 1987, and the Energy Policy Act of 1992. Title 10 Part 60 of the Code of Federal Regulations (10 CFR 60) prescribes rules governing the licensing of the Department of Energy (DOE) to receive and possess source, special nuclear, and byproduct material at a geologic repository operations area sited, constructed, or operated in accordance with the NWPA.

The NWPA specifies a detailed approach for the long-range undertaking of high-level waste disposal, with DOE having operational responsibility and the NRC having regulatory responsibility. This undertaking involves a complex, integrated system of waste handling, transportation, interim and retrievable storage, and ultimate deep geologic disposal of high-level radioactive waste. Such disposal requires the protection of the public health and safety and the environment over thousands of years. The NWPAA directs DOE to characterize only one candidate site, the Yucca Mountain site in the State of Nevada, and to terminate site-specific activities at all other previous candidate

sites. The Energy Policy Act directs the NRC to revise its regulations (10 CFR 60) within one year after the Environmental Protection Agency issues new standards.

The Center for Nuclear Waste Regulatory Analyses (CNWRA), a Federally Funded Research and Development Center (FFRDC) under contract to NRC, has been established to provide technical assistance and conduct research for NRC's High-Level Nuclear Waste Regulation Program. The Center provides support, under NRC direction, for NRC activities related to the geologic repository and monitored retrievable storage facility, transportation, environmental, and other activities associated with storage and disposal of nuclear waste under the NWPA and NWPAA. NRC's sponsorship of this FFRDC includes providing for the administrative, management, and quality assurance procedures and practices to operate the CNWRA.

AUDIT OBJECTIVE: Our overall long-term objective is to evaluate the effectiveness of NRC's management of its High-Level Nuclear Waste Regulation Program. This will include assessments of both NRC and CNWRA activities in relation to the current, and any revised, DOE schedule for submitting its license application to NRC.

STRATEGY: During FY 1993 we reviewed NRC's decision to extend its contract for operating the CNWRA and NRC's management of that contract. During FY 1994 we will expand our review to determine if NRC's High-Level Nuclear Waste Regulation Program is being effectively implemented to meet legislative mandates placed upon NRC.

PLANNING ISSUES

- o Resource Allocation. We will assess how NMSS determines and allocates resources used at NRC and CNWRA.

- o Research Needs. We will review how NMSS and RES identify and assign priorities to research projects associated with the High-Level Nuclear Waste Regulation Program. In particular, we will assess whether NRC is duplicating DOE research conducted in this area.

- License Review. We will assess if NRC's preparations for reviewing DOE's license application for the high-level nuclear waste repository are adequate.

EXECUTION ISSUES

- Economy and Efficiency. We will assess if the High-Level Nuclear Waste Regulation Program can be managed in a more economic and efficient manner, given the current delays by DOE in submitting its license application.

- Rulemaking Process. We will review if the NMSS role in the rulemaking process governing high-level waste is adequate. In particular, we will assess if needed rules have been issued or prepared for.

- Advisory Committee on Nuclear Waste. We will review how advice provided by the ACNW is utilized by NMSS. Additionally, we will assess if the ACNW functions in an efficient and effective manner.

REPORTING ISSUES

- License Support System. We will assess what role, if any, NRC should have in development and implementation of the LSS for the submission and management of documents in the repository licensing proceeding.

NUCLEAR SAFETY MANAGEMENT AND SUPPORT

BACKGROUND

This issue area encompasses NRC's central policy direction, legal advice for the Commission, analysis of long-term policy issues, administrative proceeding review and advice, and liaison with outside constituents and other government agencies. It also includes functions concerning NRC's financial management, administrative and logistical support, information resource management, executive management for the Commission, personnel and training, small and disadvantaged business and civil rights matters, and audit follow-up.

To put this overall area in perspective with the other issue areas within NRC, this area comprises approximately $164 Million (1/3) of NRC's requested budget for Fiscal Year 1994 and approximately 800 full time equivalent positions of the 3,300 total NRC workforce.

Several offices within this issue area need specific highlighting because of the magnitude of their programs and also because of visibility they receive both within and outside the agency. The Office of Information Resources Management (IRM) is responsible for NRC's information resources management program. The program provides for centralized information resources in the areas of computer, telecommunications, and information support services. Many IRM related functions are carried out by other NRC offices.

The Chief Financial Officers (CFO) Act and the statutory requirement for NRC to collect 100 percent of its budget has required that NRC exercise tighter financial management controls than ever before. The Office of the Controller and the Chief Financial Officer must now become lead spokespersons for sound financial management. A key provision of the CFO Act is the requirement for the agency to produce yearly financial statements, which are subject to audit. To produce financial statements that have accurate information, the agency's CFO must ensure that there are proper internal controls in place and the accounting systems are operating in accordance with applicable principles and standards. Another area where the CFO requires increased attention is the controls exercised over contracting for

goods and services, with both the commercial sector and the Department of Energy's national laboratories. In addition, there is a need to ensure that the agency fairly levies and collects license fees in a timely manner.

The final office which needs additional highlighting is the Office of State Programs. It has oversight responsibility for the Agreement Program in which the states issues licenses for the use of nuclear material and also regulates their licensees in accordance with the guidance set forth by NRC. The Congress and the General Accounting Office have recently criticized State Programs and NRC on how it has handled its responsibilities in this area.

Audit Focus For This Issue Area

To ensure that the agency is addressing issues in these various offices, we have developed audit objectives and audit strategies for each of the areas.

OFFICE OF INFORMATION RESOURCE MANAGEMENT

AUDIT OBJECTIVE: Our overall long-term objective is to determine, through a series of audits, the effectiveness of NRC's management of its information resources management program. This series of audits will include assessments of (1) whether NRC systems are effectively and economically developed and maintained in support of mission-critical programs and (2) the adequacy of the agency's processes for meeting its information resource needs.

STRATEGY: During FY 1993 OIG issued three audit reports as part of its overall strategy to assess the management of NRC's information resources management program. These reports covered IRM's contract management, computer security, and user opinions on information systems. OIG obtained user and manager opinions on selected safety-related information systems and will be issuing a second report covering the results of this audit. During FY 1994, OIG will continue work in the IRM area by doing several interrelated reviews with each successive review bringing us closer to our overall evaluation of this area.

PLANNING ISSUES

- Strategic Plan. We will determine the adequacy of NRC' strategic plan for meeting its information needs and whether selected systems under development fall within NRC's overall strategic plan.

- Information Technology Council (IT). OIG will review the use of the IT Council to facilitate the strategic plan.

- Systems Development. Our objective will be to assess the impact of inadequate planning prior to the development of information systems.

EXECUTION ISSUES

- Need for Systems. We will further examine the need for and use of selected systems maintained within NRC. This will include an assessment of duplicative databases and services from the systems.

- Integrity of Information. We will evaluate the quality controls over the data entry process and the databases and assess the accuracy of the data in selected systems. We will also examine the extent to which NRC management relies on the information in its decision-making process and whether the information used is adequate to support such decisions.

REPORTING ISSUES

- Preparation of Data. We will determine what reports are prepared from the information contained in the systems and the use made of these reports.

- Distribution Process. We will review the distribution of information obtained from the systems. This will include an assessment of the timeliness of the distribution process.

OFFICE OF THE CONTROLLER

AUDIT OBJECTIVE: Our overall objective will be to establish a frame of reference regarding how effectively the agency's internal control systems are functioning. This will provide us with a basis for our attestation of the financial statements produced by the agency, as required by the CFO Act. We also intend to examine the procedures used by the agency in planning its contractual work to ensure that appropriate procedures are followed when awarding task orders to the national laboratories.

STRATEGY: At the culmination of a series of audits in the areas that impact on the financial and resource management of the agency, we will decide whether a summary report addressing systemic problems that may be common to the areas reviewed is warranted. We will also use the results of our audit work as input in our annual requirement to report on NRC's implementation of the Federal Manager's Financial Integrity Act.

PLANNING ISSUES

- Areas of Vulnerability. We will assess the adequacy of NRC's internal control procedures, focusing on the implementation of the recommendations from our external audit firm's review, to ensure that the agency will be able to produce accurate accounting information. We will also use the results of our audit work as input to our annual report on NRC's implementation of the Federal Manager's Financial Integrity Act.

- Accuracy of Accounting Information. We will perform audit work that will provide us with a basis for rendering an opinion on the financial statements and providing feedback on performance measurements for programs that began in the budget formulation period through the execution cycle.

- Program Needs Versus Financial Management. We plan to assess how the agency balances its dual mission of protecting the public health and safety with the need for sound fiscal management.

EXECUTION ISSUES

- Accomplishment of Goals. We will monitor the effort of the agency's external audit firm, perform our own audit effort, and work with our audit contractor. We will assess whether deficiencies exist in NRC's internal controls or financial management systems that need to be corrected to achieve compliance with CFO Act requirements.

REPORTING ISSUES

- Reporting of Results. We will determine whether the NRC has developed effective plans to ensure that fiscal results are timely and accurately reported to OMB and the Congress.

OFFICE OF STATE PROGRAMS

AUDIT OBJECTIVES: We will perform a survey to identify the various functions and activities of the Office of State Programs. Following this survey, we will plan a series of audits. Also, we will examine whether recent program deficiencies noted by Congress and General Accounting Office have been corrected.

STRATEGY: We plan to conduct one or more audits to determine how the office interacts with other offices in NRC to improve its oversight responsibility and the ability of the states to carry out the agreement state program in a manner that will protect the health and safety of the public. This work will be spread over the next several years.

EXECUTION ISSUES

- **Accuracy of Data**. We will assess the controls used by the Office of State programs to ensure that the data it is receiving from the Agreement States if accurate and complete and can be used by other offices within NRC.

- **Technical Evaluations**. We will examine the procedures used by NRC to determine that a given Agreement State is carrying out its program in a manner that it can be relied upon to protect the public health and safety.

REPORTING ISSUES

- **Distribution of Data**. We will examine the distribution of results of technical evaluations and data supplied by the licensees to determine if it being used for its intended purpose considering whether it had been validated or not.

AUDIT FOLLOWUP

Audit followup is an integral part of good management and is the responsibility of both agency management officials and the auditors. Corrective action taken by management on resolved findings and recommendations is essential to improving the effectiveness and efficiency of Government operations.

The Office of Management and Budget Circular A-50, revised, requires each agency to establish systems to assure the prompt and proper resolution and implementation of audit recommendations. The systems are to provide for a complete record of action taken on both monetary and non-monetary findings and recommendations. The IG Act Amendments of 1988 established new terminology and also imposed new requirements for IG and agency reporting to the Congress on audit followup.

NRC Directive 6.1 establishes the procedures for follow-up on audit recommendations. This Directive provides that NRC management has full responsibility for implementing corrective action for audit recommendations. NRC's Follow-up Official, among other things, monitors the follow-up system and ensures that management officials implement corrective action agreed to by management and OIG.

AUDIT OBJECTIVE: Our objective is to ensure that NRC's audit follow-up system continues to provide timely action on agreed-to corrective actions. In addition, we will determine whether implementation of selected recommendations satisfactorily resolved the condition(s) reported.

STRATEGY: OIG will accomplish its objective by reviewing the agency's follow-up system and following up on prior audit recommendations during subsequent audits in the same area. During FY 1994, we plan to follow up on recommendations made in three prior audits. The details are spelled out in Appendix III.

APPENDIX III

AUDITS PLANNED FOR

FISCAL YEAR 1994

SURVEY OF NRC'S BACKFITTING PROCESS FOR NUCLEAR REACTORS

PLANNED LOCATIONS

NRC Headquarters, Regional Offices, Utilities

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND[1]

Backfitting is the process by which the NRC decides whether to issue new or revised requirements or staff positions to licensees of nuclear power reactor facilities. Backfitting is expected to occur and is an inherent part of the regulatory process. However, it is to be done only after formal, systematic review to ensure that changes are properly justified and suitably defined. The requirements of this process are intended to ensure order, discipline, and predictability to enhance optimal use of NRC staff and licensee resources.

The backfit rule, 10 CFR 50.109 (1988), applies to both generic and plant-specific backfits. Backfits that do not meet the exception criteria (compliance or adequate protection), must include an analysis that must determine that the backfit will provide a substantial increase in overall protection of the public health and safety, and that the direct and indirect costs for the facility are justified in view of the increased protection. Compliance and adequate protection exceptions are still backfits, but must be justified by a documented evaluation, which states the objectives and purpose of the backfit and the basis for invoking the exception.

One of the controls on generic backfitting and generic information requests is the CRGR, which was established in 1981. Its objectives include eliminating unnecessary burdens on licensees, reducing radiation exposure to

[1]NUREG-1409, *Backfitting Guidelines*, AEOD, July 1990.

workers, and optimizing use of NRC and licensee resources to assure safe operation.

SURVEY OBJECTIVES AND SCOPE

Over the years, concerns about the effectiveness of the process have been raised by the industry and from within the NRC. We will examine these concerns, which include: (1) validity of the staff's use of compliance exceptions; (2) failure to identify generic communications for backfit analysis; (3) failure to adequately justify plant-specific backfits; (4) use of plant-specific backfits at several plants to avoid initiating a generic backfit; (5) the validity of NRC cost-benefit analyses to justify substantial increase to safety; (6) independence of the plant-specific appeal process; (7) imposition of backfit schedules; (8) the effectiveness of the CRGR. The survey will identify several issues for audit.

ESTIMATED RESOURCE REQUIREMENTS

This survey will require approximately 700 staff hours of effort (2 auditors for 2 months), It is further anticipated that any audit subsequently conducted will involve about 1200 staff hours of effort (2 auditors for 4 months).

REVIEW OF THE IMPLEMENTATION OF RECOMMENDATIONS FROM THE REGULATORY REVIEW GROUP

PLANNED LOCATIONS

NRC Headquarters, Regional Offices, Utilities

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

In 1993, NRC formed a Regulatory Review Group to "Conduct a comprehensive and disciplined review of power reactor regulations....A detailed review should be conducted specifically for those regulations or implementation practices which appear to go beyond what is required for 'adequate protection....' Revision of appropriate requirements and guidance...should result in increased overall industry flexibility in plant operations without impacting reactor operational safety and may in fact contribute to operational safety."

The Regulatory Review Group issued its final report in August 1993, and made several recommendations to modify and improve (in the Group's opinion) NRC's regulations. The EDO has indicated that the staff will brief the Commission on the results in October 1993. Staff comments on a draft copy of the report indicate several significant disagreements with the draft report's recommendations.

The work of this group appears to correspond closely to the concern expressed by Vice President Gore's National Performance Review (burdensome regulation).

AUDIT OBJECTIVES AND SCOPE

This audit will assess NRC's plan for implementing recommendations adopted by the Commission.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 700 staff hours of effort.

REVIEW OF THE CONTINUING NEED FOR NRC'S ADVANCED REACTOR PROGRAM

PLANNED LOCATIONS

NRC Headquarters, Regional Offices, Utilities

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

NRC is currently engaged in reviewing standardized designs for the next generation of nuclear reactors. For FY 94 and 95 NRC has estimated the budget at $16.6 million and $15.1 million respectively, under the Reactor Safety and Safeguards Regulation mission area. For the same periods, the Reactor Safety Research mission area has an estimated budget of $25.0 million and $24.0 million, respectively. These amounts represent approximately $40 million in expenditures for each year and about 7% of the total NRC budget for each year.[2]

During previous audits, NRC officials have expressed concern that the expenditure of resources for the advanced reactor effort is not prudent because it is their belief that utilities will not order new reactors because of regulatory uncertainties and the high costs of doing so.

AUDIT OBJECTIVES AND SCOPE

The audit, through discussions with the NRC staff, DOE and the industry, will determine the potential for new orders for nuclear reactors.

[2]The source for the financial data is NRC's "Budget Estimates Fiscal Years 1994-1995," dated April 1993.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 1300 staff hours of effort (2 auditors for 4 months).

INSPECTION REPORT CONCURRENCE PROCESS

PLANNED LOCATIONS

NRC Headquarters and Regional offices

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

We will review the process by which regional management approves inspection reports. When management disagrees with an inspector's findings, the inspector may file a Differing Professional View (DPV) or Differing Professional Opinion (DPO), as appropriate. The DPV is the less formal of the two processes.

The subject is a sensitive issue because NRC has previously received negative publicity and Congressional scrutiny because it failed to properly consider an inspector's dissatisfaction with management's changes to an inspection report.

AUDIT OBJECTIVES AND SCOPE

This review will examine the procedures, including support documentation for management changes to inspection reports, and the extent to which the regions properly use the DPO/DPV processes.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 945 staff hours of effort.

REVIEW OF THE INSPECTION FOLLOWUP SYSTEM

PLANNED LOCATIONS

NRC Headquarters, Regional Offices, Nuclear Plant Sites (resident inspectors)

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

In 1991, NRC established the IFS to track and mange the resolution of NRC identified concerns at its licensees. The system is intended to provide an historical record of inspection findings, selected open items, and escalated enforcement information.

AUDIT OBJECTIVES AND SCOPE

This audit will examine how the IFS is used by reactor as well as materials licensees to track, manage, and close-out inspection findings and other NRC identified concerns.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 1300 staff hours of effort (2 auditors for 4 months).

CONTROL AND DISPOSAL OF BY-PRODUCT MATERIAL

PLANNED LOCATIONS

NRC Headquarters and Regional Offices

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

NRC licensees use radioactive sources in numerous applications, including medical procedures, food irradiation, highway construction, and well logging. Due to the nature of the work activity, some of these sources may become dislodged from their shielding apparatus, or lost, thereby potentially subjecting workers and the public to unnecessary radiation exposure.

AUDIT OBJECTIVES AND SCOPE

The objective of this job is to assess the effectiveness of NRC's program to ensure licensees exercise the necessary precautions when using by-product materials. We will first evaluate (1) NRC's criteria and requirements for controlling by-product material, (2) how NRC's programs verify licensee requirements for proper disposal of materials, and (3) how NRC ensures Agreement States aggressively regulate the control and disposal of radioactive materials. We will then focus on the programmatic aspects to NRC's regulatory oversight to assess whether NRC is effective in ensuring licensees (1) are able to accurately account for all sources, (2) strictly adhere to their by-product material control requirements, (3) take reasonable efforts to identify and recover lost sources, and (4) where appropriate, cleanup contaminated sites.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 1,400 staff hours of effort at headquarters, three regions with the largest number of materials licensees, and selected Agreement States.

DECOMMISSIONING LICENSED NUCLEAR FACILITIES

PLANNED LOCATIONS

NRC Headquarters and Regional Offices

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

NRC has established regulations and financial criteria to ensure that licensees remove all radioactive residue from their facilities at the conclusion of their licensed operations. This audit will assess the effectiveness of NRC's requirements that licensees maintain financial and technical capability to decontaminate and decommission their facilities to ensure (1) tax funds are not required to support cleanup activities in the event that licensees terminate licensees, withdraw from the nuclear industry, or file for bankruptcy, and (2) the environment is not adversely affected or harmed by licensee operations.

AUDIT OBJECTIVES AND SCOPE

Our objectives are to determine (1) whether NRC has adequately defined the decommissioning process and the actions that licensees must follow, (2) whether NRC makes periodic checks to ensure licensees continue to maintain their financial and technical capability to cleanup contaminated sites, (3) where appropriate, licensees are taking adequate and effective action to cleanup contaminated sites, and (4) whether any licensees have abandoned their cleanup responsibilities, the associated financial costs, and the resultant environment impact.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 1,280 staff hours of effort at three regional with the largest number of licensees, and selected licensees in those regions.

REVIEW OF THE COMPARISON OF INFORMATION IN MIPS, RITS, AND THE LICENSE FEE BILLING SYSTEM

PLANNED LOCATIONS

NRC Headquarters, selected Regional Offices, and the Technical Training Center, Chattanooga, TN

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

OIG's efforts to determine the effectiveness of NRC's management of its information resources management program surfaced a need for more in depth analysis of the relationship of the databases that feed the license fee billing process. Our most recent survey on information systems disclosed concerns on the part of some managers about the agency's support for the fees assessed licensees.

At least three systems--the Master Inspection Planning System (MIPS), the Regulatory Information Tracking System (RITS), and the License Fee Billing System-- contain information pertinent to the agency's fee billing process.

AUDIT OBJECTIVES AND SCOPE

The objectives of this audit will be to assess the adequacy of the records supporting the fees assessed licensees and to identify any discrepancies in the related databases of MIPS, RITS, and the Fee Billing System.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 1,500 staff hours to complete.

REVIEW OF SYSTEMS DUPLICATION

PLANNED LOCATIONS

NRC Headquarters, selected Regional Offices, and the Technical Training Center, Chattanooga, TN

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

NRC's automated information systems have historically been developed in a piecemeal fashion to meet a particular need. In addition to IRM, user offices build and maintain automated systems using staff, contractor, and laboratory assistance.

The agency presently has an estimated 200 to 300 information systems in support of its operations. However, there is no catalogue of systems as required by the Paperwork Reduction Act to avoid duplication of systems. Also, user offices have a great deal of latitude in deciding to develop systems as long as only the user office's resources are affected. This type of climate is conducive to systems duplication.

AUDIT OBJECTIVES AND SCOPE

The objectives will be to determine the extent to which similar systems duplicate each other and to identify systems that can be eliminated thus freeing funds that can be put to better use. We also want to focus agency management's attention on the magnitude of this problem for the deterrent effect.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 1,500 staff hours to complete.

INFORMATION TECHNOLOGY BUDGETING EFFORTS

PLANNED LOCATIONS

NRC Headquarters, possibly Regional Offices

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

NRC has recently completed its first strategic information technology planning effort. The strategic plan places much emphasis on the use of an interagency Information Technology (IT) Council to optimize the allocation and use of information technology resources agencywide. In April, 1993, the Council made recommendations on new IT applications sponsored by headquarters and regional offices for the FY 1994-1995 timeframe.

AUDIT OBJECTIVE AND SCOPE

The purpose of this review will be to determine the effectiveness of the IT Council's effort.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 1,200 staff hours of effort.

CONSTRUCTION INSPECTION PROGRAM DATABASE REVIEW

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

NRC has recently implemented the use of an Information Technology (IT) Council to optimize the allocation and use of information technology resources agencywide. In April, 1993, the Council made recommendations on new IT applications sponsored by headquarters and regional offices for the FY 1994-1995 timeframe. One such IT application was NRR's Construction Inspection Program Database. Although the application received a low-priority rating from the Council and there is no reactor construction activity planned in the foreseeable future, NRR is going forward with this estimated $2.5 million automated system.

AUDIT OBJECTIVE AND SCOPE

The purpose of this review will be to assess whether funding of the construction inspection program database is appropriate.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 300 staff hours of effort.

AUDIT OF NRC FINANCIAL STATEMENTS

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Financial (Priority I)

BACKGROUND

On November 15, 1990, the President signed into law the Chief Financial Officers (CFO) Act. The Act, in essence, called for agencies to prepare auditable financial statements at the end of fiscal year 1991 unless a waiver was granted by the Office of Management and Budget (OMB). The Office of the Inspector General (OIG) is required to audit the financial statements or seek audit from an independent external audit firm. Further guidance on producing statements is to be provided by OMB.

AUDIT OBJECTIVES AND SCOPE

In 1992 and beyond, OIG plans to ensure that the NRC financial statements are audited in accordance with applicable auditing standards, either by the OIG performing the audits, contracting with external audits firms, or a combination of both.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 2,000 staff hours of OIG effort plus the use of a CPA firm to assist in the audit of the financial statements.

COMPLIANCE WITH THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT (FMFIA)

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Financial (Priority I)

BACKGROUND

The Office of Management and Budget (OMB) Circular A-123 requires NRC to perform annual reviews and evaluations of internal controls in highly vulnerable components (that is, programs, functions, and organizations). The purpose of the reviews is to identify internal control weaknesses that require corrective actions. The results of the reviews are reported to the President and the Congress annually. During the annual reviews, NRC must (1) revise component risk ratings; (2) perform internal control reviews as required, several alternative internal control reviews, and functional reviews; (3) report all material weaknesses found during reviews; and (4) develop corrective action plans and implement the corrective actions effectively.

The Executive Director for Operations has overall responsibility for implementing FMFIA and Circular A-123 within NRC. The Office of the Controller is responsible for providing oversight and guidance to NRC offices concerning the review, evaluation, and implementation of effective internal controls. The Office of the Controller is also responsible for managing, directing, and evaluating NRC's reporting under FMFIA and Circular A-123.

AUDIT OBJECTIVES AND SCOPE

The objective of our audit will be to determine NRC's compliance with guidelines for implementing the Federal Managers' Financial Integrity Act. Specifically, the Office of the Inspector General (OIG) will evaluate actions taken in accordance with Office of Management and Budget and NRC instructions and guidelines for (1) correcting internal control weaknesses from prior FMFIA reports and General Accounting Office and OIG audit reports, (2) assigning risk ratings and conducting internal control reviews and alternative internal control reviews, and (3) documenting corrective actions for identified internal control weaknesses. In addition, the OIG will review office assurance statements when issued to ensure that all significant internal control weaknesses identified by current year evaluations were reported to senior management.

We will review a sample of risk ratings and control reviews to determine compliance with established criteria, including the documentation of required testing. We will review NRC offices' corrective action plans and documentation supporting the plans' implementation for completeness, effectiveness, and timeliness.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 500 staff hours of effort.

TECHNICAL SPECIFICATION IMPROVEMENT PROGRAM

PLANNED LOCATIONS

NRC Headquarters and selected Regions

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

The Technical Specifications Improvement Program was initiated by a 1987 proposed policy statement which was, in turn, based on a 1983 task group study which identified several broad weaknesses in technical specifications (NUREG-1024). The staff recently completed the resolution of public comments on the draft improved standard technical specifications (STS). Volunteering lead plants will begin conversions to the improved STS in early FY 1993.

AUDIT OBJECTIVES AND SCOPE

The objectives of this audit are to determine whether (1) the improved STS has adequately addressed the original weaknesses and (2) voluntary implementation will effectively resolve those weaknesses.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require 945 hours.

REVIEW OF NRC'S IMPLEMENTATION OF OMB CIRCULAR A-76

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

The Division of Budget and Analysis has the responsibility to ensure that the agency complies with OMB Circular A-76, Performance of Commercial Activities. Agencies are required to submit a summary report no later than March 15 of each year to the Office of Federal Procurement Policy regarding the implementation of the Circular. The report is to provide information relating to the in-house inventory and the review schedule for in-house and contracted commercial activities.

AUDIT OBJECTIVES AND SCOPE

OIG plans to review the agency's implementation of A-76 to determine whether it has reported its efforts in this area as required by the Circular. In addition, we will review the adequacy of the agency's determination of what activities could be considered for contracting out given the guidelines set forth by OMB.

ESTIMATED RESOURCE REQUIREMENTS

This review will take 400 staff hours of effort.

NRC' CONTRACT AWARD PROCESS

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance and Financial (Priority I)

BACKGROUND

NRC's Division of Contracts and Property Management (DCPM) has the overall responsibility to ensure that NRC's contract award process is done in accordance with agency directives and the Federal Acquisition Regulation. However, the requesting offices are also a prime player since they must plan their requirements in such a manner that DCPM can have the necessary resources available to ensure the timely award of the contract.

DCPM must also ensure that the legislative requirements for competitive procurement are being met for such programs as meeting the small business set asides and also using disadvantaged firms.

AUDIT OBJECTIVES AND SCOPE

OIG plans to review the contract award process to determine if it is being carried out efficiently and effectively. We also want to ensure that the process used is in accordance with the guidelines set forth in procurement rules and regulations. One area that will be examined is the role that the Competition Advocate plays in the process.

ESTIMATED RESOURCE REQUIREMENTS

This review will require 800 staff hours of effort.

LIMITATION ON USE OF APPROPRIATED FUNDS TO INFLUENCE FEDERAL CONTRACTING AND FINANCIAL TRANSACTIONS

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Financial (Priority I)

BACKGROUND

On October 23, 1989, the President signed into law the Department of the Interior and Related Agencies Appropriation Act (P.L. 101-121) for fiscal year 1990. The act amended Title 31, United States Code, by adding Section 1352, entitled "Limitation on Use of Appropriated Funds to Influence Certain Federal Contracting and Financial Transactions."

The Inspector General is required to prepare and submit to Congress each year an evaluation of the NRC's compliance with and the effectiveness of the requirements of the act. This evaluation may include any recommended changes that may be necessary to strengthen or improve the requirements. The annual report is required to be submitted at the same time NRC submits its annual budget justifications to Congress. The annual report shall include the following:

-- (1) All alleged violations relating to the NRC's covered Federal actions during the year covered by the report, (2) the actions taken by the Chairman in the year covered by the report with respect to those alleged violations and alleged violations in previous years, and (3) the amounts of civil penalties imposed by the NRC in the year covered by the report.

-- Any person who makes an expenditure prohibited herein shall be subject to a civil penalty of not less than $10,000 and not more than $100,000 for each such expenditure.

AUDIT OBJECTIVE AND SCOPE

The objective will be to evaluate the NRC's compliance with the requirements of the act. The audit will review, on a sample basis, recipient certification and disclosure forms for contracts, grants, cooperative agreements, and Federal loans or loan guarantees that were authorized during the current fiscal year.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 250 staff hours of effort.

INFORMATION ON CONSULTING SERVICES

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

The United States Code (31 U.S.C. 1114) requires that:

> ...(a) The head of each agency shall include in the budget justification for the agency submitted each year to the Committee on Appropriations of both Houses of Congress: (1) amounts requested for consulting services; (2) the appropriation accounts from which the amounts are to be paid; and (3) a description of the need for the consulting services, including a list of the major programs requiring the services.
>
> (b) The Inspector General or comparable official of each agency shall submit to Congress each year, with the budget justification for the agency, an evaluation of the progress of the agency in establishing effective management controls and improving the accuracy and completeness of the information provided to the Federal Procurement Data System on contracts for consulting services.

AUDIT OBJECTIVE AND SCOPE

The objectives will be to evaluate the (1) adequacy of NRC's system of management controls and (2) progress on improving the accuracy and completeness of the information provided to the Federal Procurement Data System on the NRC's contracts for consulting services.

We plan to follow up on a January 28, 1992, OIG audit report, "Review of Contracting for Consultants," to determine if the recommendations contained in that report have been implemented.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 300 staff hours of effort.

CONTRACTING FOR SERVICES

PLANNED LOCATIONS

NRC Headquarters and Regional Offices

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

Contracting for services to be rendered has been an area in a number of Federal agencies that has resulted in waste. For example, paying for yearly maintenance for equipment that is no longer in the inventory. NRC has service contracts for such things as computer repairs, newspaper clipping services, shuttle busses, and data entry.

AUDIT OBJECTIVES AND SCOPE

OIG plans to examine the various contracts and purchase orders that NRC has for services to determine the universe and dollar amount involved. From that data, we will select the contracts to review in order to determine 1) what services NRC has requested, 2) the controls that are placed on the request for the services to ensure that NRC is receiving what it requested before payment is made, 3) what results the services produce, and 4) how NRC uses the services in performing its mission.

ESTIMATED RESOURCE REQUIREMENTS

This review will require approximately 700 staff hours of effort.

NRC'S ETHICS PROGRAM

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

The 1988 Office of Government Ethics (OGE) reauthorization legislation, Public Law 100-958, requires that executive agencies submit an annual report to OGE concerning certain aspects of their ethics program. The Office of the General Counsel (OGC) is responsible for the Agency's program. William Parler, General Counsel, is the Designated Agency Ethics Official (DAEO). In response to a recent OGE questionnaire, the DAEO ranked the top four elements of NRC's ethics program from the most difficult to administer to the least. In order of difficulty they are: (1) Understanding standards of conduct; (2) Oversight of financial disclosure process; (3) Advising department employees on post-employment issues; and (4) Employee awareness of ethics. Since its inception in April 1989, OIG has not conducted an audit of the Agency's ethics program to ensure that it is complying with the requirements of the Act.

AUDIT OBJECTIVES AND SCOPE

The purpose of our audit will be to review the legislative requirements of the Act and the Agency's ethics program to identify areas that may warrant a detailed audit.

ESTIMATED RESOURCE REQUIREMENTS

This survey will require about 1,250 staff hours of effort.

PROPOSAL EVALUATIONS - NON COMPETITIVE PROCUREMENTS

PLANNED LOCATIONS

To Be Determined

TYPE OF AUDIT

Financial (Priority I)

BACKGROUND

In some procurement actions, the opportunity for competition either does not exist or is impractical to generate. In these instances, it is necessary that NRC procure non competitive work. Non competitive procurement is defined as a procurement action for new work for which only one source is solicited.

AUDIT OBJECTIVES AND SCOPE

To determine whether proposed costs are reasonable, allocable, and in accordance with Requests for Proposal (RFP) provisions and the Federal Acquisition Regulation, giving special attention to pricing methods used since comparison is not available as a means of determining the reasonableness of proposed costs.

Scope depends on individual contract types, amounts, DCAA cognizance, and procurement schedules.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 800 staff hours of effort (4 proposals x 4 weeks per proposal).

NRC'S OFFICE FOR ANALYSIS AND EVALUATION OF OPERATIONAL DATA

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

The Office for Analysis and Evaluation of Operational Data (AEOD) provides the NRC with an independent capability for the analysis of operational data. The office serves as the NRC's center for the independent assessment of operational events, and it manages the review, analysis and evaluation of both reactor and non-reactor safety performance. It is also responsible for the NRC's Incident Response Program, Diagnostic Evaluation Program, Technical Training Center, and the Incident Investigation Program.[3]

SURVEY OBJECTIVES AND SCOPE

Our objectives are to perform a survey of the various functions within AEOD and to develop issues which we believe would warrant further audit work.

ESTIMATED RESOURCE REQUIREMENTS

The survey will require two auditors for approximately 850 staff hours of effort.

[3]NRC 1992 Annual Report

FOLLOWUP REVIEW OF NRC'S RESEARCH PROGRAM CONTRIBUTIONS

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

The Office of Nuclear Reg ılatory Research (RES) is one of three NRC offices established by the Energy Reorganization Act of 1974, as amended. Section 205 of the Act directs RES to develop recommendations for research deemed necessary to support he Commission's licensing and related regulatory functions. To carry out this mandate, RES established three program objectives: (1) provide information for making independent and timely regulatory judgements, (2) anticipate potential safety problems, and (3) develop regulations and guides to implement Commission policy or requirements.

In March 1992 we conducted an audit of NRC's research program and found (1) neither NRC nor RES had established criteria to measure the performance and contributions of broad programs and supporting projects that comprise NRC's research efforts, and (2) a lack of strong internal management controls to guide research efforts.

AUDIT OBJECTIVES AND SCOPE

Our followup audit will review the management improvements RES adopted in response to our report, and assess whether current research initiatives meet user needs and are useful to NRC's regulatory process.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 600 hours of effort.

FOLLOWUP REVIEW OF SIGNIFICANT WEAKNESSES HAMPER NRC'S COMPUTER SECURITY PROGRAM

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

NRC management and its technical and administrative staffs depend heavily on data obtained from a number of automated information systems maintained within the agency. Therefore protecting these information systems and their data from theft, abuse and tampering is vitally important to the NRC.

The Office of the Inspector General conducted an audit of the NRC's computer security program and issued a report "Significant Weaknesses Hamper NRC's Computer Security Program", dated December 15, 1992. This report identified significant weaknesses within the NRC's computer security program. These combined weaknesses warranted a material weakness under the Federal Managers' Financial Integrity Act (FMFIA).

The report made five recommendations to improve the NRC's computer security program.

AUDIT OBJECTIVE AND SCOPE

Our follow-up audit will review the status of the actions taken to implement the recommendations.

ESTIMATED RESOURCES REQUIRED

This audit will require about 500 staff hours of effort.

FOLLOWUP REVIEW OF OIG REPORT ON THE REVIEW OF NRC MANAGEMENT OF REPORTING REQUIREMENTS UNDER 10 CFR PART 21

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority I)

BACKGROUND

In November 1990, OIG issued an audit report on its review of NRC management of reporting requirements under 10 CFR Part 21. The audit was performed to determine if:

> 10 CFR Part 21 and proposed revisions are adequate for assuring compliance with Section 206 of the Energy Reorganization Act of 1974 as amended; and
>
> NRC's management of 10 CFR Part 21 is adequate to assure proper resolution of defects reported.

OIG found that there was a need for improvement in NRR's overall management of 10 CFR Part 21 requirements. OIG's report contained 8 recommendations.

AUDIT OBJECTIVES AND SCOPE

Our followup audit will review the status of actions taken to implement OIG's 8 recommendations. Its objective will be to determine if these actions are effective and that the causes that led to the recommendations have been addressed.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 400 hours of staff effort.

REVIEW OF INSPECTOR COMPLETION OF REFRESHER TRAINING REQUIREMENTS

PLANNED LOCATIONS

NRC Headquarters, Regional Offices.

TYPE OF AUDIT

Performance (Priority II)

BACKGROUND

New NRC inspectors are given a specialized training program to fit their individual background and needs. Each inspector is given a qualification journal which must be completed prior to becoming a certified inspector. Subsequent to certification, inspectors are required maintain their proficiency by taking refresher training.

AUDIT OBJECTIVES AND SCOPE

This audit will examine the requirements for refresher training, discuss the effectiveness of this training with inspectors, and determine the extent to which inspectors comply with the refresher training requirement.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require approximately 1300 staff hours of effort (2 auditors for 4 months).

LICENSING SUPPORT SYSTEM PROGRAM

PLANNED LOCATIONS

NRC Headquarters

TYPE OF AUDIT

Performance (Priority II)

BACKGROUND

The Licensing Support System (LSS) Program was established to ensure effective and efficient discharge of NRC's responsibilities under 10 CFR Part 2, Subpart J, for loading and subsequent use of the LSS prior to and during NRC's high-level waste (HLW) licensing proceeding. The LSS is an electronic information management system that will contain the relevant licensing documents of DOE, NRC and other parties to the Commission's HLW repository licensing proceeding. The Office of the LSS Administrator monitors the LSS activities of the NRC, DOE, and other LSS participants to assure that their activities fully support the timely and proper functioning of the system. The status of the LSS is uncertain due to significant schedule delays of DOE's repository license application.

AUDIT OBJECTIVES AND SCOPE

The Objective of this review will be to assess whether (1) the LSS program is managed effectively and (2) the LSS staff is being efficiently used considering the delays in the license application.

ESTIMATED RESOURCE REQUIREMENTS

This review will require 1,275 staff hours of effort.

NRC'S IMPREST FUND

PLANNED LOCATIONS

NRC Headquarters and Regional Offices

TYPE OF AUDIT

Financial (Priority II)

BACKGROUND

This review is performed annually in accordance with NRC Manual Chapter Appendix 1101, Part IV, Section A, which requires that "unannounced audits of each imprest fund be made by the Office of the Inspector General as frequently as deemed necessary, but at least annually." There are six imprest funds in NRC, one at Headquarters and one in each of the regional offices. There is approximately $350,000 (cumulative) in the imprest funds. Also, NRC uses traveler's checks for travel advances and has a third party payment system for travel claims between $100 and $1,000.

AUDIT OBJECTIVES AND SCOPE

During the review, we will count the funds at all locations to ensure they are properly accounted for. We will also examine the disbursement procedures used by the cashiers to determine if they are effective in accounting for and protecting the funds. In addition, we plan to assess the impact that traveler's checks and third-party checks have on the level of the imprest fund at each location.

ESTIMATED RESOURCE REQUIREMENTS

This audit will require about 400 staff hours of effort.

CONTRACT AUDITS

PLANNED LOCATIONS

NRC Headquarters and Contractor Facilities

TYPE OF AUDIT

Contract (Priority II)

BACKGROUND

With the addition of two contract auditors in the audit staff, OIG now has the capability to perform contract audits. NRC spends approximately $100 million contracting with commercial vendors yearly for such things as technical assistance and research. There is a need for NRC to assure itself that the contractors are charging what is allowed by the terms of the contracts.

AUDIT OBJECTIVES AND SCOPE

We plan to conduct two incurred cost audits during the coming fiscal year to determine if the selected contractors are charging NRC in accordance with the terms and conditions of the contract and the Federal Acquisition Regulation.

ESTIMATED RESOURCE REQUIREMENTS

The audits will require a total of about 600 staff hours of effort.


UNITED STATES NUCLEAR REGULATORY COMMISSION