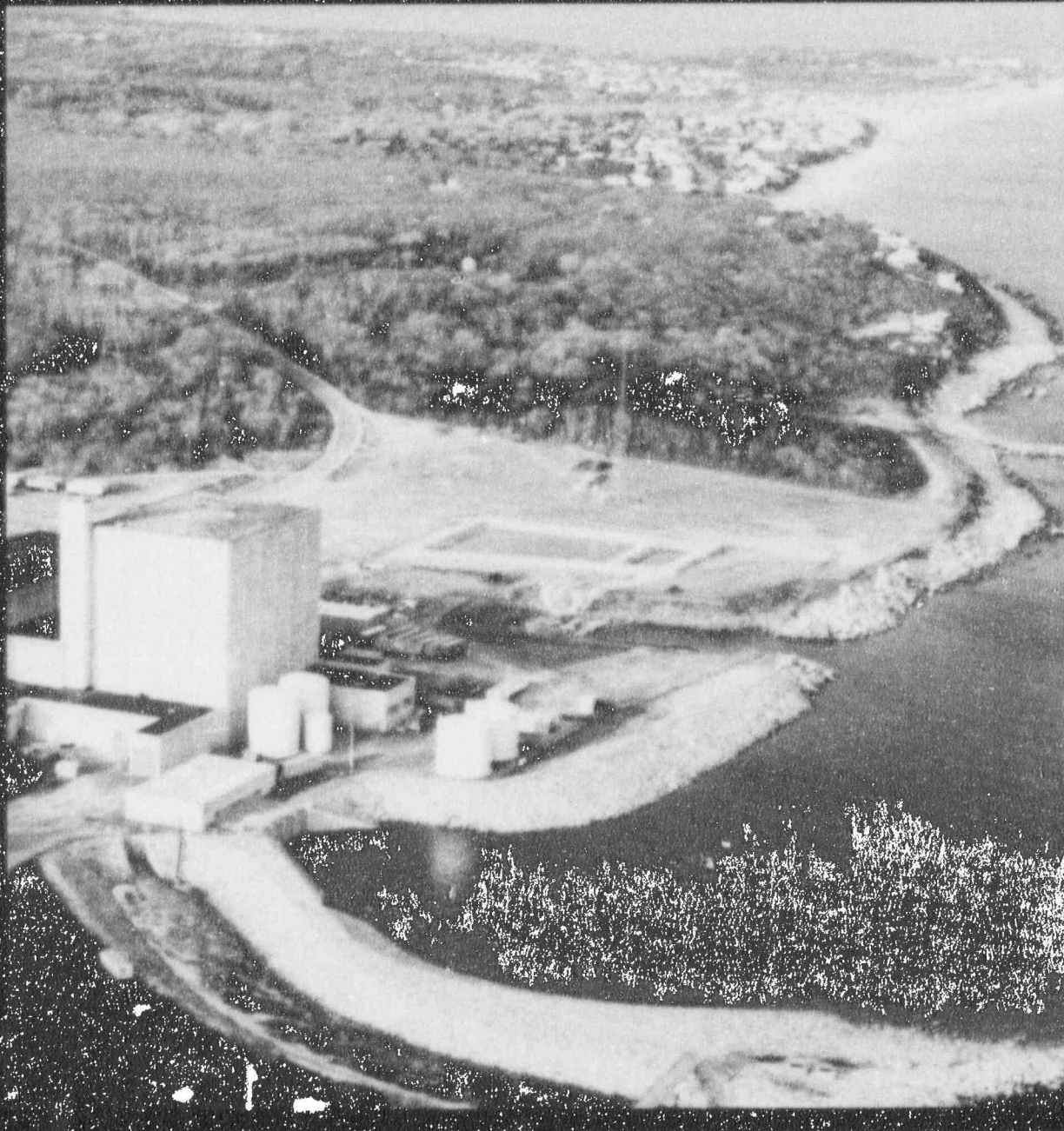




NUCLEAR REGULATORY COMMISSION

OFFICE OF THE
INSPECTOR GENERAL



SEMIANNUAL REPORT

OCTOBER 1, 1993 • MARCH 31, 1994

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PDR COMMS NRCC
CORRESPONDENCE PDR



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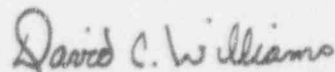
MEMORANDUM TO THE CHAIRMAN

The Office of the Inspector General (OIG) is pleased to submit this *Semiannual Report* to the U.S. Congress, encompassing the period from October 1, 1993, to March 31, 1994. This report complies with Section 5 of the Inspector General Act of 1978, as amended.

The OIG is dedicated to assisting the U.S. Nuclear Regulatory Commission (NRC) by conducting audits and investigations in order to increase the agency's efficiency and effectiveness through the identification and prevention of fraud, waste, and abuse, and to suggest ways of strengthening the agency's programs and systems. The OIG would like to acknowledge the support received from the NRC, which provided complete access and cooperation for both investigative and audit initiatives. The accomplishments presented in this report represent the joint efforts of the OIG and the NRC.

As a result of this joint effort, the NRC has improved its financial systems and strengthened many control procedures. While significant work remains, the OIG is encouraged with the NRC's progress toward reducing the agency's potential vulnerability to fraud, waste, and abuse. We are also pleased with the actions taken by the Commission and staff to address other key findings recently reported by the OIG. For example, the OIG worked with NRC's Management Review Team during its recent comprehensive assessment of the agency's program for protecting allegers against retaliation. As a result, duplication of effort was avoided, and the concerns raised in our recent inspection of selected aspects of the program were endorsed by and included in the Review Team's final report to the Commission. Similarly, we were pleased that during recent Congressional hearings, the Commission endorsed the OIG's suggestion that the agency's current two-part fee structure be reconsidered and changed to a single fee structure. Both of these examples represent the NRC's commitment to improving the efficiency and effectiveness of agency programs, as well as how the OIG and the agency can effectively work together in their mutual endeavors.

Sincerely,



David C. Williams
Inspector General

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REPORTING REQUIREMENTS INDEX

The Inspector General Act of 1978, as amended (1988), specifies reporting requirements for semiannual reports. These requirements are listed below, indexed to the applicable pages of this report.

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<i>Section 5(a)(6)</i>	Listing of Audit Reports	29-33
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<i>Section 5(a)(10)</i>	Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made	16
<i>Section 5(a)(11)</i>	Significant Revised Management Decisions	None
<i>Section 5(a)(12)</i>	Significant Management Decisions With Which OIG Disagreed	None

EXECUTIVE SUMMARY

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

AUDITS

- The Chairman requested OIG's assistance in a review of NRC's fee policy by conducting an audit of the basis upon which license fees are established. The OIG found that the agency needs current financial information about materials licensees, in order to determine if qualified licensees are taking advantage of the small entity fee. The results of a recent survey are being used to update this information. In an effort to improve efficiency and timeliness, the OIG also suggested that the Commission eliminate Part 170 fees and simplify the calculation of Part 171 fees.

- In the 1994 Energy and Water Development Appropriations Bill, the Committee on Appropriations expressed concerns about the NRC's Office of Nuclear Regulatory Research (RES) financial management problems identified by OIG. The Committee requested that NRC perform an independent review to ensure that necessary corrective actions were taken, and to determine if similar problems existed in other agency offices. The NRC Chairman subsequently requested that the OIG do the review. The OIG found that although conditions similar to those cited in previous audit reports did exist in other offices, appropriate corrective actions were implemented by all offices in most areas.

- In October 1987, the agency entered a contract with Southwest Research Institute (SwRI) to operate the Center for Nuclear Waste Regulatory Analyses (the Center) as a Federally Funded Research and Development Center (FFRDC). In February 1993, the OIG initiated a review to assess NRC's adherence to contracting policies and procedures related to the management of its contract with SwRI, as well as the efficiency and effectiveness of that management. Overall, the OIG found that the agency is doing a very effective job; however, there are two areas in which the NRC could improve its performance, and the report made recommendations to address them. The agency agreed with the report and the recommendations.

- In its annual report to Congress on NRC's consulting services, the OIG found that the agency has established an effective system of management controls for procuring and administering consulting services.

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- In FY 1992, the OIG began implementing its long-term strategy to assess the effectiveness of NRC's information resources management program. In a two-phase effort, OIG obtained the views of system users and senior and program managers regarding selected safety-related information systems. The OIG report made recommendations to improve management controls over these systems to make them more effective and efficient at providing easy access to vital, reliable, timely information. The NRC agreed with the findings of the report and provided a plan of action for implementing the recommendations.

INVESTIGATIONS

- In support of an ongoing OIG investigation, the NRC conducted three fire endurance tests of Thermo-Lag fire barriers which are manufactured by Thermal Science, Incorporated (TSI). This effort duplicated TSI's tests, the results of which were relied on by most of the nuclear power plants that installed Thermo-Lag fire barriers. The NRC's fire endurance tests resulted in significant failures of the fire barrier.
- The OIG investigated an allegation of inadequate security at an NRC-licensed, low-level waste site that was being decommissioned. The OIG found that NRC inspections failed to detect a deteriorated security situation and, from 1988 to 1990, the lack of a perimeter fence around a portion of the site. The OIG investigation also disclosed poor documentation of NRC visits and inspections at the site, as well as a lack of clear inspection guidance prior to 1990 for physical security at decommissioning sites.
- The OIG investigated a senior agency employee for alleged conflict of interest and acceptance of gratuities from a subcontractor working for the NRC. The OIG investigation disclosed that the subcontractor paid for meal and entertainment expenses. The employee had provided input that contributed to the award of the NRC contract to the firm in question. Additionally, while the contract work was being performed at the NRC, the agency employee developed an apparent financial interest with the subcontractor.

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- An OIG investigation into an alleged improper use of an official Diners Club credit card by an NRC employee concluded that the employee amassed more than \$23,000 in unauthorized expenses on the credit card.

 - The OIG investigated information that an agreement state employee had submitted questionable travel vouchers while on assignment to the NRC. The OIG investigation developed substantial evidence that the employee submitted seven false claims for lodging expenses.

 - An OIG investigation substantiated allegations that an NRC manager used agency computers, as well as facsimile and xerox machines, for personal reasons. The investigation also revealed that the manager used the FTS 2000 phone system for personal business and relied upon NRC secretarial staff to prepare personal correspondence.

 - The OIG conducted an investigation into allegations that NRC management improperly handled false statements made to the NRC. The false statements, which the NRC did not consider material, pertained to the status of a clinical facility in conjunction with a medical doctor's application for an NRC byproduct materials license. The OIG investigation determined that in an application for an NRC byproduct materials license, false statements concerning the status of the clinical facility should have been treated as material.

 - The OIG received allegations from a utility engineer that the NRC did not adequately address failures of a transmitter that is connected with the operation of nuclear reactors and is generic to dozens of nuclear power plants. The OIG identified substantial delays by the NRC in addressing the failures of the transmitter; however, the delays were not attributed to a desire to minimize a regulatory burden on the nuclear industry.

INSPECTION SUMMARY

- The OIG prepared a report in response to hearings on July 15, 1993, before the Senate Subcommittee on Clean Air and Nuclear Regulation, Committee on Environment and Public Works, and subsequent meetings with Subcommittee staff who requested that the OIG provide additional information on harassment and intimidation (H&I) issues in the nuclear industry.

The OIG found that the NRC routinely is prompt in addressing the technical safety aspects of allegations. However, the NRC does not know the extent to which discrimination has occurred or may be occurring at licensee facilities. The NRC does not:

- have a program to assess the H&I environment at licensee facilities, except when serious problems occur
- know how many or what level of complaints from a licensee's employees should cause the agency to increase its scrutiny of the licensee's operations
- have a headquarters focal point to assess whether the effect of individual or cumulative H&I complaints indicates a need for either licensees or the agency to take corrective action.

The NRC has taken steps to improve its processes by establishing a Review Team to reassess the agency's program for protecting allegers against retaliation. The Review Team's report was a comprehensive assessment, which addressed most of the observations made in the OIG's report.

THE U.S. NUCLEAR REGULATORY COMMISSION

The NRC was established as an independent Federal agency by the Energy Reorganization Act of 1974, as amended. This act, along with the Atomic Energy Act of 1954, as amended, constitutes the foundation for the regulation of the Nation's commercial nuclear power industry and use of nuclear materials.

Presently, the NRC is headed by four Commissioners who were nominated by the President and confirmed by the Senate for 5-year terms. The Chairman is appointed by the President from among the Commissioners. The NRC employs about 3,300 technical, scientific, and administrative staff in the Washington area and four regional offices.

NRC Regions



Note: The NRC is in the process of closing its Uranium Recovery Field Office in Golden, Colorado.

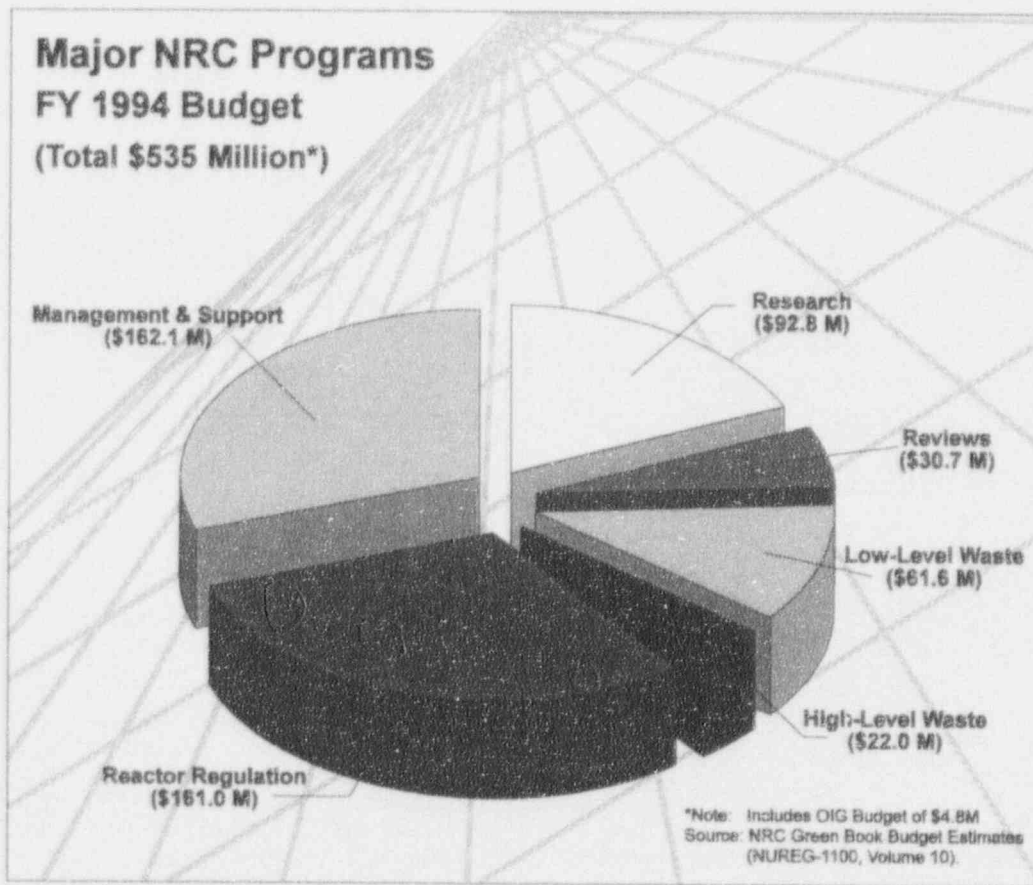
It is scheduled to be closed in August 1994.

Source: Nuclear Regulatory Commission

The NRC's scope of responsibility is diverse and complex. Its mission ensures that civilian uses of nuclear materials in the United States—in the operation of nuclear power plants or medical, industrial, or research applications—are carried out with appropriate regard for the protection of public health and safety, the environment, and national security. The NRC fulfills its responsibilities through licensing and regulatory activities supporting six major program areas:

- Reactor Safety Research (*Research*)
- Reactor Special and Independent Reviews, Investigations, and Enforcement (*Reviews*)
- Nuclear Material and Low-Level Waste Safety and Safeguards Regulation (*Low-Level Waste*)
- High-Level Nuclear Waste Regulation (*High-Level Waste*)
- Reactor Safety and Safeguards Regulation (*Reactor Regulation*)
- Nuclear Safety Management and Support (*Management & Support*).

The NRC's FY 1994 budget is \$535 million, which includes the OIG's budget of \$4.8 million.



THE OFFICE OF THE INSPECTOR GENERAL

The Inspector General Act of 1978, as amended (1988), created an independent and objective OIG within the NRC. The OIG's primary mission is to assist the NRC in operating more effectively and efficiently by identifying ways to improve the agency's programs and operations through the prevention and detection of fraud, waste, and abuse. The OIG accomplishes its mission by performing audits, investigations, and inspections.

The OIG audit staff conducts performance and financial audits. Performance audits focus on NRC's administrative and program operations by evaluating how managerial responsibilities are carried out. The OIG's financial audits review NRC's internal control systems, as well as transaction processing and financial systems. The OIG investigative staff conducts investigations and inspections concerning the agency's programs and operations.

In addition, the NRC's OIG shares some unique responsibilities with the agency. The NRC's primary mission is to provide adequate assurances that public health and safety are protected during the commercial use of nuclear materials and in the operation of nuclear facilities. The OIG, therefore, plays an important role by assessing and reporting on the agency's efforts to ensure that its safety-related programs are operating effectively.

Of particular importance is the NRC's responsibility for ensuring that individuals who identify safety concerns regarding the use of nuclear materials do not suffer adverse job actions resulting from such activities. The OIG continually assesses the NRC's efforts to combat this type of unlawful discrimination. The OIG's initiatives in this area have led to Congressional hearings and the formation of an agency task force.

In cooperation with the agency program to centrally publish all directives in a single format, the OIG recently issued two Management Directives. Management Directive 9.2, *NRC Organization and Functions, Office of the Inspector General*, provides detailed information to agency employees on OIG's operational structure and functions. This publication describes the positions and areas of responsibilities within OIG and their statutory basis. Management Directive 7.4, *Reporting Wrongdoing and Processing OIG Referrals*, provides substantive guidance to employees regarding their role during OIG investigations. Confidentiality and protection from reprisal during the course of the investigative process are discussed, as well as policies regarding access to investigative reports. Directions to employees on their responsibility to report wrongdoing are also provided.

The NRC is relatively unique among Federal agencies because it is required by the Omnibus Budget Reconciliation Act of 1990 to recover approximately 100 percent of its budget authority. In FY 1993, the NRC collected approximately \$507.1 million in fees from the industries that it regulates. The agency must employ sound financial practices to fully comply with its legislative mandates, and OIG's financial audits help the agency meet these objectives.

THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Federal Managers' Financial Integrity Act (FMFIA) requires Federal managers to establish a continuous process for evaluating, improving, and reporting on the internal control and accounting systems for which they are responsible. The FMFIA specifies that, by December 31 of each year, the head of each executive agency subject to the act shall submit a report to the President and Congress stating whether the agency's evaluation of its internal controls was conducted in accordance with the Internal Control Guidelines issued by the Office of Management and Budget (OMB) and whether the agency's system of internal accounting and administrative controls complies with the standards established by the Comptroller General.

In accordance with this act, OIG conducts an annual review to assess the NRC's compliance with the FMFIA requirements. In the report on the results of its 1993 review, OIG noted that the NRC made progress in its management control program during the past year. For example, the Internal Control Committee took corrective action on three recommendations dealing with quality assurance. These recommendations provide the assurance that:

- FMFIA activities are planned and conducted continuously throughout the year
- internal control review (ICR) reports are consistent in presentation and format
- ICRs are sufficiently documented.

Furthermore, the NRC Executive Director for Operations identified additional enhancements to the management control program, such as establishing an executive committee made up of office directors to oversee the program.



The OIG report noted that internal control deficiencies were found in four areas, the first two of which were noted in the 1992 FMFIA report and are being carried forward because the corrective actions are not yet complete. The first deficiency was computer security, as described in an October 1992 OIG report entitled *Significant Weaknesses Hamper NRC's Computer Security Program*. The NRC developed a plan to address the weaknesses and expects to have them resolved by the end of 1994.

The second deficiency reported in 1992 stemmed from an internal NRC review of Department of Energy (DOE) agreements. This review identified weaknesses in project management practices due to the lack of an agency-wide standard for contract management. As a result, Management Directive 11.7, entitled *NRC Procedures for Placement and Monitoring of Work with the Department of Energy*, was developed to establish procedures for negotiating, managing, and administering agreements with DOE labs. The draft was submitted to DOE for comment on December 30, 1993, and NRC expects to finalize it in April 1994.

The third area concerns interagency responsibilities over the reimbursement to DOE for work performed at the DOE labs on NRC's behalf under a Memorandum of Understanding between NRC and DOE. The NRC is responsible for maintaining a system of internal controls to ensure that the agency is compliant with accounting and program-specific regulations. For the controls that NRC can strengthen internally, such as the review and approval of DOE payment vouchers which were reported in the 1992 FMFIA report as a material control weakness, the NRC has taken corrective action. However, because of a lack of audit coverage at the national labs by the Department of Energy's OIG, the DOE was unable to provide the NRC with assurance that the monies spent by DOE and its Management and Operating Contractors on NRC's behalf meet applicable laws and regulations. The DOE OIG developed an audit strategy to address this problem.

The final area concerns the timely billing of fees by the NRC. The NRC's fees for the full-cost recovery for all routine and non-routine inspections are assessed on a per inspection basis, but are billed to licensees on a quarterly basis. Consequently, the NRC is not compliant with Treasury Financial Manual Chapter 8000, Section 8025.10, *Timeliness of Billings and Collections*, which states that agencies responsible for the preparation of invoices to individuals and organizations outside the U.S. Government will adhere to the following:

Ensure that an invoice, for either an actual or estimated amount, is prepared and mailed within five business days after the day that the goods have been shipped or released, services have been rendered, or payment is otherwise due. Agencies may prepare and mail an invoice later than the five day time frame if they can demonstrate that it is cost effective to do so.

The NRC plans to seek relief from the 5-day billing requirement by requesting a waiver. The current completion date for seeking a waiver is September 1994.

The four deficiencies described meet the definition of a material internal control weakness as stated in OMB Circular A-123. In accordance with the FMFIA requirements, OIG recommended that these areas be reported as material internal control weaknesses in the Chairman's 1993 report to the President and Congress. The agency agreed with the OIG's recommendation.

The Executive Director for Operations has instructed the cognizant offices to develop action plans that will guide the offices in correcting these material weaknesses. OMB's guidance states that the material weaknesses will remain material weaknesses until corrected.

The NRC completed corrective actions for two previously reported material weaknesses, "Payment to Department of Energy (DOE) Labs" and "General Ledger," which were reported in the 1992 review of the implementation of FMFIA. The OIG will assess the adequacy of these corrective actions during the audit of the agency's FY 1993 financial statements.

THE AUDIT PROGRAM

Toward the goal of helping the agency improve its effectiveness, the OIG completed 10 performance and contract audits, and analyzed 56 of the audits performed by the Defense Contract Audit Agency (DCAA) and the U.S. Department of Health and Human Services (HHS). The performance audit work resulted in 12 recommendations to NRC management.

NRC Program Areas:

- | | |
|---|-----------------------------------|
| ■ Reactor Safety Research | <i>(Research)</i> |
| ■ Reactor Reviews, Investigations, & Enforcement | <i>(Reviews)</i> |
| ■ Nuclear Material and Low-Level Waste Safety and Safeguards Regulation | <i>(Low-Level Waste)</i> |
| ■ High-Level Nuclear Waste Regulation | <i>(High-Level Waste)</i> |
| ■ Reactor Safety and Safeguards Regulation | <i>(Reactor Regulation)</i> |
| ■ Nuclear Safety Management and Support | <i>(Management & Support)</i> |

AUDIT SUMMARIES

Follow-up of NRC's Debt Collection Process (Management & Support)

The OIG's follow-up review of recommendations contained in its May 1991 report on the NRC's debt collection process disclosed that corrective action has been taken and the recommendations have been satisfactorily implemented. The recommendations stemmed from the OIG's review of the NRC's debt collection process to ascertain the agency's compliance with the follow-up provisions of the Debt Collection Act of 1982 and OMB Circular A-129, *Managing Federal Credit Programs*.

In its report, the OIG noted that the NRC had not billed debtors for approximately \$7,200 in interest and other late charges. The NRC was allowing debtors a 5- to 10-day grace period, in addition to the 30 days normally allowed, before sending out second notices. In addition, the NRC was not routinely computing and billing interest, penalty, and administrative

charges, nor billing debtors for amounts due in a timely manner. The OIG determined that these problems were due to the lack of an automated system for ensuring that applicable interest and late charges were computed and that collection notices were sent out in a timely manner.

The OIG recommended that the NRC's Controller:

- ensure that the concept development of an automated collection system include provisions to ensure timely billing and follow-up of all applicable interest and late charges on delinquent accounts
- eliminate grace periods being granted to creditors.

The NRC developed and implemented an automated collection tracking system, which provides for timely billing and follow-up of delinquent accounts, and eliminated the granting of grace periods, as recommended by the OIG. This report completes action on the OIG's May 1991 review.

Review of Fees for Licensees *(Management & Support)*

The Chairman requested that the OIG assist the Commission and staff in performing a comprehensive review of NRC's fee policy by conducting an audit of the basis by which license fees are established. The Chairman's request contained six questions to which the Commission was particularly interested in obtaining answers.

The OIG's review disclosed that NRC is unable to determine whether qualified small entities are taking advantage of the small entity fee because the agency does not possess current financial information for materials licensees. Existing financial information is approximately 10 years old. Efforts are underway to compile the results of a recent survey of materials licensees, which was conducted in part to update this information. The Office of the Controller has informed OIG of its intent to analyze the results of this survey to determine if small entities are taking advantage of this feature. The EDO should ensure that such surveys are conducted on a more frequent basis in order to maintain current financial information for materials licensees. Practicality (cost versus benefit) should dictate the timing of these surveys.

The OIG also suggested that eliminating Part 170 fees (fees for services rendered) and simplifying the calculation of Part 171 fees (annual fees for having a license) would:

- reduce the volume of quarterly fee billings
- lessen the burden of tracking direct labor hours and contract support dollars
- significantly decrease the time needed to calculate annual fees.

The Commission included these suggestions in its report to the Vice President on the review of the agency's policy for assessment of annual fees, as required by the Energy Policy Act of 1992.

Review of Controls for Work by DOE Labs
(Research)

The OIG recently issued two audit reports addressing financial and administrative accountability for work placed by the NRC's Office of Nuclear Regulatory Research (RES) with the DOE laboratories. These reports identified serious management breakdowns in RES' oversight of projects placed with the DOE laboratories, and targeted eight areas for improvement.

In the 1994 Energy and Water Development Appropriations Bill, the Committee on Appropriations expressed concerns about the RES financial management problems identified by OIG. The Committee requested that NRC perform an independent review to ensure that RES took necessary corrective actions and to determine if similar problems existed in other NRC offices. The NRC Chairman asked OIG to conduct this review.

The OIG's review focused on the NRC work placed with the laboratories by RES, the Office of Nuclear Reactor Regulation (NRR), the Office of Analysis and Evaluation of Operational Data (AEOD), and the Office of Nuclear Material Safety and Safeguards (NMSS). These four offices accounted for the bulk of FY 1992 active projects and payments made to DOE.

The OIG found that RES took the necessary corrective actions to address the deficiencies cited in previous audit reports. The OIG's review also disclosed that the other NRC offices mentioned above had conditions similar to those identified in previous audits. However, they have addressed the conditions and implemented appropriate corrective actions in most areas. As a result of follow-up efforts, OIG made three recommendations to further strengthen project management in NRR and AEOD; NMSS completed action on deficiencies noted during their self-assessment.

Review of FFRDC Contract Management
(Management & Support)

Under the Nuclear Waste Policy Act of 1982, as amended, the NRC is responsible for licensing high-level waste storage and disposal facilities, which DOE will construct, operate, and permanently close. In October 1987, the agency entered a 5-year cost-plus-award-fee contract with Southwest Research Institute (SwRI) to operate the Center for Nuclear Waste Regulatory Analyses (the Center) as a Federally Funded Research and Development Center (FFRDC). The NRC renewed the contract in October 1992, and the current contract ceiling amount is \$134.7 million. This is the agency's largest active contract.

In February 1993, the OIG initiated a review to assess the NRC's adherence to contracting policies and procedures related to the management of its contract with SwRI, as well as the efficiency and effectiveness of that management. Overall, the OIG found that the agency is doing a very effective job; however, areas in which the NRC could improve its performance include:

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- strengthening the award fee process
 - performing a documented analysis to determine if using the Center for high-level waste technical assistance work is more cost-effective than performing the work within the agency.

The OIG report made five recommendations to strengthen the award fee process and contract management. NRC management agreed with our recommendations and provided dates for completing action on them.

NRC's Implementation of FMFIA for 1993 *(Management & Support)*

In the OIG's annual review to assess NRC's FMFIA compliance, the OIG found that the agency was compliant during FY 1993, and that improvements had been made in the agency's management control program, including the establishment of an Internal Control Committee quality assurance program. The OIG also identified four material management control weaknesses for inclusion in NRC's 1993 FMFIA report to the President and Congress.

Review of Consulting Services *(Management & Support)*

The OIG is required by law to annually report to Congress on the NRC's consulting services. The OMB established the policy and guidelines, including management controls and the reporting standards for Government agencies.

In its review, the OIG concluded that NRC established an effective system of management controls for procuring and administering consulting services. Moreover, the audit found that the data reported to the Federal Procurement Data System was both accurate and complete.

Review of Imprest Funds *(Management & Support)*

The NRC Manual Appendix 1101, Part IV, Section A requires the OIG to conduct unannounced audits of the imprest funds as frequently as deemed necessary, but at least annually. The NRC maintains imprest funds at Headquarters and at all regional offices for the purpose of making cash disbursements to:

- vendors for goods and services
- employees as advances for authorized expenditures
- employees as reimbursements for authorized expenditures.

The OIG conducted a review to ensure that imprest funds were accounted for, and to determine if appropriate internal controls were in place to protect the funds from loss or misuse. The OIG performed counts of the imprest funds maintained at NRC Headquarters (One White Flint North) and at Regions I and II, interviewed cognizant personnel, and reviewed applicable documentation. All imprest funds were accounted for during the review and appropriate internal controls were in place to protect the funds from loss or misuse.

Survey of NRC's Information Systems (Management & Support)



The OIG conducted two surveys of selected NRC safety-related information systems to:

- provide the agency with pertinent information regarding system use and data reliability
- identify areas that may warrant further review.

The OIG review, which focused on systems developed and maintained for the support of mission-critical programs, incorporated the views of system users, as well as senior and program managers. The OIG report disclosed that the management control over these systems needs strengthening to make them more effective and efficient at providing easy access to vital, reliable, timely information.

The OIG found that NRC maintains an estimated 200 to 300 automated information systems costing tens of millions of dollars, but does not know the exact number or cost of these systems. Furthermore, due to shortcomings in the systems intended to support mission-critical programs, individual program managers have developed approximately 80 additional systems to facilitate their operations.

The audit provided the agency with essential information that can be used to address the systems development and maintenance problems. This report made four recommendations to address the concerns raised by managers and users of the systems. The NRC agreed with the findings of the report and provided a plan of action for implementing the recommendations.

SIGNIFICANT RECOMMENDATIONS NOT YET COMPLETED

In accordance with the reporting requirements of Section 5(a)(3) of the Inspector General Act of 1978, as amended (1988), the OIG found that the agency had not yet completed action on three recommendations made in its report entitled *NRC Management of Misadministration Information is Inadequate*, dated September 7, 1993. The OIG found that the agency's action on the three recommendations is expected to be completed by early 1995.

In a 1980 rule, the NRC recognized the need to collect and analyze information on medical misadministrations, in order to more accurately determine misadministration frequency and trends. The OIG's report and recommendations address the need for the NRC to make significant improvements in its management of medical misadministration information.

AUDITS IN PROGRESS

As of March 31, 1994

- *Review of NRC's Process for Inspecting Safety-Related Parts*—Nuclear utilities may purchase safety-related parts from suppliers that adhere to NRC's quality-assurance guidelines, or from commercial-grade suppliers. When they purchase from commercial-grade suppliers, the utilities must ensure that such parts can perform their intended safety functions. The NRC inspects suppliers' and utilities' procurement programs to ensure the integrity of safety-related parts. The OIG's objectives were to assess the effectiveness of the NRC's process for:
 - evaluating utilities procurement programs
 - taking corrective actions when defective parts are identified.

Audit field work is complete and the OIG is preparing a draft report.

- *Audit of NRC's FY 1993 Financial Statements*—As required by the Chief Financial Officers Act of 1990, the Inspector General is required to audit the agency's financial statements. The statements for FY 1993 have been prepared, and the OIG and an independent certified public accounting firm are auditing the statements.

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- *Review of Contracting Services*—The OIG is reviewing the agency's contracting for services to determine if adequate controls are in place to ensure that NRC is receiving the requested services. In addition, the OIG will examine how NRC uses the services in performing its mission.

 - *Review of Funds Management*—As a part of OIG's overall responsibility to examine the agency's financial management practices, the OIG is conducting a review to determine whether NRC's funds management practices comply with established policies and procedures. The OIG's work will include reviews of unobligated budget carryover, advance procurement planning, allottee financial plans, and fund obligation patterns.

 - *Follow-up Review of NRC's Contract Close-Out Process*—The OIG is conducting a follow-up review on the recommendations made in its June 1992 report. The objective of the review is to determine if the agency effectively implemented the recommendations and to ensure that the conditions that led to the recommendations no longer exist.

 - *Survey of Training Program for NRC's Technical Work Force*—The OIG is conducting a survey to define the various technical training requirements, identify how the requirements are determined and monitored, and to obtain pertinent technical training budgetary information. Based on the survey results, the OIG will determine whether an audit of the area is warranted.

 - *Review of Policy and Procedures For Decommissioning Nuclear Power Plants*—The OIG is conducting an assessment of the agency's process for decommissioning prematurely closed power reactors. The OIG is using the decommissioning of the Yankee Rowe plant as a model of how the agency is applying its policies and procedures for decommissioning plants that are closed prematurely.

 - *Review of Material Licensee Control and Disposal of Byproduct Material*—The NRC currently administers approximately 7,500 licenses for the possession and use of nuclear byproduct materials in academic, medical, and industrial applications. There are 29 Agreement States that also administer about 15,000 licensees. The NRC's program is designed to ensure that activities involving uses of radionuclides do not endanger the public health and safety. The objective of this review is to assess the effectiveness of the NRC's program to ensure that licensees properly control and dispose of byproduct materials.
-

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- *Review of Assistance Provided to Newly Independent States*—Through funds provided by the Agency for International Development (AID), the NRC is helping Russia and the Ukraine to develop their nuclear power regulatory agencies. This review, conducted jointly with the AID Office of the Inspector General, will examine how NRC assistance is being provided, and will evaluate the effectiveness of the related internal controls.



Senior Russian nuclear regulatory officials meet with IG auditors from the NRC and AID.

AUDIT TABLES

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

During the reporting period, the OIG analyzed 56 contracts audit reports issued by the DCAA and HHS, and performed 2 audits of NRC contracts. The following tables depict the cost savings from this work.

Table I**Office of the Inspector General
Reports Containing Questioned Costs**

<i>Reports</i>	<i>Number of Reports</i>	<i>(Dollar Value)</i>	
		<i>Questioned Costs</i>	<i>Unsupported Costs</i>
A. For which no management decision had been made by the commencement of the reporting period	1	\$112,458	0
B. Which were issued during the reporting period	3*	\$72,208	0
Subtotals (A + B)	4	\$184,666	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	3	\$72,208	0
(ii) dollar value of costs not disallowed	1	\$112,458	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

* The figure differs from the number of reports reviewed because 46 reports had no questioned costs.

Table II

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

<i>Reports</i>	<i>Number of Reports</i>	<i>Dollar Value of Funds</i>
A. For which no management decision had been made by the commencement of the reporting period	1	\$9,580
B. Which were issued during the reporting period	2*	\$43,048
Subtotals (A + B)	3	\$52,628
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management:	2	\$43,048
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period	0	0
E. For which no management decision was made within 6 months of issuance	1**	\$9,580

* Seven other pre-award audit reports reported either zero funds available for better use or no contract was awarded.

** Selection of awardee is delayed due to contractual issues currently under review by the Contracting Officer. Resolution is expected within the next 6 months (Request for Solicitation, NRR-92-021).

THE INVESTIGATIVE PROGRAM

During this reporting period, the OIG received 207 allegations, initiated 36 new investigations, and closed 37 cases. In addition, 62 referrals were made to NRC management.

NRC Program Areas:

- Reactor Safety Research *(Research)*
- Reactor Reviews, Investigations, & Enforcement *(Reviews)*
- Nuclear Material and Low-Level Waste Safety and Safeguards Regulation *(Low-Level Waste)*
- High-Level Nuclear Waste Regulation *(High-Level Waste)*
- Reactor Safety and Safeguards Regulation *(Reactor Regulation)*
- Nuclear Safety Management and Support *(Management & Support)*

INVESTIGATIVE CASE SUMMARIES

Fire Endurance Tests Sponsored by OIG (Reactor Regulation)

In support of an ongoing OIG investigation, the NRC conducted three full-scale fire endurance tests of Thermo-Lag fire barriers which are manufactured by Thermal Science, Incorporated (TSI). These fire barriers are installed in nuclear power plants to protect safe shutdown capability. This effort duplicated TSI's tests, the results of which were relied on by most of the nuclear power plants that installed Thermo-Lag fire barriers. The objective of the tests was to compare the performance of the fire barriers against the successful test results previously reported by TSI. Sandia National Laboratories provided technical assistance by designing and executing the test program and by preparing the test report. The tests were conducted at Underwriters Laboratories, Incorporated, in December 1993. The NRC's fire endurance tests resulted in significant failures of the fire barrier.

Inadequate Inspection by NRC Regional Inspector
(Low-Level Waste)

The OIG investigated an allegation regarding inadequate physical security surrounding an NRC-licensed, low-level waste site that was being decommissioned. The OIG found that NRC inspections failed to detect a deteriorated security situation and, from 1988 to 1990, the lack of a perimeter fence around a portion of the site. Neighborhood children had constructed a tree house along the fence line, and there were apparent signs of trespassing in the area. The OIG investigation disclosed poor documentation of NRC visits and inspections at the site, as well as a lack of clear inspection guidance prior to 1990 for physical security at decommissioning sites.

Conflict of Interest and Acceptance of Gratuities by Agency Employee
(Management & Support)

A senior agency employee was investigated for alleged conflict of interest and acceptance of gratuities from a subcontractor involved in contract work for the NRC. The OIG investigation disclosed evidence that the subcontractor paid for meal and entertainment expenses for the employee. The NRC employee had provided input that contributed to the award of the contract to the firm in question. Additionally, the agency employee developed an apparent financial interest with the subcontractor during the time the contract work was being performed at the NRC. The Department of Justice declined prosecution in the matter and agency action is being considered.

Misuse of NRC Diners Club Credit Card
(Management & Support)

This OIG investigation was initiated to determine whether an NRC employee improperly used an official Diners Club credit card to pay for expenses unrelated to official Government travel. The ensuing OIG investigation concluded that the NRC employee amassed more than \$23,000 in unauthorized expenses on the Diners Club card. The OIG determined that over a 5-month period, the NRC employee allowed a family member to use the card for living and traveling expenses associated with a business venture. The Department of Justice declined prosecution in favor of administrative action by the NRC. Agency action is pending.

Travel Fraud by an Agreement State Employee
(Management & Support)

The OIG received information that an agreement state employee had submitted questionable travel vouchers and receipts while on assignment to the NRC. The OIG investigation developed substantial evidence that an Iowa Department of Public Health employee submitted fraudulent travel vouchers containing seven false claims for lodging expenses. The OIG determined that the lodging establishments for which the employee claimed expenses did not exist. Civil action under the Program Fraud Civil Remedies Act is pending against the employee.

Misuse of Government Assets by NRC Manager
(Management & Support)

An OIG investigation substantiated allegations that an NRC manager used agency computers, as well as facsimile and xerox machines, for personal reasons. This investigation also determined that the manager used the FTS 2000 phone system for personal business and relied upon NRC secretarial staff to prepare personal correspondence. The findings in this investigation were referred to the Department of Justice, which declined prosecution. Subsequently, the manager reimbursed the Government for the unauthorized FTS 2000 phone calls and resigned.

Mishandling of False Statements in a License Application
(Low-Level Waste)

The OIG conducted an investigation into allegations that NRC management improperly handled false statements submitted in a medical doctor's application for an NRC byproduct materials license. NRC management did not consider the false statements pertaining to the status of the applicant's clinical facility to be material. However, the OIG determined that they should have been treated as material. In its review of this matter, the Commission specifically concluded that false statements concerning the nature and status of proposed clinical facilities are material matters in the decision to grant byproduct materials licenses. As part of a settlement with the NRC, the doctor withdrew the license application.

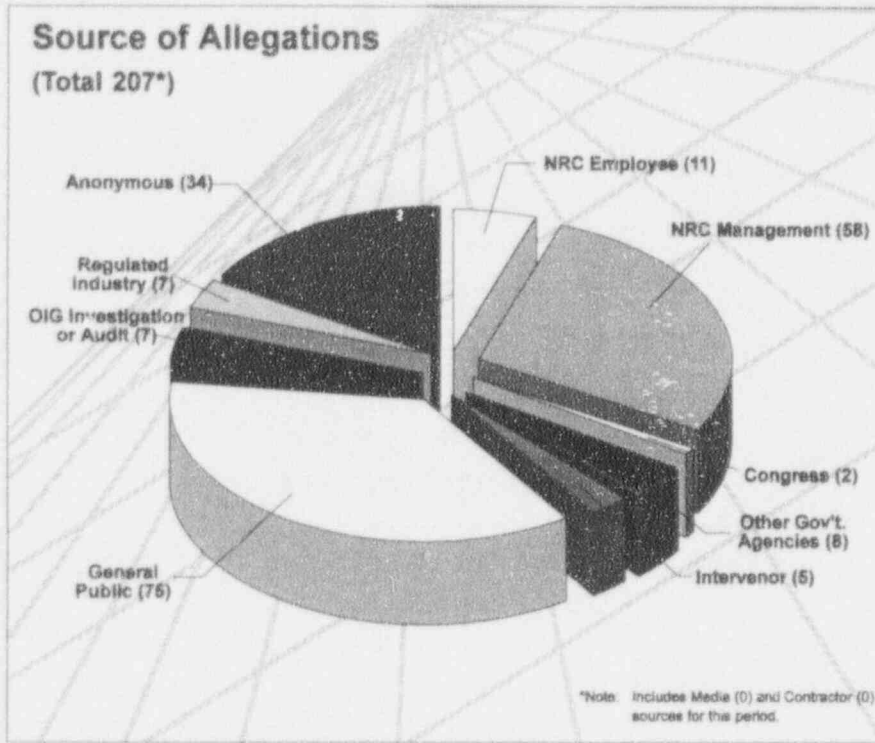
Allegations Regarding NRC Avoidance of Regulatory Responsibility
(Reactor Regulation)

The OIG received allegations from a utility engineer that the NRC did not adequately address safety equipment failures connected with the operation of nuclear reactors. The equipment, a pressure-monitoring device known as a Rosemount Transmitter, is generic to dozens of nuclear power plants. Among the allegations, the engineer maintained that through a series of delaying actions, the NRC:

- desired to minimize a regulatory burden on the nuclear power industry
- used selective enforcement of regulations in addressing the failed equipment
- demonstrated a reluctance to assume a tough regulatory stance on the issue.

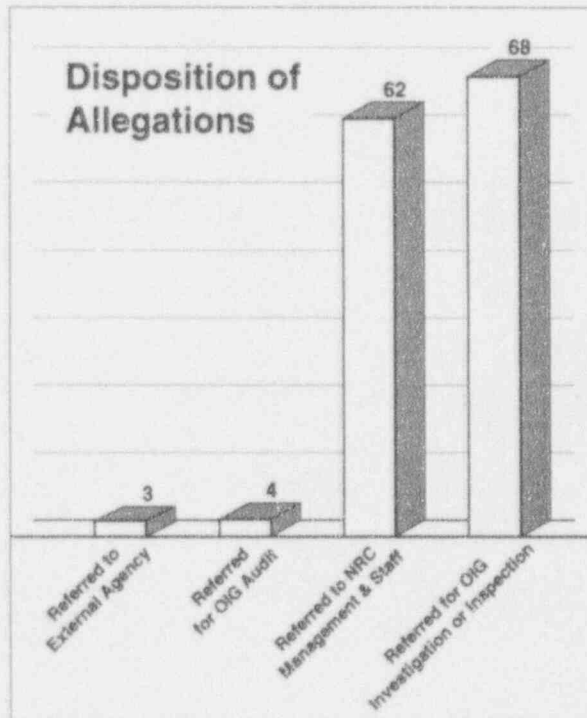
The OIG identified substantial delays by the NRC in addressing the failures of Rosemount Transmitters. However, none of the delays were attributed to a desire to minimize a regulatory burden on the nuclear industry. It was determined that the time taken to implement a new NRC procedure for issuing generic communications contributed to the perception of intentional delay and an unwillingness by the NRC to aggressively regulate the problem. The agency is continuing to review the technical issue.

INVESTIGATIVE STATISTICS



Of the 207 allegations, none were carried forward from the previous period, and 36 resulted from hotline calls.

The remaining allegations were closed through administrative procedures.



INVESTIGATIVE STATISTICS

(continued)

Status of Investigations

Pending DOJ Action	3
DOJ Declinations	6
Indictments & Arrests	1
Convictions	0
PFCRA Referrals	1
PFCRA Recovery	\$21,711



NRC Administrative Actions

Terminations & Resignations	5
Suspensions & Demotions	3
Other Administrative Actions	9
<i>Total</i>	<i>17</i>

INVESTIGATIONS SUMMARY (From October 1, 1993 to March 28, 1994)

<i>Classification of Investigation</i>	<i>Carryover</i>	<i>Opened</i>	<i>Closed</i>	<i>In Progress</i>
Conflict of Interest	9	2	6	5
Internal Fraud	3	4	3	4
External Fraud	9	6	6	9
Faise Statements	0	2	0	2
Theft	0	1	1	0
Misuse of Government Property	0	5	0	5
Employee Misconduct	8	4	8	4
Management Misconduct	21	6	9	18
Technical Allegations—Other	3	6	4	5
TOTAL	53	36	37	52

INSPECTION REPORT

ASSESSMENT OF NRC'S PROCESS FOR PROTECTING ALLEGERS FROM HARASSMENT AND INTIMIDATION

The harassment and intimidation (H&I) against nuclear industry employees who raise safety concerns at commercial power reactors and materials licensees has been the focus of OIG investigative and audit initiatives. This issue was also addressed at hearings on July 15, 1993, before the Senate Subcommittee on Clean Air and Nuclear Regulation, Committee on Environment and Public Works, where the NRC Chairman and the Inspector General testified about the agency's handling of H&I allegations. This report was prepared to respond to requests by Subcommittee staff for additional information on H&I issues.

Section 211 of the Energy Reorganization Act of 1974 divides the responsibility for handling H&I allegations between the NRC and the Department of Labor (DOL). The NRC has the duty to ensure that its licensees and their employees do not participate in H&I against persons who raise safety concerns. The DOL determines if an individual was subject to retaliation and, as a result, suffered adverse employment actions. If appropriate, the DOL then orders compensation for H&I victims.

The OIG's assessment found that from a regulatory perspective, the NRC is proactive to technical aspects of allegations, but primarily reactive to H&I implications. The OIG found that the NRC routinely addresses the technical safety aspects of allegations in a timely manner, but it defers to DOL to resolve H&I complaints. In addition, the NRC does not know the extent to which discrimination has occurred or may be occurring at licensee facilities. For example, the NRC does not:

- have a program to assess the H&I environment at licensee facilities, except when serious problems occur
- know how many or what level of complaints from a licensee's employees should cause NRC to increase its scrutiny of the licensee's operations
- have a headquarters focal point to assess whether the effect of individual or cumulative H&I complaints indicates a need for either licensees or NRC to take corrective action.

The OIG's assessment offered observations and factors for the NRC to consider in identifying where its processes for handling H&I issues could be improved. The NRC has taken some steps to improve its processes, for example establishing in August 1993 the Review Team for Reassessment of the NRC's Program for Protecting Allegers Against Retaliation. The Review Team concluded in its final report, dated January 7, 1994, "that the NRC has not taken sufficient steps within its authority to create and promote an environment within the regulated community in which employees feel free to raise concerns without fearing retaliation." Overall, the report was a thoughtful and comprehensive body of work, which corroborated most of the observations in the OIG's assessment.

SPECIAL FEATURE

REGULATORY REVIEW—EFFECTING CHANGE PROACTIVELY

The Inspector General Act requires that:

It shall be the duty and responsibility of each Inspector General, with respect to the establishment within which his Office is established:

...(2) to review existing and proposed legislation and regulations relating to programs and operations of such establishment and to make recommendations ... concerning the impact of such legislation or regulations on the economy and efficiency in the administration of programs and operations administered or financed by such establishment or the prevention and detection of fraud and abuse in such programs and operations;

(3) to recommend policies for, and to conduct, supervise, or coordinate other activities carried out or financed by such establishment for the purpose of promoting economy and efficiency in the administration of, or preventing and detecting fraud and abuse, in its programs and operations...

The NRC OIG has an established system to review and comment on existing and proposed legislation, regulations, and directives that affect agency programs and operations. In compliance with the statutory requirements, the OIG's regulatory review program provides regulatory commentary to the NRC to promote economy and efficiency in the administration of its programs and operations. The OIG commentary is also intended to help the agency prevent or detect fraud and abuse.

In 1993, an enhanced regulatory review effort was initiated, in consonance with the OIG's emphasis on a proactive advisory role. The OIG regulatory review process was formulated to work with management to design better programs, assist in innovation and improvement of existing rules and regulations, as well as to aid in the prevention or detection of fraud, waste, and abuse.

This enhanced regulatory review effort represents an expansion of the traditional OIG role. The OIG program now focuses on examining the regulations, rules, and procedures that are the building blocks of the agency's operational structure. The OIG's commentary products are gauged to provide timely, useful, documented analysis of substantive matters relevant to program managers.

This new expanded effort will increase the OIG's ability to more actively consult with line management during regulatory development. Rules, regulations, and directives that establish procedures and operating guidelines are reviewed and comments are provided to agency management as early in the process as possible. Dialogue between the OIG and the agency fosters revisions that eliminate, early on, issues that might hinder mission fulfillment or create program vulnerabilities. A collateral benefit from OIG comments at this early stage is that suggestions are adapted in a cooperative, collegial framework, rather than a more confrontational mode typical of critiques of implemented directives.

Another positive result of the OIG's comprehensive system of review is that the agency's entire regulatory scheme can be analyzed by a single, objective, and independent surveyor. Inconsistencies not readily apparent within the agency's individual offices may be more visible in the context of the OIG perspective. An additional benefit derived from the OIG's enhanced regulatory review is the opportunity to avoid redundant or unnecessary directives within the agency.

The OIG's comments reflect an assessment based on contact with each of the agency's technical and administrative specialty areas, providing the OIG with insight into the operational demands impacting agency programs.

The OIG's enhanced regulatory commentary efforts have assisted in formulating regulations, while fostering a sense of a shared commitment to a strong and open relationship. This dedication to improving programs and operations has enhanced the quality of our mutual product—the Nation's health and safety.



REGULATORY REVIEW

The OIG has placed additional emphasis on early review and comments on agency rules, regulations, and procedures, as discussed in the feature article of this report. Under the enhanced review process, the OIG initiated dialogue with the agency to assist in the development of practices that will discourage fraud, waste, and abuse within the structure of the NRC.

During the past 6 months, the OIG reviewed the OMB draft of the Federal Financial Management Act of 1993, as well as approximately 30 proposed regulations, 150 Commission papers, several proposed management directives, and policy initiatives originating from the NRC offices. The OIG reviewed these documents with the goal of offering constructive commentary that will positively affect the OIG's mission of preventing fraud, waste, and abuse. The OIG's comments on noteworthy issues are summarized below.

MEDICAL MISADMINISTRATION

The OIG previously reported that the sufficiency of the regulatory definition of "misadministration" in 10 CFR 35.2 had been questioned as a result of an incident where nuclear medical technologists at Ball Memorial Hospital in Muncie, Indiana, had systematically overdosed patients with radiopharmaceuticals over a period of years. As of the OIG's last report, the agency was awaiting the results of its investigation into this matter. In January 1994, the General Counsel provided the OIG with a copy of his recommendation to the Executive Director of Operations that Part 35 be clarified to provide that intentional acts of misadministration be treated as reportable occurrences.

SEXUAL HARASSMENT

The OIG has acted in consonance with the agency's concerted efforts to effectively educate employees and to firmly establish the agency policy against sexual harassment. In assisting the agency in publishing guidance on this topic, the OIG provided substantive comments, including the need for statutory support for promises of confidentiality and OIG's role in these cases. The OIG also supplied data on procedural alternatives for processing complaints. The resulting brochure (Advance copy, Announcement No. 105, dated December 10, 1993), which has been issued to all NRC employees, reflects the OIG comments.

ADMINISTRATION OF DOE CONTRACT WORK

To better track expenditure of funds and performance of work by the DOE National Laboratories, the NRC established oversight actions it would take in Management Directive 11.7. Prior to implementing this directive, the agency initiated a trial period for the additional oversight required from program managers for work performed by the National Laboratories. An OIG review of the draft directive included meetings with procurement officials and an examination of program office comments. This effort should result in more effective control and oversight of both the program deliverables and funding expenditures, with minimal burden on operational management.

MEDICAL EVENT ASSESSMENT PROGRAM

Management Directive 8.10 provides the structure for identifying and directing the employment of medical consultants in the event of a medical incident needing a high level of expertise for investigation or review. The OIG's comments on the draft directive noted the benefits of identifying the specific agency position responsible for monitoring the consultants' performance within this program. The OIG also provided information on statutory restrictions on liability coverage for consultants and recommended clarification of the limitations on the agency's ability to provide indemnification.

OTHER COMMENTARIES

The OIG reviewed Management Directive 3.53, *NRC Records Management Program, Part 2—Records Management*, and suggested changes to the provisions for release of certain documents. The changes incorporated into the final document provide for greater protection against inadvertent release of sensitive documents.

In cooperation with the agency program office, the OIG also reviewed procedures for accessing security information. Guidelines were established for access to and accounting for document retrieval.

The OIG also reviewed an OMB Office of Procurement Policy draft policy on services contracts. The OIG comments reflected concern regarding the enforceability of contract policies unsupported by substantive clauses, and provided additional sources of information on the performance of internal Government functions.

APPENDICES

AUDIT LISTINGS

Internal Program Audit Reports

<i>Date</i>	<i>Title</i>	<i>Number</i>
10/01/93	<i>Follow-up on NRC Actions Taken on Recommendations Contained in OIG's Report, Entitled "Review of NRC's Debt Collection Process"</i>	OIG/93A-27
10/26/93	<i>Review of Fees for Licensees</i>	OIG/93A-24
12/14/93	<i>Independent Review of Financial and Administrative Controls for Work Performed by Department of Energy Laboratories</i>	OIG/93A-26
12/14/93	<i>NRC Effectively Manages its Contract with Southwest Research Institute for Operating the Center for Nuclear Waste Regulatory Analyses</i>	OIG/93A-11
12/20/93	<i>Review of NRC's Implementation of the FMFIA for 1993</i>	OIG/94A-06
12/28/93	<i>Review of NRC's Contracting for Consulting Services</i>	OIG/94A-03
03/04/94	<i>Review of Imprest Funds</i>	OIG/94A-18
03/18/94	<i>NRC's Information Systems Need Management Attention</i>	OIG/93A-29

INVENTORY OF CONTRACT AUDITS

<i>OIG Issue Date</i>	<i>Contractor/ Contract Number</i>	<i>Questioned Costs (Dollars)</i>	<i>Funds Paid to Better Use (Dollars)</i>
10/01/93	PARAMETER NRC-26-89-289	0	
10/01/93	VIKINGS SYSTEM INTERNATIONAL NRC-03-87-028	0	
10/01/93	TECHNOLOGY APPLICATIONS, INC.	0	
10/01/93	PULSAR DATA SYSTEMS, INC. RS-IRM-93-192		0
10/01/93	TECHNOLOGY APPLICATIONS, INC.	0	
10/01/93	PARAMETER, INC. NRC-26-89-289	\$24,818	
10/01/93	ADVANCED SYSTEMS TECHNOLOGY	0	
10/01/93	TECHNOLOGY APPLICATIONS, INC.	0	
10/07/93	SOUTHWEST RESEARCH INSTITUTE NRC-02-88-005	0	
11/02/93	BABCOCK & WILCOX COMPANY NRC-04-83-168	0	
11/02/93	TECOM, INC. RS-ADM-94-141		0
11/02/93	ADVANCED SYSTEMS TECHNOLOGY, INC.	0	
11/02/93	TECHNOLOGY APPLICATIONS, INC. NRC-33-85-330	0	
11/02/93	RAYTHEON ENGINEERS & CONSTRUCTORS	0	
11/02/93	BATTELLE MEMORIAL INSTITUTE NRC-04-87-066; NRC-04-90-069	0	

INVENTORY OF CONTRACT AUDITS (Continued)

<i>OIG Issue Date</i>	<i>Contractor/ Contract Number</i>	<i>Questioned Costs (Dollars)</i>	<i>Funds Put to Better Use (Dollars)</i>
11/02/93	SYSTEMS RESEARCH & APPLICATION, CORP. NRC-33-87-224; NRC-05-86-154	0	
11/02/93	COMPUTER DATA SYSTEMS, INC. NRC-10-83-332	0	
11/02/93	OGDEN ENVIRONMENTAL & ENGINEERING SVCS.	0	
11/02/93	SCIENCE & ENGINEERING ASSOCIATES, INC. NRC-04-87-086; NRC-33-86-261	0	
11/02/93	SCIENCE APPLICATION INTERNATIONAL CORP. NRC-92-83-035	0	
11/02/93	BATTELLE MEMORIAL INSTITUTE NRC-04-81-178	0	
11/02/93	OGDEN ENVIRONMENTAL & ENGINEERING SVCS.	0	
11/03/93	CREARE (SUB TO SAIC) Subcontract 16-900001-51	0	
11/03/93	ADVANCED SYSTEMS TECHNOLOGY, INC. NRC-04-87-080	0	
11/03/93	EBASCO SERVICES, INC. NRC-02-85-010	0	
11/18/93	TECHNOLOGY APPLICATIONS, INC.	0	
11/18/93	MERIDIAN MANAGEMENT. CORP. RS-ADM-94-141		0
11/18/93	SYSTEM AUTOMATION CORP. NRC-33-87-224	0	
11/26/93	OGDEN ALLIED EASTERN STATES RS-ADM-94-141		0
11/26/93	MAYATECH CORP. NRC-02-89-010	0	
12/06/93	CONSOLIDATED ENGINEERING, INC. NRC-ADM-94-141		0

INVENTORY OF CONTRACT AUDITS (Continued)

<i>OIG Issue Date</i>	<i>Contractor/ Contract Number</i>	<i>Questioned Costs (Dollars)</i>	<i>Funds Put to Better Use (Dollars)</i>
12/08/93	GEOLOGICAL SURVEY OF ALABAMA NRC-04-80-220	0	
01/03/94	SIMULATION ENGINEERING TECHNOLOGY, INC. RS-AED-93-264		0
01/03/94	ZONAR CORP. RS-IRM-94-183		\$3,912
01/03/94	PENNSYLVANIA STATE UNIV. (1991) NRC-04-83-021; NRC-04-85-113	0	
01/03/94	PENNSYLVANIA STATE UNIV. (1990)	0	
01/03/94	PENNSYLVANIA STATE UNIV. (1989) NRC-04-85-113; NRC-04-83-021; NRC-04-85-111	0	
01/03/94	PENNSYLVANIA STATE UNIV. (1992) NRC-04-85-113; NRC-04-89-362; NRC-04-91-104; NRC-90-055	0	
01/14/94	BATTELLE MEMORIAL INSTITUTE NRC-04-82-015	0	
01/24/94	SYSTEMS RESEARCH & APPLICATION CORP. NRC-05-86-154 (2)	0	
01/24/94	SYSTEMS RESEARCH & APPLICATION CORP. NRC-05-86-154	0	
02/04/94	S. COHEN & ASSOCIATES, INC. NRC-04-90-071	0	
02/14/94	ATOM SCIENCES NRC-04-83-180	0	
02/16/94	SONALYSTS, INC. NRC-03-89-031-0013	0	
02/16/94	SONALYSTS, INC. NRC-03-89-031-0009	0	

INVENTORY OF CONTRACT AUDITS (Continued)

<i>OIG Issue Date</i>	<i>Contractor/ Contract Number</i>	<i>Questioned Costs (Dollars)</i>	<i>Funds Put to Better Use (Dollars)</i>
02/16/94	SONALYSTS, INC. NRC-03-89-031-0047	0	
02/16/94	SONALYSTS, INC. NRC-03-89-031-0043	0	
02/16/94	SONALYSTS, INC. NRC-03-89-031-0051	0	
02/16/94	THE MITRE CORP. NRC-04-90-368	0	
02/16/94	SONALYSTS, INC. NRC-03-89-031-0011	0	
02/18/94	BUFFALO MATERIALS RESEARCH, INC. NRC-04-88-072 (SUB)	0	
02/28/94	STAR MOUNTAIN NRC-04-89-071	\$5,000	
03/01/94	KRW, INC. RS-CON-94-201		0
03/01/94	MATERIAL ENGINEERING ASSOCIATES NRC-04-88-072	0	
03/02/94	CALSPAN CORP. NRC-03-81-130	0	
03/03/94	MOVING MASTERS, INC. (SUB) RS-ADM-94-144		\$39,136
03/03/94	MAXIMA CORP. NRC-33-85-324	\$42,390	
03/08/94	WORDPRO, INC. NRC-39-88-214	0	
TOTAL		\$72,208	\$43,048

ABBREVIATIONS

AEOD	Office of Analysis and Evaluation of Operational Data
CFR	Code of Federal Regulations
DCAA	Defense Contract Audit Agency
DOE	Department of Energy
DOJ	Department of Justice
DOL	Department of Labor
EDO	Executive Director of Operations
FFRDC	Federally Funded Research and Development Center
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
HHS	Health and Human Services
H&I	Harrassment and Intimidation
ICR	Internal Control Review
IG	Inspector General
NMSS	Office of Nuclear Material Safety and Safeguards
NRC	Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PFCRA	Program Fraud Civil Remedies Act
RES	Office of Nuclear Regulatory Research
SwRI	Southwest Research Institute
TSI	Thermal Science, Incorporated

GLOSSARY

FINANCIAL AUDIT

A financial audit assesses the effectiveness of internal control systems, transaction processing, financial systems, and contracts.

FUNDS PUT TO BETTER USE

Funds identified in audit recommendations that could be used more efficiently by avoiding unnecessary expenses.

HOTLINE

A toll-free telephone number (1-800-233-3497) available to anyone for reporting incidents of possible fraud, waste, and abuse to the NRC's Office of the Inspector General.

MANAGEMENT DECISION

A final decision based on management's response to audit recommendations and findings.

MATERIAL WEAKNESS

A specific instance of noncompliance with the FMFIA of sufficient importance to be reported to the President and the Congress. A weakness that would significantly impair the fulfillment of an agency component's mission; deprive the public of needed services; violate statutory or regulatory requirements; significantly weaken safeguards against waste, loss, unauthorized use, or misappropriation of funds, property, or other assets; or result in a conflict of interest.

MEDICAL MISADMINISTRATION

In the simplest terms, an overdose, underdose, or unintended dose of radiation to a patient, which exceeds the NRC's regulatory criteria.

PERFORMANCE AUDIT

An OIG audit that focuses on the NRC's administrative and program operations and evaluates how managerial responsibilities are carried out.

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).

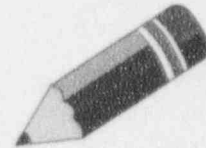
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