



UNITED STATES  
NUCLEAR REGULATORY COMMISSION  
WASHINGTON, D. C. 20555

December 3, 1990

The Honorable Bob Graham, Chairman  
Subcommittee on Nuclear Regulation  
Committee on Environment and Public Works  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

I am enclosing the semi-annual report of the Nuclear Regulatory Commission's (NRC's) Office of the Inspector General (OIG) for the period April 1, 1990, through September 30, 1990. Semi-annual reports from the OIG are required by Section 5(a) of the Inspector General Act of 1978, as amended by the Inspector General Act Amendments of 1988.

I have also enclosed a separate report commenting on the matters specified in Section 5(b) of the Act. Through footnotes I have provided clarifying information with respect to Tables I and II of the OIG report. I have also noted that there are no audit reports for which management decisions have been made but no final action taken. In general, I continue to be pleased with the progress made by the OIG and the constructive nature of the interaction between the OIG and the NRC staff.

Sincerely,

*Kenneth M. Carr*  
Kenneth M. Carr

Enclosures:  
As stated

cc: Senator Alan K. Simpson

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Identical Letter Sent  
To Those on The Attached  
List

U.S. Nuclear Regulatory Commission  
 Chairman's Semi-Annual Report  
 for the period of  
 April 1, 1990, through September 30, 1990

1. Comments

The information reported here includes audits completed after April 1, 1990.

The format of this report follows the requirements of Section 5(b) of the Inspector General Act of 1978.

2. Table I. Audit reports with disallowed costs

	Number of Audit Reports	Disallowed Costs (\$)
A. For which final action had not been taken by commencement of the reporting period:	1	\$24,547
B. On which management decisions were made during the reporting period:	15	0
C. For which final action was taken during the reporting period:	1*	\$24,547
(i) disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise:	1	\$ 1,174
(ii) disallowed costs that were written off by management:	1	\$23,373
D. For which no final action has been taken by the end of the reporting period:	0	0

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\* Of the 16 total audits, 15 reports had no questioned costs, therefore no final action was necessary.

## 3. Table II. Audit reports with recommendations that funds be put to better use

	Number of Audit Reports	Recommendations that funds be put to better use by manage- ment agreed to in a management decision (\$)
A. For which final action has not been taken by the commencement of the reporting period:	1	\$ 57,512*
B. On which management decisions were made during the reporting period:	2**	\$252,415
C. For which final action was taken during the reporting period:		
(i) recommendations that were actually completed:	2**	\$252,415
(ii) recommendations that management has subsequently concluded should not or could not be implemented or completed:	0	0
D. For which no final action has been taken by the end of the period:	1	\$25,725

\* One report from the previous reporting period contained a recommendation that funds be put to better use. Negotiations with the contractors resulted in substantial agreement with the recommendation. However, the dollar amount originally recommended by the IG (\$63,116) was reduced to \$57,512 due to a slightly higher overhead rate recommended by the Department of Health and Human Services than that recommended by the Defense Contract Audit Agency (DCAA). A second audit was requested by OIG because of the contractor's disagreement with DCAA's findings.

\*\* One of the reports was issued this period.

4. A statement with respect to audit reports on which management decisions have been made but final action has not been taken, other than audit reports on which a management decision was made within the preceding year.

There are no audit reports for which management decisions have been made but final action has not been taken.



Identical letter sent to:

The Honorable J. Bennett Johnston, Chairman  
Subcommittee on Energy and Water Development  
Committee on Appropriations  
United States Senate  
Washington, DC 20510

cc: Senator Mark O. Hatfield

The Honorable John Glenn, Chairman  
Committee on Governmental Affairs  
United States Senate  
Washington, DC 20510

cc: Senator William V. Roth, Jr.

The Honorable Tom Bevill, Chairman  
Subcommittee on Energy and Water Development  
Committee on Appropriations  
United States House of Representatives  
Washington, DC 20515

cc: Representative John T. Myers

The Honorable Philip R. Sharp, Chairman  
Subcommittee on Energy and Power  
Committee on Energy and Commerce  
United States House of Representatives  
Washington, DC 20515

cc: Representative Carlos J. Moorhead

The Honorable Morris K. Udall, Chairman  
Subcommittee on Energy and the Environment  
Committee on Interior and Insular Affairs  
United States House of Representatives  
Washington, DC 20515

cc: Representative James V. Hansen

The Honorable John Conyers, Jr., Chairman  
Subcommittee on Legislation and National Security  
Committee on Government Operations  
United States House of Representatives  
Washington, DC 20515

cc: Representative Frank Horton

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NUCLEAR  
REGULATORY  
COMMISSION

OFFICE OF  
THE INSPECTOR  
GENERAL

SEMIANNUAL REPORT

APRIL 1, 1990

SEPTEMBER 30, 1990



# MEMORANDUM TO THE CHAIRMAN

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I am pleased to submit to you this semiannual report covering the period April 1, 1990, to September 30, 1990. This is the third report since the creation of the Office of the Inspector General in April 1989. Since my arrival at the NRC last December, most of the resources of this office have been dedicated to reducing the tremendous backlog of investigative matters. I am happy to report that our efforts have resulted in a more manageable case load for the office and an improvement in our ability to respond to investigative assignments. Future investigative assignments should not extend beyond a one-year period. The only exceptions to this standard will result from their importance and magnitude rather than our inability to address them.

During this reporting period, we completed 37 investigations and 1 inspection. We also reviewed 41 contract audits and performed 7 internal audits. These 7 internal audits resulted in 19 recommendations to improve the effectiveness of NRC operations. We identified \$220,628 as funds that the NRC could put to better use.



This office has completed major reviews of two investigations conducted recently by our predecessor organization, the Office of Inspector and Auditor. Both reviews developed highly disturbing findings that reflected on the fairness, honesty, and professionalism of the work performed. As a result of these investigations, the Office of the Inspector General has instituted procedural and systemic changes that will affect the manner in which future investigations will be conducted. These changes have been initiated to ensure that our investigations conform with investigative standards adopted by the Federal law enforcement community. While our work will continue to be performed in an aggressive manner, it will be conducted fairly and with an emphasis on the rights of individuals under investigation. Investigative and audit manuals are nearing completion and will institutionalize the reforms that have been identified.

It is encouraging to report that the agency has continued to provide complete access and cooperation for our investigative and audit inquiries. There were no instances in which any records or documents were denied to our personnel. There was also consistent agreement between this office and NRC management concerning acceptance and implementation of our recommendations to improve agency operations.

Finally, the annual planning process is currently under way. Input from various NRC offices facilitated this effort, and their views are greatly appreciated. The completed process will provide an understanding of how this office intends to systematically provide assurance to the Commission that its programs and offices are operating in an efficient and effective manner, free of fraud, waste, and abuse.

I have expressed to you my concern that audit resources within this office are inadequate. This planning process will provide insight into the audit staff resources necessary to ensure that the agency has an acceptable audit cycle for its important needs.

Sincerely,

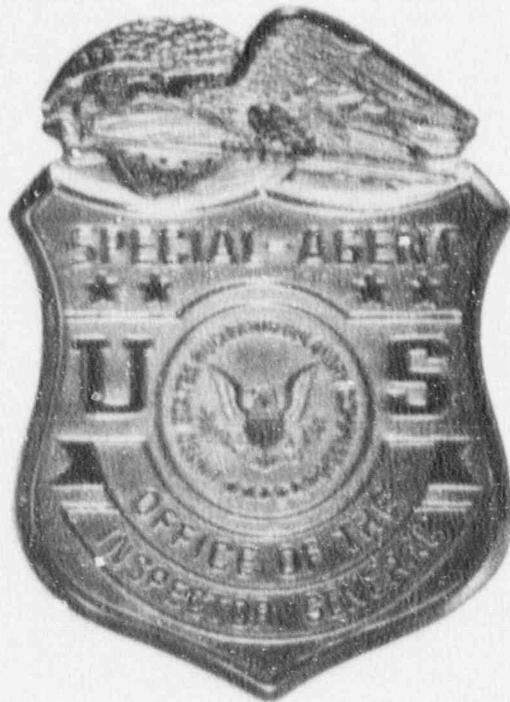
*David C. Williams*

David C. Williams  
*Inspector General*

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# EXECUTIVE SUMMARY

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## AUDITS

During the past 6 months, the Office of the Inspector General (OIG) issued 7 audit reports addressing the NRC's programmatic and administrative functions and reviewed 41 contract audit reports issued by the Defense Contract Audit Agency. Below is a summary of selected findings.

- We identified \$220,628 of preaward contract funds that could be put to better use.
- A review of NRC's "Official Representation Fund" (entertainment fund) revealed that tighter internal controls were needed to enhance efficiency.
- A follow up audit on the use and control of NRC's travel funds revealed that some previous audit recommendations were not implemented.
- The audit of the operations, resources, and workload of the Atomic Safety and Licensing Board Panel revealed that some of the staff were underutilized.
- We determined that the NRC's contracts for operator licensing examiners may violate Government contract regulations.

## INVESTIGATIONS

From April 1, 1990, through September 30, 1990, the OIG initiated 31 new investigations and closed 37 cases. As of September 30, 1990, 46 investigations were in progress. Below is a brief summary of selected allegations investigated by the OIG during the reporting period.

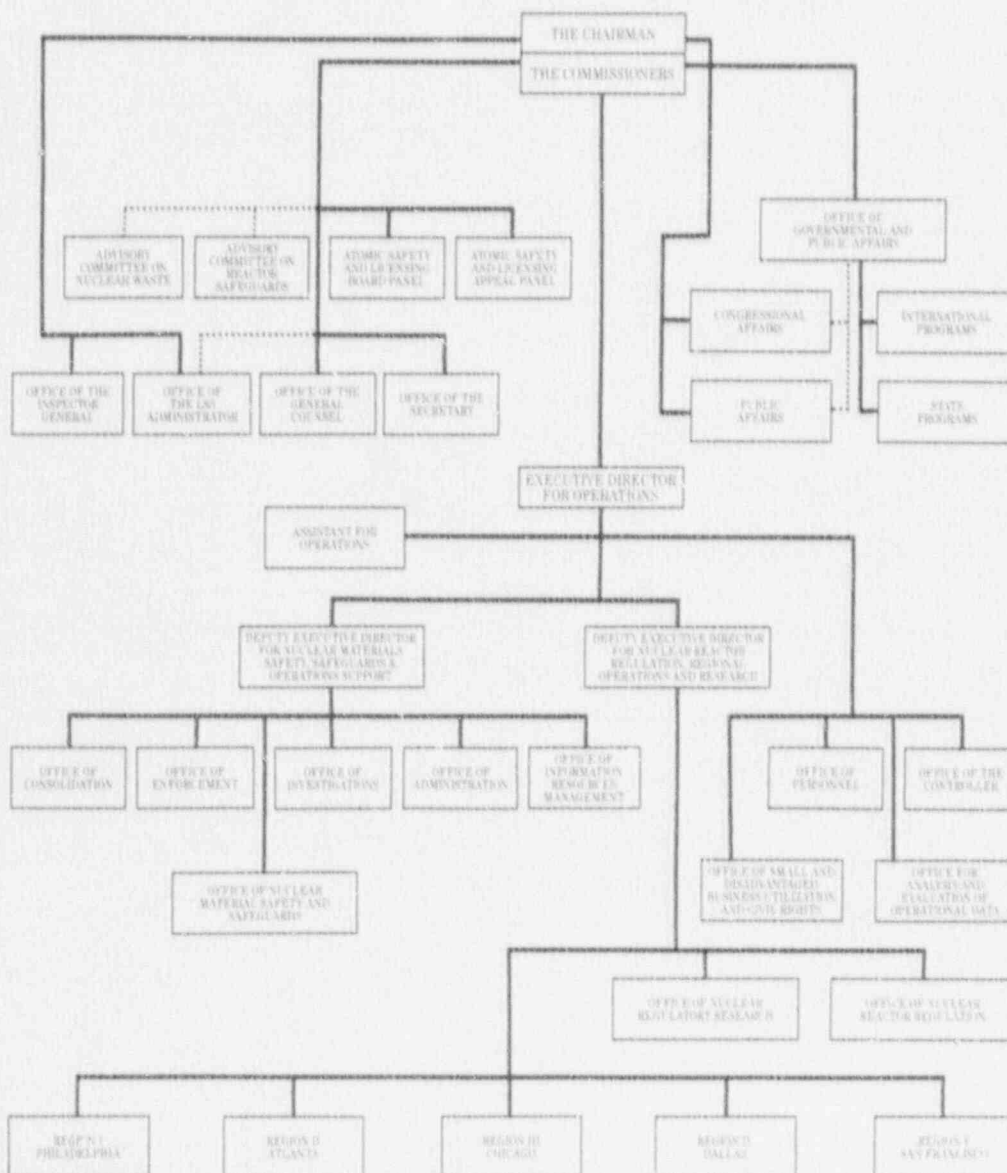
- The OIG received allegations that an NRC manager misused Government Travel Requests. The allegations were substantiated.
- An allegation was received that NRC employees presented to the Commission an inaccurate assessment of an emergency preparedness plan for a nuclear facility in Massachusetts. The allegations were substantiated.
- The OIG received allegations that NRC employees were "giving the impression" that they would falsify plant inspection reports in exchange for job opportunities. The allegations were found to be untrue.
- We received allegations that certain NRC investigators and managers failed to follow internal investigative guidelines, had destroyed records relevant to the investigation, and had provided false or misleading testimony to Congress and to a Federal court. Some of these allegations were substantiated by our investigation.

# THE NRC PROFILE

The U.S. Nuclear Regulatory Commission (NRC) was established as an independent Federal agency primarily by the Energy Reorganization Act of 1974, as amended; the Nuclear Nonproliferation Act of 1978; and in conformance with the National Environmental Policy Act of 1969, as amended. Together these acts placed the newly created agency in a regulatory role protecting our national security and assuring public health and safety.

To accomplish these objectives, NRC employs approximately 3,370 people located in the Washington, D.C., commuting area and 5 regional offices. The total operating budget requested for fiscal year (FY) 1991 is approximately \$450 million.

## NUCLEAR REGULATORY COMMISSION





# OFFICE OF THE INSPECTOR GENERAL

## *Office Authority*

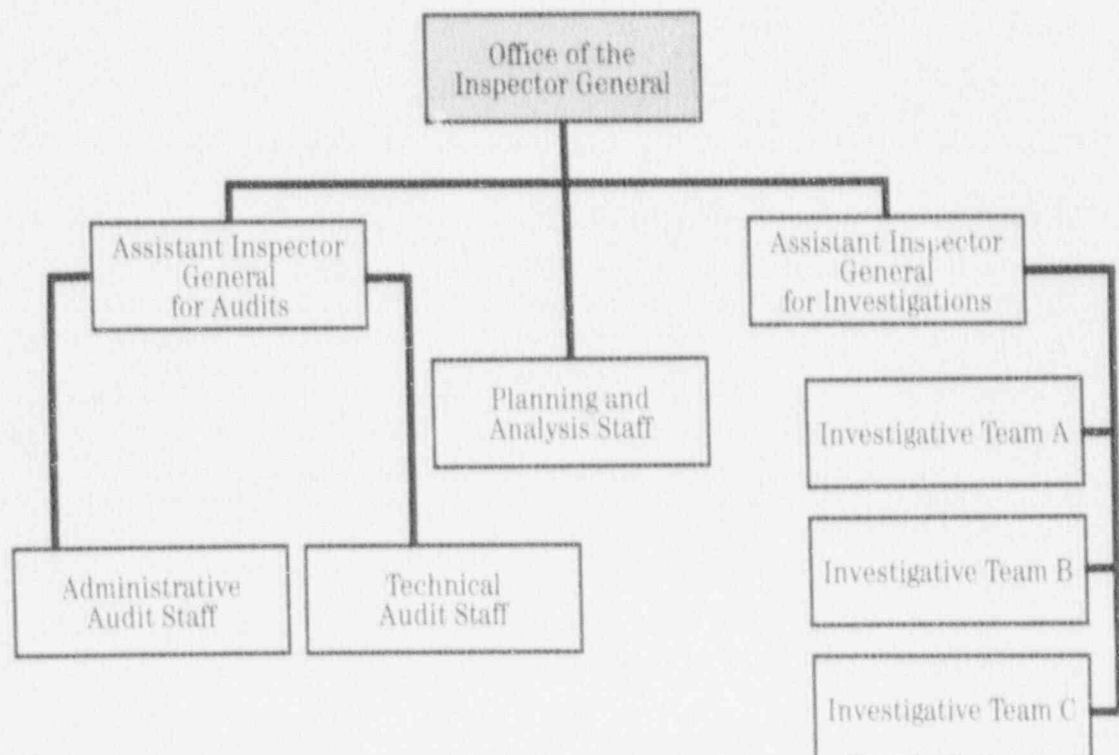
In 1978, Congress enacted the Inspector General Act to ensure integrity and efficiency within the Government and its programs. By the enactment of a 1988 amendment, NRC and four other agencies joined the existing Inspector General (IG) community. The Office of the Inspector General (OIG) within the NRC was established effectively on April 15, 1989, supplanting the former Office of Inspector and Auditor.

One of the primary goals of the OIG is to assist the NRC in operating more effectively and efficiently by identifying ways to improve the NRC's programs and to remove any impediments to their operation.

To carry forth this mission, the OIG conducts agency audits, inspections, and investigations and recommends policies for the detection and prevention of fraud, waste, and abuse. To effectively perform these duties, the IG is authorized by the Act to have access to all records. The IG may also request information and assistance from other Federal, State, and local government agencies. The IG may subpoena information, documents, and other data from persons and entities outside the Federal Government when necessary.

## *Staffing and Budget*

The NRC Office of the Inspector General has been authorized 32 positions for fiscal year 1991. Within the office there are 10 auditors, 10 investigators, and 2 inspectors. The estimated budget for FY 1991 is approximately \$3.5 million.





## SUMMARY OF SIGNIFICANT AUDITS

During the past 6 months, we issued 7 reports covering the NRC's programmatic and administrative functions. In addition, we reviewed 41 contract audit reports issued by the Defense Contract Audit Agency and sent them to the NRC's Chief Contracting Officer for resolution when necessary.

Twenty-six of the contract audits were for preaward audits and 15 were post-award audits. Two of the preaward audits identified funds totalling \$220,628 which could be put to better use.

The Atomic Energy Act of 1954, as amended, requires the NRC to conduct hearings to review applications for permits to construct nuclear power plants or related facilities. The Act also provides opportunities for hearings in connection with other licensing proceedings.

The Atomic Safety and Licensing Board Panel (ASLBP) is the office that performs hearing functions for the Commission. In response to a Commission request, the OIG reviewed the functions and operations of the ASLBP. Our review disclosed that some members of the panel may not be fully utilized because of a declining case load.

The report contained a total of seven recommendations that were expected to enhance ASLBP operations. Five of these recommendations were provided to the Chief Administrative Judge, ASLBP, and two recommendations were forwarded to the Executive Director for Operations. These officials agreed to implement all of the recommendations.

We initiated a followup review of the actions taken on an audit report entitled "Review of the Controls Over the Use of Travel Funds," dated January 29, 1988. The purpose of the followup review was to determine whether the recommendations made in the audit report were implemented.

Our review disclosed that corrective measures were taken on 9 of the 14 recommendations contained in our original report. However, inadequate action was taken on the five remaining recommendations. One of these recommendations related to the adequacy and accuracy of travel reports. The other four recommendations dealt with followup procedures on outstanding travel advances.

Our followup review resulted in three additional recommendations related to improving the accuracy of travel data and the timely settlement of open travel authorizations.

*Functions and Staffing of the NRC Atomic Safety and Licensing Board Panel Should Be Reevaluated*

*Inadequate Implementation of Travel Audit Recommendations*

The Executive Director for Operations plans to take corrective action on the outstanding recommendations from our prior audit, as well as the three additional recommendations contained in our followup report.

During fiscal years 1989 and 1990, Congress allocated \$20,000 per year to the NRC for the purpose of establishing an Official Representation Fund. The fund is used to cover entertainment expenses associated with the NRC's international cooperation activities and protocol functions. At the request of the Chairman, the OIG reviewed NRC's management and reporting procedures for the fund.

We determined that more effective internal controls for the fund were necessary. These controls would enable the NRC to use the fund more efficiently and would improve accountability. The Office of Governmental and Public Affairs, which is responsible for administering the fund, agreed with our findings and planned to implement corrective action.

Through the administration of a multipart examination, the NRC determines whether operator candidates should be issued licenses to operate nuclear reactors. Because of staffing shortages, the NRC has historically relied on private contractors to augment its staff of operator licensing examiners.

The OIG conducted an audit of this issue as part of our overall review of NRC's program for licensing reactor operators. Our review disclosed that the use of contract examiners may violate Government contract regulations. Since the NRC relies so heavily on contract examiners to carry out this function, we feel that the NRC should rely upon the judgment of an independent authority to determine whether its use of contract examiners is in compliance with existing regulations. We recommended that the Executive Director for Operations (EDO) petition the Comptroller General for a decision on this issue. The matter is currently under review by the EDO.

The NRC was among a number of Federal agencies requested by the President's Council on Integrity and Efficiency (PCIE) to survey its procedures for granting security clearances. The PCIE wanted to know whether employees transferring to the NRC with updated security clearances were required to undergo new background investigations.

We determined that the NRC has an effective program for granting security clearances to employees. The agency's Division of Security willingly accepts background investigations performed by other Federal agencies if the material is current and meets the NRC's criteria.

*NRC  
Entertainment  
Fund Needs Better  
Internal Controls*

*NRC's Contracts  
for Operator  
Licensing  
Examiners May  
Violate Government  
Contract  
Regulations*

*Granting  
of Security  
Clearances by  
the NRC  
Is Effective*

We also found that the NRC had reduced the number of critical sensitive positions within the agency, thereby limiting costs attributable to background investigations. Our report contained no recommendations.

### **AUDITS IN PROGRESS**

The following audits were in progress at the end of the reporting period:

- Review of the NRC's Nuclear Documents System – The Nuclear Documents System (NUDOCS) is an agency-centered, computer-assisted system for collecting, indexing, and retrieving agency documents related to NRC activities. This audit is reviewing the development and implementation of NUDOCS.
- Review of the NRC's Management of Licensee's Reporting of Defects and Noncompliance, Part 21 Reports – Part 21 of Title 10, Code of Federal Regulations, requires NRC licensees and others to report defects and noncompliances associated with component parts used in nuclear facilities. This audit is reviewing the NRC's actions taken in response to Part 21 reports received.
- Review of Electronic Publishing and Graphics Services – This review is looking at the cost effectiveness of the acquisition and use of microcomputer – based printing and graphics systems.



OIG Auditors discuss the License Fee Program with a member of the License Fee and Debt Collection Branch.



An ACRS manager provides information regarding procurement practices to an OIG auditor.

- Review of the NRC's Debt Collection and Prompt Payment Process—This audit is assessing whether the NRC is paying its bills as required by the Prompt Payment Act and collecting debts in compliance with existing laws and regulations.
- Review of the NRC's License Fee Program—This audit is evaluating the process used by the NRC to (1) accumulate the costs that form the basis for license fees and (2) subsequently bill licensees for services rendered.
- Survey of the Emergency Response Data System—The Emergency Response Data System (ERDS) is designed to provide the NRC with information from nuclear power plants during accidents. Our audit is looking into the development of the system, system capabilities, and schedule of implementation.
- Review of Emergency Planning—We have initiated a review of the NRC's offsite emergency planning requirements for the area around nuclear power plants and the guidance provided to the NRC staff for determining the adequacy of emergency plans.
- Review of the NRC's Handling of the Employees Legal Project's Allegations Regarding Seabrook—This audit is being conducted to determine whether the NRC staff appropriately responded to the allegations made by the Employees Legal Project regarding the Seabrook Nuclear Station located in New Hampshire.
- Review of the Procurement Practices of the Advisory Committee on Reactor Safeguards (ACRS)—The ACRS relies heavily upon goods and services secured from outside sources in performing its work. This review is intended to assess the ACRS' compliance with procurement policies and regulations in obtaining such goods and services.



## CONTRACT AUDITS

The NRC's dependence on commercial contract activity is relatively limited. Thus, reported questioned costs and savings are inherently smaller than those reported by most other agencies.

During the reporting period, the OIG reviewed 41 contract audit reports. The following tables depict the costs savings from these audits.

**TABLE I**

Office of the Inspector General  
Reports Containing Questioned Costs

REPORTS	NUMBER OF REPORTS	(DOLLAR VALUE)	
		QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no management decision had been made by the commencement of the reporting period	1	\$24,547	0
B. Which were issued during the reporting period	15	0	0
Subtotals (A + B)	16	24,547	0
C. For which a management decision was made during the reporting period:	1*	24,547	0
(i) dollar value of disallowed costs	1	1,174**	0
(ii) dollar value of costs not allowed	1	23,373**	0
D. For which no management decision had been made by the end of the reporting period	0	0	0
E. For which no management decision was made within 6 months of issuance	0	0	0

\* Number differs from total because 15 reports had no questioned costs.

\*\* Applies to only one report, partial allowance and disallowance.

**TABLE II**Office of the Inspector General Reports Issued  
With Recommendations That Funds Be Put to Better Use

REPORTS	NUMBER OF REPORTS	DOLLAR VALUE OF FUNDS
A. For which no management decision had been made by the commencement of the reporting period	1	\$ 63,116
B. Which were issued during the reporting period	2*	220,628
Subtotals (A + B)	3	283,744
C. For which a management decision was made during the reporting period:	2**	252,415
(i) dollar value of recommendations that were agreed to by management	2***	252,415
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period.	1	25,725
E. For which no management decision was made within 6 months of issuance	0	0

\*Twenty-four other preaward audit reports reported either zero funds were available for better use or the bidder was unsuccessful.

\*\*One of the reports was issued this period.

\*\*\*One report was from the previous reporting period and contained a recommendation that funds be put to better use. Negotiations with the contractors resulted in substantial agreement with the recommendation. The difference in the dollar amount originally reported and the final figure was due to a slightly higher overhead rate recommended by the Department of Health and Human Services than that recommended by the Defense Contract Audit Agency (DCAA). A second audit was requested by OIG because of the contractor's disagreement with DCAA's findings.

## **SUMMARY OF SIGNIFICANT INVESTIGATIONS**

During the reporting period, the OIG received 104 allegations, completed 37 investigations, and referred 7 cases to the Department of Justice. One was also referred to a State prosecutor. A summary of our most significant investigative programs follows.

The OIG received an allegation from a licensee that certain NRC safety inspectors were guilty of unethical conduct. The licensee claimed inspectors "gave the impression" that power reactor licensees would receive more favorable results in their plant inspections if the licensees offered the inspectors employment opportunities.

During the course of our investigation, a second allegation surfaced regarding a possible conflict of interest. Our investigation did not substantiate either of these allegations, and no evidence of wrongdoing by NRC employees was revealed.

The OIG initiated an independent review of an investigation undertaken by our predecessor organization, the Office of Inspector and Auditor (OIA). Before our review, several congressional committees conducted similar inquiries. Congressional interest stemmed from allegations that OIA investigators and high-level managers had abused their authority by conducting an unwarranted investigation of NRC official Roger Fortuna, the Deputy Director of the Office of Investigations (OI). There were also allegations that certain NRC investigators and managers failed to follow internal investigative guidelines, had destroyed records relevant to the investigation, and had provided false or misleading testimony to Congress and to a Federal court.

Our investigation substantiated many of the congressional findings. Because the OIG is the successor to OIA, some of these findings have affected our organization. A number of measures were initiated that will affect the manner in which future inquiries are conducted by the OIG. Among these measures are the following:

- Investigations will be conducted by professional investigators sensitive to the constitutional rights of others;
- Investigative resources and the authority to use special investigative techniques should not be delegated or shared outside an investigative unit. To do so may create the appearance or reality of undue influence on investigations by the NRC; and
- Responses to congressional and public inquiries should be limited to those questions involving the efficiency and general effectiveness of the conduct of the investigation.

*Allegations of Conflict of Interest and Unprofessional Conduct by NRC Inspectors Proved Unfounded*

*Alleged Abuse of Authority and False Statements Before Congress by NRC Officials*

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In addition, the OIG has initiated an audit of the NRC's Allegation Management Tracking System with a view toward improving the system's capabilities.

Aspects of this investigation were referred to the U.S. Attorney, who declined prosecution. Administrative action by the NRC is pending.



OIG investigators review documentary evidence.



Part 35, Title 10, Code of Federal Regulations, regulates the use of nuclear byproduct material for medical purposes. On June 5, 1989, the American College of Nuclear Physicians and the Society of Nuclear Medicine (ACNP/SNM) submitted a petition to amend this section.

Following the submission of this petition, the OIG was contacted by an NRC employee who alleged that certain NRC staff employees improperly assisted in preparing a petition for rulemaking to amend 10 CFR Part 35.

Our investigation revealed that an NRC staff member provided substantial assistance to ACNP/SNM in drafting the petition and in reviewing petition changes. This staff member and another reviewed the final petition before it was officially submitted by ACNP/SNM to the Commission.

The OIG determined there was insufficient evidence to conclude that the staff members had violated criminal statutes, NRC regulations, or internal NRC policies in assisting with the petition. However, we concurred with a position taken on this matter by the Office of the General Counsel (OGC). The OGC concluded that the staff members' conduct raised significant policy considerations. The OGC determined that additional guidance was required for staff providing assistance to potential rulemaking petitioners. The OGC also advised that if an NRC employee assists in drafting a petition, this information should be brought to the attention of the Commission. The OGC recommended that an employee's role be acknowledged when the petition is published for public comment.

The OIG received information from NRC management alleging that a supervisor was using Government Travel Requests (GTRs) for personal travel. The OIG investigation determined that the allegation was factual. On 10 different occasions, the supervisor made stopovers or took additional trips for "other than official business" while using GTRs. The investigation also revealed that the supervisor instructed other members of his staff to use the services of a non-contract travel agency for their travel arrangements.

The U.S. Attorney's office declined prosecution in favor of administrative action by the NRC.

*Allegation That  
NRC Employees  
Improperly  
Assisted  
in Preparing  
Petition Presented  
to the NRC*

*Misuse of  
Government Travel  
Requests for  
Personal Travel*

*Assessment by NRC  
Staff of Pilgrim  
Emergency  
Preparedness  
Was Not Thorough*

The NRC designated a working group consisting of staff officials and regional officers to assess and report on the offsite emergency preparedness plan that was established for the Pilgrim Nuclear Power Station in Plymouth, Massachusetts. Following the issuance of its report to the Commission, a private citizen and a citizens action group forwarded allegations to the OIG that protested inaccuracies in the working group's report. Specifically, it was alleged that these NRC officials had provided false and distorted statements to the Commission regarding the safety of persons using local beaches in the event of a radiological emergency at Pilgrim. The citizens action group complained that NRC officials reporting to the Commission had misrepresented facts regarding the status of emergency planning for Pilgrim.



OIG inspectors addressed emergency planning concerns at the Pilgrim Nuclear Power Station.

The OIG initiated an inspection based on these allegations. We found that the NRC officials who prepared the assessment did not provide the Commission with a balanced and thorough report. During presentations to the Commission in October and December 1988, certain NRC officials provided inaccurate information regarding Pilgrim's offsite emergency preparedness program. We also determined that these officials did not (1) contact responsible emergency planning officials in a timely manner; (2) reconcile differences in credible information they received from various sources; and, (3) in certain instances, validate information they accepted for their report to the Commission.

### INVESTIGATIVE STATISTICS

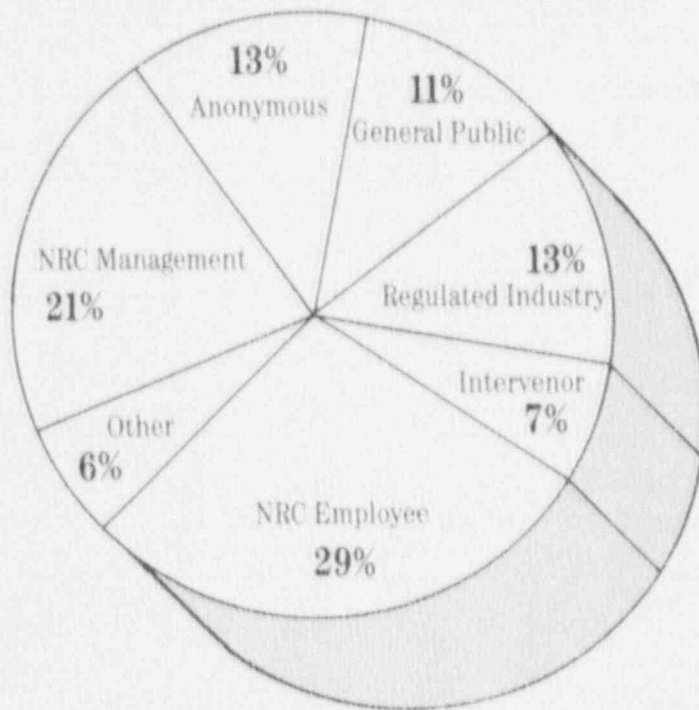
#### Allegations

SOURCE OF ALLEGATIONS	NUMBER OF ALLEGATIONS
NRC Employee	30
NRC Management	22
Congress	1
Other Government Agencies	5
Intervenor	7
General Public	11
Media	0
OIG Investigation/Audit	0
Contractor	0
Regulated Industry (Licensee/Utility)	14
Anonymous	14
Total	104*

\*Of the above allegations, 32 resulted from hotline calls.

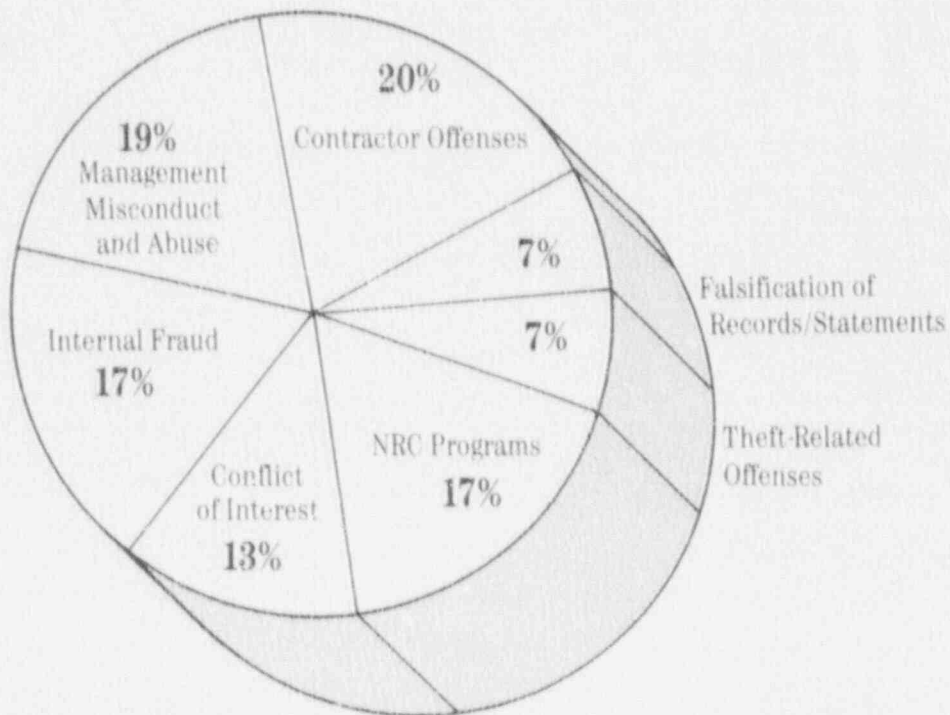
DISPOSITION OF ALLEGATIONS	NUMBER OF ALLEGATIONS
Allegations Carried Forward as of 3/31/90	5
Allegations Received During Period	104
Disposition	
Closed Administratively	26
Referred for OIG Investigation	45
Referred for OIG Inspection	2
Referred for OIG Audit	6
Referred to NRC Management/Staff	21
Referred to External Agency	0
Pending Review/Action as of 9/30/90	9
Total	109

### SOURCE OF ALLEGATIONS



### CLASSIFICATIONS OF INVESTIGATIONS

Open Investigations by Type





## INVESTIGATIONS

STATUS OF INVESTIGATIONS	NUMBER OF INVESTIGATIONS
Investigations Carried Forward as of 3/31/90	52
Investigations Opened During Reporting Period	31
Investigations Closed During Reporting Period	37
Total Investigations in Progress as of 9/30/90	46

CLASSIFICATION OF INVESTIGATIONS	NUMBER OF INVESTIGATIONS			
	CARRIED FORWARD 3/31/90	OPENED	CLOSED	IN PROGRESS 9/30/90
A – Conflict of Interest	11	2	7	6
B – Internal Fraud	7	6	5	8
C – Contract/Contractor-Related Misconduct	5	6	2	9
D – Falsification of Records/Statements	4	2	3	3
E – Theft-Related Offenses	2	5	4	3
F – Misuse of Government Property	1	0	1	0
G – Actions Affecting Safety/NRC Programs	7	5	4	8
H – Management Misconduct and Abuse	14	5	10	9
I – Other	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>
Total	52	31	37	46

## REFERRALS

REFERRALS TO THE DEPARTMENT OF JUSTICE (DOJ)	NUMBER OF REFERRALS
Referrals Pending DOJ Decision as of 3/31/90	2
Referrals Made to DOJ During Period*	7
Referrals Pending DOJ Decision as of 9/30/90	3

### DISPOSITION OF REFERRALS

Subjects Accepted for Prosecution	0
Declinations	6
Indictments	0
Convictions	<u>0</u>
Total	6

\*One of these cases was also referred to a State prosecutor.

# SPECIAL FEATURES

## *The Hotline Program*

One of the OIG's primary goals is to assist the NRC by identifying ways to improve its operations and to remove any impediments to those operations. In carrying out its mission, the OIG conducts program audits and performs investigations as needed.

To further accomplish this objective, we established a hotline program in March 1990. Program guidelines and procedures were carefully developed to ensure the confidentiality of all NRC employees wishing to report incidences of possible fraud, waste, and abuse or of mismanagement within the NRC.

At the close of this reporting period, we are pleased to report that NRC employees and the public have responded to our goal of enhancing program efficiency and integrity. As a result of their cooperation, many significant investigations are currently in progress.

Below is a summary of the types of allegations received by our hotline staff.

Employee Misconduct	41%
Plant Safety Concerns	25%
Abuse/Waste	19%
Harassment and Intimidation	9%
Security Breaches	6%

## *The Inspection Function*

The OIG recently assigned the inspection function to the investigative staff. This important component provides the OIG with a quick response mechanism for addressing issues associated with fraud, waste, and abuse.

An inspection has traits common to both audits and investigations. Systemic flaws and allegations of wrongdoing are often addressed simultaneously. In addition, inspections may serve as a precursor of more extensive activity by the OIG's audit and/or investigative staff. Coordination of these audit and investigative efforts provides the OIG with the necessary balance for enhancing the productivity and integrity of NRC programs.

An inspection may be initiated from concerns emanating from a Member of Congress, the general public, a Government employee, or a representative of the news media. Inspections also may be conducted as a result of observed symptoms that are indicative of possible programmatic weaknesses.

During this reporting period, the OIG issued its first inspection report, which addressed the NRC's staff review of offsite emergency preparedness at the Pilgrim Nuclear Power Station in Plymouth, Massachusetts.

# REGULATORY REVIEW

In July 1990, the NRC Office of the General Counsel drafted proposed rules as prescribed by the Program Fraud Civil Remedies Act (PFCRA). The PFCRA provides Federal agencies with the capability to prosecute administratively those found guilty of presenting false claims and false statements to the Government.

Before the creation of this Act, the only remedy available to agencies investigating false claims and false statements was judicial prosecution. When potential monetary recoveries from cases appear small, prosecutors are often reluctant to pursue prosecution. Under the PFCRA, agencies are merely required to obtain Department of Justice approval before initiating internal administrative procedures to address false statements and false claims by an employee. An agency is able to proceed in cases where the loss to the Government is \$150,000 or less.

The OIG reviewed the proposals and agrees with them.

The Director of the Office of the Licensing Support System Administrator is tasked with monitoring the Licensing Support System (LSS) activities of the Department of Energy (DOE) to ensure that the DOE's activities fully support the timely and proper functioning of the LSS. The LSS is an advanced computerized system that will be used for storing and retrieving information gathered during the high-level waste licensing process.

Officials from the NRC met with officials from DOE's Office of Civilian Radioactive Waste Management to address issues concerning the operations and maintenance (O&M) costs associated with the LSS. While the NRC planners for the 1991-95 Five-Year Plan anticipated that the DOE would budget for the LSS O&M costs, DOE officials tentatively declined to accept responsibility for those costs.

The Executive Director for Operations has offered several proposals to resolve the LSS O&M funding issue. The Inspector General agreed with a proposal that the NRC fund the LSS O&M costs for FY 1991 while larger issues involving the national waste management program were being resolved. We recommended that NRC management meet with DOE management in early 1991 to discuss future funding issues.

In August 1990, the OIG reviewed a proposed revision to 10 CFR Part 21. The revision included a requirement for nuclear power plant vendors to retain all evaluation records, even when no substantial safety hazards were discovered.

*Program Fraud  
Civil Remedies Act*

*Proposed Action  
Regarding  
Licensing  
Support System  
Funding*

*Requirement  
To Retain Certain  
Records  
by Nuclear Power  
Plant Vendors*

*Increase in  
Users' Fees  
From Licensed  
Utilities*

*Proposed  
Legislation To  
Provide a  
Comprehensive  
Financial  
Management  
Structure*

The OIG expressed support for retaining such records, since there are potential adverse effects from failing to maintain them. Inspection teams are responsible for evaluating these records when a defect is suspected in a vendor's product or service. If evaluation records are not maintained, a team may be required to complete an otherwise unnecessary evaluation of the product or service in order to justify the vendor's reason for not reporting the defect.

An additional concern about the failure to retain evaluation records was the general effect it could have on enforcement operations. Investigators and auditors may experience difficulty in substantiating particular issues if documentation is not available to them.

Our position on this proposal was forwarded to the Commission in August 1990.

The NRC is responsible for the assessment and management of fees collected from licensed utilities and from individuals licensed by the Commission to use certain nuclear materials. On December 19, 1989, Congress passed Public Law 101-239, which amended the Consolidated Omnibus Budget Reconciliation Act of 1985. The amendment increased the collection of users' fees for FY 1990 and placed a ceiling on the amounts collected. The NRC General Counsel recommended that the NRC issue a regulation that addressed potential refunds to utilities. The Inspector General reviewed NRC's proposed refund regulation and expressed support for the provisions of the proposal.

On August 3, 1990, H.R. 5492, "Federal Management Reform Act of 1990," was introduced by Representative Frank Horton (R-NY) during a congressional session. The purpose of the Act is to establish a comprehensive financial management structure throughout the Federal Government. Among the Act's recommendations is a requirement for Federal agencies to periodically submit annual financial statements to a department's chief financial officer. The stated intention of the Act is to streamline financial management procedures throughout the Government in an effort to reduce fraud, waste, and abuse. The Inspector General has offered his support for this legislation and has submitted concerns that he felt required further examination.



# APPENDICES

## AUDITS

INSPECTOR GENERAL AUDIT REPORTS ISSUED DURING  
THE 6-MONTH PERIOD ENDING SEPTEMBER 30, 1990

OIG ISSUE DATE	CONTRACTOR/CONTRACT NO.	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
3/20/90	Science Applications Int'l Corp. Proposal for RS-NMS-90-002			
4/3/90	Integrated Systems Analysts, Inc. Proposal for RS-IRM-90-178			
4/6/90	Applied Management Systems, Inc. Proposal for RS-IRM-90-178			
4/11/90	Massachusetts Technological Laboratory, Inc. Proposal for RS-IRM-90-178			
4/11/90	CEEXEC, Inc. Proposal for RS-IRM-90-178			
4/16/90	Compus Services Corp. Proposal for RS-IRM-90-178			
4/16/90	Kendrick & Co. Proposal for RS-IRM-90-178			
4/16/90	Technology Applications, Inc. Proposal for RS-IRM-90-178			
4/16/90	Science Applications Int'l Corp. Proposal for RS-IRM-90-178			
4/16/90	Pragmatics, Inc. Proposal for RS-IRM-90-178			
4/19/90	Information Technology Solutions, Inc. Proposal for RS-IRM-90-178			
4/19/90	Apcot Corp. Proposal for RS-IRM-90-178			
4/19/90	Integrated Microcomputer Systems, Inc. Proposal for RS-IRM-90-178			
4/19/90	Science & Engr. Assoc. Proposal for RS-NMS-90-002			
4/24/90	Network Solutions, Inc. Proposal for RS-IRM-90-178			\$194,903

OIG ISSUE DATE	CONTRACTOR/CONTRACT NO.	QUESTIONED COSTS (DOLLARS)	UNSUPPORTED COSTS (DOLLARS)	FUNDS TO BE PUT TO BETTER USE (DOLLARS)
4/25/90	Comrise Technology, Inc. Proposal for RS-IRM-90-178			
5/10/90	Southwest Research Institute NRC-02-88-005			
5/17/90	S. Cohen & Assoc. Proposal for RS-RES-89-052			
5/21/90	Communication Network Systems Proposal for RS-IRM-90-178			
5/21/90	I-Net, Inc. Proposal for RS-IRM-90-178			
5/21/90	MCA Research Corp. Proposal for RS-IRM-90-178			
5/21/90	Micro Computer Systems, Inc. Proposal for RS-IRM-90-178			
5/22/90	Tri-COR Industries Proposal for RS-IRM-90-178			
6/12/90	Roy F. Weston, Inc. Proposal for RS-RES-89-052			
7/6/90	EI International NRC-26-87-420			
7/6/90	Ernest Hill (4 Reports) NRC-21-83-426			
7/11/90	Lobat-Anderson Proposal for LSS-90-346			
8/8/90	Future Resources Associates, Inc. (3 Reports) NRC-04-84-138			
8/16/90	Link-Miles Simulation, Inc. Proposal for RS-AED-90-301			
8/20/90	Combustion Engineering, Inc. Proposal for RS-AED-90-301			
8/31/90	Advanced Tech., Inc. NRC-33-83-464			25,725
8/31/90	Micro Analysis and Design (2 Reports) NRC-03-85-054			
8/31/90	Creare (3 Reports) 04-75-162 04-86-127			
TOTAL		<u>0</u>	<u>0</u>	<u>\$220,628</u>

AUDIT REPORT DATE	REPORT TITLE	REPORT NO.
5/10/90	Survey of NRC's Medical Use of Byproduct Material Program	OIG-90A-9
5/25/90	Review of NRC Operator Licensing Program	OIG-89A-15
6/20/90	Review of the Atomic Safety and Licensing Board	OIG-90A-11
7/12/90	Review of the Use of and Controls Over the NRC's Official Representation Fund	OIG-90A-15
7/18/90	Followup on the Actions Taken on OIG's Report, "Review of the Controls Over the Use of Travel Funds"	OIG-90A-12
7/19/90	Imprest Fund Shortage--White Flint	OIG-90A-20
7/24/90	Audit of Policies, Scope, and Costs of Personnel Security Investigations	OIG-90A-16

## NRC ACRONYMS

<b>ACNP/SNM</b>	American College of Nuclear Physicians and the Society of Nuclear Medicine
<b>ACRS</b>	Advisory Committee on Reactor Safeguards
<b>ASLBP</b>	Atomic Safety and Licensing Board Panel
<b>CFR</b>	Code of Federal Regulations
<b>DAF</b>	Division of Accounting and Finance
<b>DCAA</b>	U.S. Defense Contract Audit Agency
<b>DOE</b>	U.S. Department of Energy
<b>DOJ</b>	U.S. Department of Justice
<b>EDO</b>	Executive Director for Operations
<b>ERDS</b>	Emergency Response Data System
<b>FY</b>	fiscal year
<b>GPA</b>	Office of Governmental and Public Affairs
<b>GTR</b>	Government Travel Request
<b>IFMIS</b>	Integrated Financial Management Information System
<b>IG</b>	Inspector General
<b>LSS</b>	Licensing Support System
<b>NRC</b>	U.S. Nuclear Regulatory Commission
<b>NRR</b>	Office of Nuclear Reactor Regulation
<b>NUDOCS</b>	Nuclear Documents System
<b>O&amp;M</b>	operations and maintenance
<b>OGC</b>	Office of the General Counsel
<b>OI</b>	Office of Investigations
<b>OIA</b>	Office of Inspector and Auditor
<b>OIG</b>	Office of the Inspector General
<b>PCIE</b>	President's Council on Integrity and Efficiency
<b>PFCRA</b>	Program Fraud Civil Remedies Act
<b>SALP</b>	Systematic Assessment of Licensee Performance
<b>SEC</b>	Division of Security
<b>TAS</b>	Travel Accounts Section



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## GLOSSARY

**FINAL ACTION.** Completion of all management actions discussed in management decisions with regard to audit recommendations and findings. Final action occurs when management issues a decision.

**FUNDS PUT TO BETTER USE.** Funds identified in audit recommendations that could be used more efficiently by avoiding unnecessary expenses noted in preaward contract audits.

**LSS.** The Licensing Support System was established under 10 CFR PART 2, subpart J as an electronic information system that will contain all documentary materials for use in the Commission's review of the Department of Energy's (DOE's) high-level waste repository license applications. The LSS will be developed by DOE and will be used by all interested parties during the technical and adjudicatory review process.

**MANAGEMENT DECISION.** Management evaluation of audit recommendations and findings. A final decision is issued based on the response to recommendations and findings.

**QUESTIONED COST.** A cost questioned as a result of an alleged violation of law, regulation, contract, or agreement governing the expenditure of funds (costs unsupported by adequate documentation or funds for a particular purpose that are unnecessary or unreasonable).

**UNSUPPORTED COST.** A cost questioned because of a lack of adequate documentation at the time of the audit.

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## THE INSPECTOR GENERAL HOTLINE

The Inspector General Hotline Program is designed to enhance the efficiency and effectiveness of the Nuclear Regulatory Commission's programs and to assure integrity within the operation.

During the reporting period, over 40 percent of all allegations received by the Office of the Inspector General concerning fraud, waste, and abuse within the Nuclear Regulatory Commission are the result of individuals participating in the Hotline Program.

We would like to extend our sincere appreciation to these individuals for their trust and support. We will continue to conduct our work in a manner that will protect employee confidentiality.

**The Office of the Inspector General**

Attention: The Hotline Program

Mail Stop MNBB 6715

Washington, D.C. 20555

**HOTLINE NUMBER:**

1-800-233-3497