



Office of the Inspector General

U. S. Nuclear Regulatory Commission

Annual Plan

Fiscal Year 2009

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FOREWORD

I am pleased to present the Office of the Inspector General's (OIG) fiscal year (FY) 2009 *Annual Plan*. The *Annual Plan* provides the audit and investigative strategies and associated summaries of the specific work planned for the coming year. It sets forth OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2009.

The U.S. Nuclear Regulatory Commission's (NRC) mission is to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment from potential hazards involved in the civilian use of nuclear materials. OIG is committed to ensuring the integrity of NRC programs and operations. Developing an effective planning strategy is a critical aspect of accomplishing this commitment. Such planning ensures that audit and investigative resources are used efficiently.

This *Annual Plan* was prepared to align with the OIG *Strategic Plan* for FYs 2008 – 2013, which is based, in part, on an assessment of the strategic challenges facing NRC. The *Strategic Plan* identifies OIG's priorities and establishes a shared set of expectations regarding the goals we expect to achieve and the strategies we will employ over that timeframe. The *Strategic Plan* is the foundation on which our *Annual Plan* is based. In addition, we sought input from several sources, including the Commission, NRC senior managers, Congress, and the nuclear industry.

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



Hubert T. Bell
Inspector General

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MISSION AND AUTHORITY

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

On January 24, 2000, Congress enacted the *Reports Consolidation Act of 2000* to provide financial and performance management information in a more meaningful and useful format for itself, the President, and the public. The act requires each IG to summarize what the IG considers to be the most serious management and performance challenges facing his/her agency and to assess the agency's progress in addressing those challenges.

Serious management challenges are mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals. In the latest annual assessment (September 2008) the IG identified the following as the most serious management challenges facing NRC:¹

1. Protection of nuclear material used for civilian purposes.
2. Managing information to balance security with openness and accountability.
3. Implementation of a risk-informed and performance-based regulatory approach.
4. Ability to modify regulatory processes to meet a changing environment, to include the licensing of new facilities.
5. Oversight of radiological waste.
6. Implementation of information technology and information security measures.
7. Administration of all aspects of financial management.

¹The challenges are not ranked in any order of importance.

8. Managing human capital.

OIG monitors agency performance on these management challenges and periodically revises its assessment of them, as needed.

AUDIT AND INVESTIGATION UNIVERSE

The NRC budget request for FY 2009 is approximately \$1.01 billion with a staffing level of 3,797 personnel. The agency's mission is to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment from potential hazards involved in the civilian use of nuclear materials. The agency also has a role in combating the proliferation of nuclear materials worldwide.

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

The agency carries out its mission through various licensing, inspection, research, and enforcement programs. Currently, NRC responsibilities include regulating 104 commercial nuclear power reactors that are licensed to operate in 31 states; 32 research and test reactors; 7 major fuel fabrication and production facilities; 2 gaseous diffusion uranium enrichment facilities; and approximately 3,750 licenses issued for medical, academic, and industrial uses of nuclear material. The agency is also in the early stages of reviewing the license application for the high-level waste depository at Yucca Mountain and overseeing the decommissioning of 14 commercial nuclear power plants and 11 research and test reactors. The audit and investigation oversight responsibilities are therefore derived from the agency's wide array of programs, functions, and support activities established to implement NRC's mission.

PLANNING STRATEGY

The FY 2009 *Annual Plan* is linked with OIG's *Strategic Plan* for FYs 2008 – 2013. The *Strategic Plan* identifies the major challenges and risk areas facing the NRC so that OIG resources may be directed in these areas in an optimum fashion.

The *Strategic Plan* recognizes the mission and functional areas of the agency and the major challenges the agency faces in successfully implementing its regulatory program. The plan presents strategies for reviewing and evaluating NRC programs under the strategic goals that OIG established. OIG's strategic goals are to (1) *strengthen NRC's efforts to protect public health and safety and the environment*, (2) *enhance NRC's efforts to increase security in response to an evolving threat environment*, and (3) *increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources*. To ensure that each review and evaluation carried out by OIG aligns with the *Strategic Plan*, program areas selected for review and evaluation have been crosswalked from the *Annual Plan* to the *Strategic Plan* (see planned audits in appendixes A, B, and C).

AUDIT STRATEGY

Effective audit planning requires current knowledge about the agency's mission and the programs and activities used to carry out that mission. Accordingly, OIG continually monitors specific issue areas to strengthen its internal coordination and overall planning process. Under the office's Issue Area Monitor (IAM) program, staff designated as IAMs are assigned responsibility for keeping abreast of major agency programs and activities. The broad IAM areas address nuclear reactors, nuclear materials, nuclear waste, information management, security, financial and administrative programs, human resources, and international programs. Appendix E contains a listing of the IAMs and the issue areas for which they are responsible.

The audit planning process is designed to yield audit assignments that will identify opportunities for efficiency, economy, and effectiveness in NRC programs and operations; detect and prevent fraud, waste, and mismanagement; improve program and security activities at headquarters and regional locations; and respond to unplanned priority requests and targets of opportunity. The priority for conducting audits is based on (1) mandatory legislative requirements; (2) emphasis by the President, Congress, NRC Chairman, or other NRC Commissioners; (3) a program's susceptibility to fraud, manipulation, or other irregularities; (4) dollar magnitude or resources involved in the proposed audit area; (5) newness, changed conditions, or sensitivity of an organization, program, function, or activities; (6) prior audit experience, including the adequacy of internal controls; and (7) availability of audit resources.

INVESTIGATION STRATEGY

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

- ◆ Misconduct by high-ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact public health and safety.
- ◆ Failure by NRC management to ensure that health and safety matters are appropriately addressed.
- ◆ Failure by the NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.
- ◆ Conflict of interest by NRC employees with NRC contractors and licensees.

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

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

With respect to OIG's strategic goals pertaining to safety and security, OIG routinely interacts with public interest groups, individual citizens, industry workers, and NRC staff to identify possible lapses in NRC regulatory oversight that could impact public health and safety. OIG also conducts proactive initiatives and reviews into areas of current or future regulatory safety or security interest to identify emerging issues or address ongoing concerns regarding the quality of NRC's regulatory oversight. Such areas might include new reactor licensing and relicensing of existing plants, and aspects of the transportation and storage of high-level and low-level waste. Finally, OIG conducts Event and Special Inquiries into specific events that indicate an apparent shortcoming in NRC's regulatory oversight of the nuclear industry's safety and security programs to determine the appropriateness of the staff's actions to protect public health and safety.

Appendix D provides investigation objectives and initiatives for FY 2009. Specific investigations are not included in the plan because investigations are primarily responsive to reported violations of law and misconduct by NRC employees and contractors, as well as allegations of irregularities or abuse in NRC programs and operations.

PERFORMANCE GOALS

For FY 2009, we will continue to use a number of key performance indicators and targets for gauging the relevancy and impact of our audit and investigative work. These are:

1. Percent of OIG products/activities² undertaken to identify critical risk areas or management challenges relating to the improvement of NRC's safety, security, and/or corporate management.
2. Percent of OIG products/activities that have a high impact³ on improving NRC's safety, security and/or corporate management programs.
3. Number of audit recommendations agreed to by agency.
4. Final agency action within 1 year on audit recommendations.
5. Agency action in response to investigative reports.
6. Acceptance by NRC's Office of General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.

The OIG Performance Report with actual statistics for FY 2009 will be submitted to the Office of Management and Budget and to Congress in November.

² OIG products are issued OIG reports – by the audit unit, an audit report or evaluation; by the investigative unit, a report of investigation, an event inquiry, or a special inquiry. Activities are OIG hotline activities or proactive investigative projects.

³ High impact is the effect of an issued report or activity undertaken that results in: (a) confirming risk areas or management challenges that caused the agency to take corrective action; (b) identifying real dollar savings or opportunities for reduced regulatory burden; (c) identifying significant wrongdoing by individuals that results in criminal or administrative action; (d) clearing an individual wrongly accused; or (e) identifying regulatory actions or oversight that may have contributed to the occurrence of a specific event or incidence or resulted in a potential adverse impact on public health and safety.

OPERATIONAL PROCESSES

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

AUDITS

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

The OIG performs the following types of audits:

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

Financial – These audits include the financial statement audit required by the Chief Financial Officers Act and other financial audits. They include reviews of such items as internal control systems, transaction processing, and financial systems.

Contracts – Based on a Memorandum of Understanding between the OIG and NRC's Office of Administration Division of Contracts, OIG provides oversight of work performed by the Defense Contract Audit Agency (DCAA) or outside independent public audit firms that perform contract audits. Pre-award audits of contract proposals in excess of \$550,000 are an agency priority. At this time, OIG estimates that five pre-award audits will be needed in FY 2009. Post-award audits are divided into two categories: incurred cost audits of active contracts and closeout audits of completed contracts. For incurred cost audits, contracts over \$10 million will be audited at least every 3 years, contracts over \$5 million but under \$10 million will be audited at least once during the life of the contract, and contracts under \$5 million will be periodically selected on a judgmental basis. For FY 2009, OIG plans to select up to 10 active and 6 completed contracts for audit. DCAA will perform some audits, and others will be performed by outside, independent audit firms, as appropriate and as funds permit.

The key elements in the audit process are as follows:

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

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

Entrance Conference – A meeting is held to advise agency officials of the purpose, objectives, and scope of the audit, and the general methodology to be followed.

Survey – Exploratory work is conducted before the more detailed audit commences to gather data for identifying audit objectives, documenting internal control systems, becoming familiar with the activities to be audited, and identifying areas of concern to management.

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

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

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

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

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

Response to Report Recommendations – Action offices provide a written response on each recommendation (usually within 30 days) contained in the final report. Agency management responses include a decision for each recommendation indicating agreement or disagreement with the recommended action. For agreement, agency management provides corrective actions taken or planned and actual or target dates for completion. For disagreement, agency management provides their reasons for disagreement and any alternative proposals for corrective action. If questioned or unsupported costs are identified in the audit report, agency management states the amount that is determined to be disallowed and the plan to collect the disallowed funds. If funds that can be put to better use are identified, agency management states the amount that can be put to better use. If these amounts differ from those identified by OIG, agency management states the reasons for the difference.

Impasse Resolution – If the response by the action office to a recommendation is unsatisfactory, OIG may determine that intervention at a higher level is required. The Executive Director for Operations is NRC's audit followup official, but issues can be taken to the Chairman for resolution, if warranted.

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

INVESTIGATIONS

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

Investigations are opened in accordance with OIG priorities as set forth in our *Strategic Plan* and in consideration of prosecutorial guidelines that may be established by the local U.S. attorneys for the Department of Justice (DOJ). OIG investigations are governed by the President's Council on Integrity and Efficiency Quality Standards for Investigations, the OIG Special Agent Handbook, and various guidance provided periodically by DOJ.

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

When an investigation is opened, it is assigned to a special agent who prepares a plan of investigation. This planning process includes a review of the criminal and civil statutes, program regulations, and agency policies that may be involved. The special agent then conducts the investigation, which may require interviewing witnesses and subjects, reviewing and analyzing records, obtaining physical evidence, and conducting surveillance and/or undercover operations.

In cases where the special agent determines that a crime may have been committed, he or she will discuss the investigation with a Federal and/or local prosecutor to determine if prosecution will be pursued. In cases where a prosecuting attorney decides to proceed with a criminal or civil prosecution, the special agent assists the attorney in any preparation for court proceedings that may be required. This assistance may include serving subpoenas, locating witnesses, preparing exhibits, executing arrest/search warrants, and testifying before a grand jury or during trial. At the conclusion of any court action, OIG advises the agency of the court results.

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

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

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

HOTLINE

The OIG Hotline Program provides NRC employees, licensee employees, contract employees, and the public with a confidential means of reporting to the OIG instances of fraud, waste, and abuse relating to NRC programs and operations. The toll free number (1-800-233-3497 or TDD 1-800-270-2787) provides easy access for individuals to report any instance of fraud, waste, or abuse to well-trained hotline operators in the OIG. Trained staff is available to answer calls Monday through Friday between 9 a.m. and 4 p.m. (Eastern Standard Time). At other times, callers may leave a message. There is no caller identification feature associated with the Hotline.

Individuals may also provide information via the Internet or by mail. To report fraud, waste, and abuse online, click on "OIG Hotline" found on OIG's Web page (www.nrc.gov/insp-gen.html). To provide information by mail, send all correspondence to the following address:

U.S. Nuclear Regulatory Commission
Office of the Inspector General
Hotline Program
Mail Stop O-5 E13
11555 Rockville Pike
Rockville, MD 20852-2738

**NUCLEAR SAFETY AUDITS
PLANNED FOR FY 2009**

Audit of NRC's Agreement State Program

DESCRIPTION AND JUSTIFICATION:

In accordance with Section 274 of the Atomic Energy Act, NRC relinquished its authority to regulate certain byproduct material to 34 States. The States must first demonstrate that their regulatory programs are compatible with NRC's program and adequate to protect public health and safety. The 34 States, which have entered into an agreement assuming this regulatory authority from NRC, are called Agreement States.

NRC and the Agreement States are responsible for ensuring the adequate protection of public health and safety in the uses of Atomic Energy Act materials. Accordingly, NRC and Agreement State programs shall possess the requisite supporting legislative authority, implementing organization structure and procedures, and financial and human resources to effectively administer a radiation control program that ensures adequate protection of public health and safety.

NRC's policy is to evaluate the NRC regional materials programs and Agreement State radiation control programs in an integrated manner, using common and non-common performance indicators, to ensure that public health and safety is being adequately protected. As a result, NRC implemented the Integrated Materials Performance Evaluation Program (IMPEP) to evaluate the regional materials and Agreement State Programs. Using IMPEP, under normal circumstances, NRC evaluates these programs every 4 years.

OBJECTIVES:

This audit will assess NRC's oversight of the adequacy and effectiveness of Agreement State programs.

SCHEDULE:

Initiated in the 2nd quarter of FY 2008; scheduled to be completed in the 1st quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-3: Identify risk areas facing the materials programs and make recommendations, as warranted, for addressing them.

Audit of the Committee to Review Generic Requirements' Role in Generic Backfit Reviews

DESCRIPTION AND JUSTIFICATION:

The Committee to Review Generic Requirements (CRGR) was established to ensure that proposed generic backfits to be imposed on power reactors and/or selected nuclear materials facilities licensed by NRC are appropriately justified based on backfit provisions of applicable NRC regulations and the Commission's backfit policy. As an advisory committee to NRC's Executive Director for Operations, the CRGR's primary responsibilities are to recommend either approval or disapproval of the staff proposals and to provide guidance and assistance to NRC program offices to help them implement the Commission's backfit policy.

The CRGR provides an annual report to the Commission describing the previous year of its activities and decisions regarding the various topics that came before the CRGR for review. As an additional responsibility, the CRGR is to review NRC's administrative generic backfit controls to determine if the controls are sufficient and staff guidance is comprehensive and clear.

OBJECTIVE:

The objectives of this audit are to determine if CRGR reviews adds value for EDO decisionmaking purposes, and if the CRGR's function is still valid.

SCHEDULE:

Initiated in the 3rd quarter of FY 2008; scheduled to be completed in the 1st quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-1: Identify risk areas associated with NRC's Reactor Oversight Process and make recommendations, as warranted, for addressing them.

Audit of NRC's Construction Oversight at Nuclear Reactor Facilities

DESCRIPTION AND JUSTIFICATION:

In the 1970s and 1980s, a number of nuclear power plant construction projects in the United States were stopped with the plants partially built—some of these plants were never finished. During this time period, Congress directed NRC to study existing and alternative programs for improving the assurance of quality in the design and construction of commercial nuclear power plants. In response, NRC conducted a review and issued NUREG-1055, *Improving Quality and the Assurance of Quality in the Design and Construction of Nuclear Power Plants*, in 1984. The study recommended a number of improvements in industry and NRC programs.

The nuclear industry is on the verge of potentially constructing new nuclear power plants; but, it has been decades since industry and NRC have been involved in the design and construction of such plants. Reactors are currently under construction around the world, including some with designs like those planned in the United States. However, there are reported problems with the quality assurance during construction at these plants, for example, in Finland and France. As a result, OIG will review the lessons learned from U.S. experience as captured in NUREG-1055 and other historical records as well as the experience at ongoing construction projects in the foreign market.

OBJECTIVE:

The audit objective will be to determine if and how NRC is incorporating and using the domestic and foreign lessons learned in its construction oversight programs.

SCHEDULE:

Initiate in the 1st quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-2: Identify risk areas associated with NRC's efforts to (1) prepare for and manage the review of applications for new power reactors, (2) oversee construction of new power reactors to verify that they are built in conformance with approved designs and in compliance with approved construction standards and, (3) make recommendations, as warranted, for addressing them.

Audit of NRC's Quality Assurance Planning for New Reactors

DESCRIPTION AND JUSTIFICATION:

Chapter 10, Part 50, of the Federal Code of Regulations (10 CFR 50) requires every applicant for a construction permit to include in its preliminary safety analysis report a description of the quality assurance program to be applied to the design, fabrication, construction, and testing of the structures, systems, and components of the facility. This quality assurance program includes the managerial and administrative controls to be used to assure safe operation. These requirements also apply to holders of combined licenses issued under 10 CFR 52.

As part of its regulatory responsibilities, NRC reviews and evaluates the description of the quality assurance program for the design and construction phases in each application for a construction permit, a manufacturing license, or a standardized design approval. Prior to docketing a construction permit application, NRC performs a substantive review of the applicant's quality assurance program description relative to ongoing design and procurement activities. This review and an associated inspection is performed immediately after tendering of the application to determine that a satisfactory quality assurance program has been established and is being implemented. However, an applicant's quality assurance program is not re-reviewed except for conformance to positions developed during the course of the NRC staff technical review.

OBJECTIVE:

The audit objective will be to determine how NRC has identified and incorporated quality assurance lessons learned into its preparations for the next generation of nuclear plants.

SCHEDULE:

Initiate in the 1st quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-2: Identify risk areas associated with NRC's efforts to (1) prepare for and manage the review of applications for new power reactors, (2) oversee construction of new power reactors to verify that they are built in conformance with approved designs and in compliance with approved construction standards and, (3) make recommendations, as warranted, for addressing them.

Audit of NRC's Vendor Inspection Program

DESCRIPTION AND JUSTIFICATION:

Appendix B to 10 CFR 50 establishes quality assurance requirements for the design, construction, and operation of structures, systems, and components that prevent or mitigate the consequences of postulated accidents. Quality assurance comprises all activities necessary to provide adequate confidence that a structure, system, or component will perform satisfactorily in service. Among other things, these quality assurance activities include design, fabrication, purchasing, storing, testing, and installation of components.

NRC is responsible for ensuring that suppliers of nuclear safety-related structures, systems, and components engage in suitable quality assurance activities.

In order for NRC to ensure that nuclear suppliers maintain adequate quality assurance programs, it is first necessary to know which domestic and global suppliers are providing components to licensees, and then it is essential to perform inspections of their quality assurance programs.

OBJECTIVE:

The audit objective will be to assess NRC's regulatory framework for ensuring integrity of domestic and global supplies.

SCHEDULE:

Initiate in the 2nd quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-2: Identify risk areas associated with NRC's efforts to (1) prepare for and manage the review of applications for new power reactors, (2) oversee construction of new power reactors to verify that they are built in conformance with approved designs and in compliance with approved construction standards and, (3) make recommendations, as warranted, for addressing them.

Audit of NRC's Oversight of Independent Spent Fuel Storage Installations

DESCRIPTION AND JUSTIFICATION:

The need for alternative storage began to grow in the late 1970s/early 1980s as spent fuel pools at many nuclear reactors began to fill up with stored fuel. NRC authorizes power plants to store spent nuclear fuel at independent spent fuel storage installations (ISFSI), generally consisting of casks on a concrete pad located onsite.

A site-specific ISFSI is licensed for 20 years from the date of approval. Thus, until a high-level waste repository is made available, spent nuclear fuel at ISFSIs across the Nation will continue to accumulate.

OBJECTIVE:

The audit objective will be to determine if NRC has the requisite processes in place for reviewing and approving ISFSIs.

SCHEDULE:

Initiate in the 2nd quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-4: Identify risk areas associated with low-level waste and the prospective licensing of the high-level waste repository and make recommendations, as warranted, for addressing them.

Audit of NRC's Operating Experience Forums

DESCRIPTION AND JUSTIFICATION:

The *Reactor OpE Information Gateway*, located on the Office of Nuclear Reactor Regulation's Intranet Web site, is intended to provide plant morning reports, notifications, inspection results, and issue area reviews. It also provides community forums for regulators to make "operating experience," "inspector," and "risk-informed" comments.

This audit will be beneficial in determining the use of operating experience for the existing fleet of nuclear reactors, proposed/new reactors, and fuel cycle facilities.

OBJECTIVE:

The audit objective will be to ascertain who uses the forums (both in terms of providing information and consuming information), users' views of the effectiveness of the forums, and whether any trend analysis of forum information is compiled.

SCHEDULE:

Initiate in the 2nd quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-1: Identify risk areas associated with NRC's Reactor Oversight Process and make recommendations, as warranted, for addressing them.

Audit of NRC's Management of Licensee Commitments

DESCRIPTION AND JUSTIFICATION:

Plant and materials licensees make commitments to NRC to perform certain functions to gain NRC's approval on technical issues with regard to licensing actions. Commitments may or may not be legally binding requirements, depending on how they are developed and agreed upon by NRC and the licensees. The type of commitment may dictate the enforcement options available to NRC. There are widespread opinions among regulators as to whether commitments are enforceable, can be voluntarily withdrawn by the licensee, and are important for tracking.

OBJECTIVE:

The audit objective will be to determine how NRC manages licensee commitments, including tracking, auditing, trending, monitoring, and enforcing.

SCHEDULE:

Initiate in the 4th quarter of FY 2009.

STRATEGIC GOAL 1:

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

- Strategy 1-1:** Identify risk areas associated with NRC's Reactor Oversight Process and make recommendations, as warranted, for addressing them.

- Strategy 1-3:** Identify risk areas facing the materials programs and make recommendations, as warranted, for addressing them.

Audit of NRC's Oversight of Uranium Conversion Facilities (10 CFR Part 40)

DESCRIPTION AND JUSTIFICATION:

NRC is responsible for oversight of the nuclear fuel cycle, which uses uranium in different chemical and physical forms. Uranium conversion plants are part of the fuel cycle. NRC regulates one conversion plant operating in the United States – Honeywell International Inc. in Metropolis, Illinois. NRC regulates the uranium conversion facility under 10 CFR Part 40. The agency's regulation includes inspections focused on reviews of safety, safeguards, and environmental protection. NRC is also responsible for licensing the conversion plant; licenses are typically issued for 10-year periods.

Conversion plants are not without risk. The primary risks associated with conversion processes are chemical and radiological. Strong acids and alkalis are used in the conversion process, which involves converting the yellowcake (uranium oxide) powder to very soluble forms, leading to possible inhalation of uranium. In addition, conversion produces extremely corrosive chemicals that could cause fire and explosion hazards.

OBJECTIVE:

The audit objective will be to determine if NRC is regulating the country's sole uranium conversion plant in accordance with 10 CFR Part 40.

SCHEDULE:

Initiate in the 4th quarter of FY 2009.

STRATEGIC GOAL 1:

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

Strategy 1-3: Identify risk areas facing the materials programs and make recommendations, as warranted, for addressing them.

**SECURITY AUDITS
PLANNED FOR FY 2009**

Audit of National Source Tracking System Development

DESCRIPTION AND JUSTIFICATION:

NRC was required to establish a mandatory tracking system for radiation sources in the United States pursuant to the Energy Act of 2005. The act requires the system to:

- (1) Enable the identification of each radiation source by serial number or other unique identifier.
- (2) Report within 7 days of any change of possession of a radiation source.
- (3) Report within 24 hours of any loss of control of or accountability for a radiation source.
- (4) Provide for reporting through a secure Internet connection.

Additionally, the system is designed to be a national, comprehensive resource that includes Category 1 and 2 sources held by NRC and Agreement State licensees and by the Department of Energy. As a result, the National Source Tracking System is being developed for licensee reporting on sealed sources containing nuclear materials. The system will provide online tracking of individual sources throughout their entire lifecycle.

OBJECTIVE:

The objective is to assess the effectiveness of the system development for the National Source Tracking System and assess the delays being encountered.

SCHEDULE:

Initiated in the 3rd quarter of FY 2008; scheduled to be completed in the 1st quarter of FY 2009.

STRATEGIC GOAL 2:

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

- Strategy 2-1:** Identify risk areas involved in effectively securing both operating and proposed nuclear power plants, nuclear fuel cycle facilities, and nuclear materials and make recommendations, as warranted, for addressing them.

Audit of NRC's Occupant Emergency Program

DESCRIPTION AND JUSTIFICATION:

Federal regulations require the development of an Occupant Emergency Plan (OEP) to reduce the possibility of personal injury and facility damage in the event of an emergency. OEPs describe the actions that occupants should take to ensure their safety if a fire or other emergency situation occurs. These plans reduce the threat to personnel, property, and other assets within the facility in the event of an incident inside or immediately surrounding a facility by providing facility-specific response procedures for occupants to follow.

The Department of Homeland Security published Federal Continuity Directive-1 outlining the requirements agencies must fulfill in developing emergency response plans. In addition, the U.S. General Services Administration Occupant Emergency Program Guide was prepared to assist agencies with their emergency planning.

OBJECTIVE:

The objective is to evaluate the extent to which NRC's OEP complies with Federal regulations.

SCHEDULE:

Initiated in the 3rd quarter of FY 2008; scheduled to be completed in the 2nd quarter of FY 2009.

STRATEGIC GOAL 2:

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

Strategy 2-2: Identify risks associated with emergency preparedness and make recommendations, as warranted, for addressing them.

Audit of Security Measures for Special Nuclear Materials

DESCRIPTION AND JUSTIFICATION:

The Office of Nuclear Material Safety and Safeguards (NMSS) conducts safeguards technical and regulatory reviews of physical security at U.S. fuel cycle facilities. The program provides a routine level of inspection of the planning and emergency response activities for safeguards events. The inspection program verifies (1) that licensees have conducted, in accordance with required procedures, performance tests of the inventory item control program, (2) the ease with which material could be diverted without being observed, and (3) the degree of surveillance and containment provided by physical security.

The Office of Nuclear Security and Incident Response (NSIR) manages the overall development and implementation of policies and programs for security at fuel cycle facilities. NSIR also manages contingency planning and emergency response activities for safeguards events at fuel cycle facilities and assesses fuel cycle facility reports. Additionally, the staff provides inspection program oversight for fuel cycle security inspection programs. With respect to Material Control and Accountability (MC&A), the branch conducts safeguards technical and regulatory reviews of physical protection and MC&A programs and revised the MC&A Manual Chapter and Inspection procedures.

Over the past several years the responsibility for security inspections of fuel cycle facilities has been moved between NMSS and NSIR numerous times. Currently, NMSS' MC&A Branch and NSIR's Fuel Cycle Safeguards and Security Branch share overlapping inspection responsibilities.

OBJECTIVE:

The audit objective will be to assess the effectiveness of the nuclear material inspection program to ensure the physical protection of the U.S. fuel cycle facilities.

SCHEDULE:

Initiate in the 1st quarter of FY 2009.

STRATEGIC GOAL 2

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

Strategy 2-1: Identify risk areas involved in effectively securing both operating and proposed nuclear power plants, nuclear fuel cycle facilities, and nuclear materials and make recommendations, as warranted, for addressing them.

Audit of the Force-on-Force Program

DESCRIPTION AND JUSTIFICATION:

NSIR has the responsibility for assessing the development and implementation of security programs at various U.S. nuclear facilities, including nuclear power plants. To assess security programs at nuclear power plants, NSIR performs force-on-force exercises at each plant on a triennial basis in accordance with agency regulations. The exercises take approximately 2 weeks to complete; the first week is used for exercise preparation and design and the second week is used to execute and evaluate the exercise.

Force-on-force exercises are designed to test various elements of a facility's security program to determine if the facility's security program is capable of defeating a terrorist attack. To ensure a rigorous and thorough exercise, NSIR uses contractor support in the design and implementation of the exercise. To successfully pass a force-on-force exercise, a nuclear facility must defeat an attack on the plant in two of three exercise drills. At the conclusion of each drill, NRC evaluates the licensee's security program response and security force and assigns a pass, fail, or indeterminate finding. At the close of the exercise, NRC staff provide a debrief to the licensee to discuss how each exercise was evaluated and any subsequent findings.

OBJECTIVE:

The audit objective will be to evaluate the agency's force-on-force program to determine if the design and application of the program is consistent, thorough, reasonable, and in accordance with NRC regulations.

SCHEDULE:

Initiate in the 1st quarter of FY 2009.

STRATEGIC GOAL 2:

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

Strategy 2-1: Identify risk areas involved in effectively securing both operating and proposed nuclear power plants, nuclear fuel cycle facilities, and nuclear materials and make recommendations, as warranted, for addressing them.

Audit of Security Issues Related to the Operation of Industrial Irradiators

DESCRIPTION AND JUSTIFICATION:

Private licensees currently operate industrial irradiators for food and other organic materials prior to transportation and distribution. New irradiator facilities are either planned or in the licensing process. In anticipation of these new facilities the NRC has also developed additional security measures that irradiator facilities will be required to implement. This review will look at the proposals as well as the security measures developed for industrial irradiators. Effort will be concentrated on reviewing how NRC manages and inspects irradiators located at ports of entry. OIG's sample will include a variety of sites to cover geographic location, proximity to population centers, proximity to critical assets for national security, and proposed versus operational status of irradiators.

OBJECTIVE:

The audit objective will be to assess the effectiveness by which NRC oversees the operation of current industrial irradiator sites with specific focus on how NRC manages the secure operation of the irradiators.

SCHEDULE:

Initiate the 3rd quarter of FY 2009.

STRATEGIC GOAL 2:

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

Strategy 2-1: Identify risk areas involved in effectively securing both operating and proposed nuclear power plants, nuclear fuel cycle facilities, and nuclear materials and make recommendations, as warranted, for addressing them.

FY 2009 Evaluation of FISMA

DESCRIPTION AND JUSTIFICATION:

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

OBJECTIVES:

The audit objectives will be to evaluate the (1) adequacy of NRC's information security programs and practices for NRC major applications and general support systems of record for FY 2009, (2) effectiveness of agency information security control techniques, and (3) implementation of the NRC's corrective action plan created as a result of the 2008 FISMA program review.

SCHEDULE:

Initiate in the 3rd quarter of FY 2009.

STRATEGIC GOAL 2:

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

Strategy 2-4: Identify evolving threats to NRC security and make recommendations, as warranted, for addressing them.

Audit of Personnel Security for Employees

DESCRIPTION AND JUSTIFICATION:

The Atomic Energy Act of 1954, as amended, requires all NRC employees to have a security clearance, but allows employees to begin working for NRC prior to their clearance — provided the Commission determines that such employment is in the national interest and the employee does not have access to classified information. Today, nearly all NRC employees are permitted to begin work before receiving a security clearance, but only after the Division of Facilities and Security (DFS) conducts an in-house review of the prospective employee's background information as reported by the individual, credit history, and criminal history; evaluates the results; and determines there are no factors that constitute a security risk to the agency. Based on this review, NRC grants an initial approval for the employee to begin work. This approval is referred to as a preappointment investigation waiver.

After NRC grants this initial approval to begin work (with no access to classified information), the agency requests a full background investigation, appropriate for either an L or Q clearance, from the Office of Personnel Management (OPM). After the OPM background investigation is returned to NRC, DFS staff evaluate the subject in light of the OPM investigative report information. Based on the issues raised, it may take DFS several months to more than a year to complete this review and make a recommendation to the DFS Director to grant or deny a security clearance. As a result, some NRC employees work for up to 2 years at NRC before receiving a security clearance.

OBJECTIVES:

The audit objectives will be to determine whether (1) NRC is in compliance with external and internal personnel security requirements and (2) NRC's personnel program is efficiently managed.

SCHEDULE:

Initiate in the 4th quarter of FY 2009.

STRATEGIC GOAL 2:

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

Strategy 2-4: Identify evolving threats to NRC security and make recommendations, as warranted, for addressing them.

Audit of NRC's Protections Against Social Engineering Attacks

DESCRIPTION AND JUSTIFICATION:

Effective security is multifaceted and must include integrated protections provided by various components of a defense-in-depth strategy. Recent examples where Federal agency and private corporate data became publicly available highlight the necessity to provide and ensure protections in all areas. Unless agency technical, management, and operation security controls work in concert, there is potential for an attacker to exploit a weakness in a faulty security construct. Accordingly, an organization's security posture is only as strong as its weakest link, which more often than not is the result of human error.

Social engineers seek to exploit weakness in a facility's security posture to gain access to the facility and its critical information systems and data. Therefore, it is important for Government agencies to identify their most critical personnel and operational weaknesses so they may improve the mechanisms on which their security posture depends.

OBJECTIVE:

The audit objective will be to assess the effectiveness and adequacy of the agency's security control measures used to protect the security and integrity of sensitive information technology systems and data in the event of a social engineering attack.

SCHEDULE:

Initiate in the 4th quarter of FY 2009.

STRATEGIC GOAL 2:

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

Strategy 2-4: Identify evolving threats to NRC security and make recommendations, as warranted, for addressing them.

Audit of Regional Computer Security

DESCRIPTION AND JUSTIFICATION:

NRC employs staff in its headquarters and four regional offices and the Technical Training Center (TTC). The regional and TTC sites and their staff provide critical support to NRC operations as well as to the agency's overall mission. To facilitate communication among the sites, NRC has developed an information technology system which provides access to information from all NRC locations.

Federal Information Processing Standards 199, *Standards for Security Categorizations of Federal Information and Information Systems*, defines an information system as a discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information. NRC depends heavily on information system security measures to avoid data tampering, fraud, inappropriate access, disclosure of sensitive information, and disruptions in critical operations. It is NRC's policy to maintain an automated information system security program to provide appropriate administrative, technical, and physical security measures for the protection of information resources. Security measures at the regions and the TTC were last assessed in 2006.

OBJECTIVES:

The audit objectives will be to evaluate, in NRC's regional offices and TTC, the (1) adequacy of agency information security programs and practices, (2) effectiveness of agency information security control techniques, and (3) progress towards resolving information security program weaknesses identified during the FY 2006 Computer Security Audit of the regions and TTC.

SCHEDULE:

Initiate in the 2nd quarter of FY 2009.

STRATEGIC GOAL 2:

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

Strategy 2-4: Identify evolving threats to NRC security and make recommendations, as warranted, for addressing them.

**CORPORATE MANAGEMENT AUDITS
PLANNED FOR FY 2009**

Audit of NRC's FY 2008 Financial Statements

DESCRIPTION AND JUSTIFICATION:

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit NRC's financial statements. OIG will measure the agency's improvements by assessing corrective action taken on prior audit findings. The report on the audit of the agency's financial statements is due on November 17, 2008. In addition, the OIG will issue reports on:

- Special Purpose Financial Statements.
- Implementation of the Federal Managers' Financial Integrity Act.
- Condensed Financial Statements.

OBJECTIVES:

The audit objectives are to:

- Express opinions on the agency's financial statements and internal controls.
- Review compliance with applicable laws and regulations.
- Review the performance measures included in the agency's Performance and Accountability Report as required by Office of Management and Budget guidance.
- Review the controls in the NRC's computer systems that are significant to the financial statements.
- Assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, *Management's Responsibility for Internal Control*.

SCHEDULE:

Initiated in the 2nd quarter of FY 2008; scheduled to be completed in the 2nd quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

Audit of NRC's Warehouse Operations

DESCRIPTION AND JUSTIFICATION:

NRC policy requires the effective and efficient management of property, including sufficient controls to deter or prevent loss through fraud, waste, or misuse. NRC maintains two warehouses in separate locations from headquarters. These warehouses receive, store, and deliver property, equipment, and supplies needed for NRC operations. The primary type of property stored in the warehouse is systems furniture, used to construct office workstations. In addition, warehouse staff play a key role in the abandonment of excess property. As of July 2008, the warehouses contained approximately 15,000 pieces of property with an acquisition cost of approximately \$4.2 million.

OBJECTIVE:

The audit objective is to determine whether NRC has established and implemented an effective system of internal controls for maintaining accountability and control of warehouse property.

SCHEDULE:

Initiated in the 4th quarter of FY 2008; scheduled to be completed in the 2nd quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

Survey of NRC's Safety Culture and Climate

DESCRIPTION AND JUSTIFICATION:

OIG performed surveys in 1998, 2002, and 2006 that assessed the organizational safety culture and climate of the agency's workforce and identified agency strengths and opportunities for improvements. In response to the survey results, the agency evaluated the key areas for improvement and developed strategies for addressing them.

A clear understanding of NRC's current safety culture and climate will facilitate identification of agency strengths and opportunities as it meets significant challenges. These challenges include the 2008 surge in license applications for new commercial nuclear power reactors in the United States, disposal of high-level radioactive waste, and provision of adequate workspace and related facilities.

OBJECTIVES:

The survey objectives are to:

- Measure NRC's safety culture and climate to identify areas of strength and opportunities for improvement.
- Compare the results of this survey against the survey results that OIG reported previously.
- Provide, where practical, benchmarks for the qualitative and quantitative findings against other similar organizations.

SCHEDULE:

Initiated in the 4th quarter of FY 2008; scheduled to be completed in the 3rd quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

Audit of NRC's Management Controls Over the Placement and Monitoring of Work With Department of Energy Laboratories

DESCRIPTION AND JUSTIFICATION:

NRC obligated approximately \$67 million and \$65 million during FY 2007 and FY 2008 to-date (October 1, 2007, through August 4, 2008), respectively, for agreements with Department of Energy (DOE) laboratories. NRC Management Directive (MD) 11.7, *NRC Procedures for Placement of Work With the U.S. Department of Energy*, states, "It is the policy of the U.S. Nuclear Regulatory Commission that work placed with the U.S. Department of Energy be managed effectively."

The MD and associated handbook specify the interagency responsibilities, authorities, and procedures for placement and monitoring of work with DOE and its contractors. The objectives of MD 11.7 are to ensure (1) that procedures for negotiating and managing agreements with DOE are consistent with sound business practices and contracting principles; (2) uniform application of an agencywide standard of contract management for projects placed with DOE; and (3) that a framework exists for program management control, administration, monitoring, and closeout of projects placed with DOE.

This area was last reviewed in FY 1997. As a result of the workload associated with new reactors, the number of DOE lab agreements has increased.

OBJECTIVE:

The audit objective will be to determine whether NRC has established and implemented an effective system of internal control over the placement and monitoring of work with Department of Energy laboratories.

SCHEDULE:

Initiate in the 2nd quarter FY 2009.

STRATEGIC GOAL 3:

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

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

Audit of NRC's Telework Program

DESCRIPTION AND JUSTIFICATION:

Public Law 106-345, Section 359, states, "Each executive agency shall establish a policy under which employees of the agency may participate in telecommuting to the maximum extent possible without diminishing employee performance." Telework benefits employers and employees through reduced costs and increased productivity. Telework can also play a critical role in Continuity of Operations activities. Recent events have necessitated a need for Continuity of Operations planning. This planning is intended to ensure that essential functions can continue during and after a disaster. A social benefit is also gained from telework with the reduction of traffic and pollution. The agency expects to grow from about 3,600 employees in FY 2008 to more than 4,000 by FY 2010. This growth will place a premium on office space and equipment.

NRC has a Flexible Workplace Program (Flexiplace) that allows employees in eligible positions to apply for a fixed-schedule telework arrangement. Under Flexiplace, employees may work at home or at an offsite location, for up to 3 days per week, with the approval of their office director or regional administrator. Alternatively, employees can request to participate in the Flexiplace Program under a project-based schedule.

OBJECTIVES:

The audit objectives will be to determine:

- If NRC's telework program complies with relevant law and OPM guidance.
- The adequacy of internal controls associated with the telework program.
- NRC's readiness to have staff telework under emergency situations.

SCHEDULE:

Initiate in the 2nd quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

Audit of NRC's FY 2009 Financial Statements

DESCRIPTION AND JUSTIFICATION:

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit NRC's financial statements. OIG will measure the agency's improvements by assessing corrective action taken on prior audit findings. The report on the audit of the agency's financial statements is due on November 15, 2009. In addition, the OIG will issue reports on:

- Special Purpose Financial Statements.
- Implementation of the Federal Managers' Financial Integrity Act.
- Condensed Financial Statements.

OBJECTIVES:

The audit objectives will be to:

- Express opinions on the agency's financial statements and internal controls.
- Review compliance with applicable laws and regulations.
- Review the performance measures included in the agency's Performance and Accountability Report as required by Office of Management and Budget guidance.
- Review the controls in NRC's computer systems that are significant to the financial statements.
- Assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, Management's Responsibility for Internal Control.

SCHEDULE:

Initiate in the 3rd quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

External Quality Assurance Review of the Audit Function of the U.S. Corporation for National and Community Service

DESCRIPTION AND JUSTIFICATION:

In January 1986, the President's Council on Integrity and Efficiency (PCIE) adopted and published Quality Standards for Federal Offices of Inspector General. These standards covered the entire OIG organization of the Federal Government and were considered advisory in nature. In October 2003, the PCIE and the Executive Council on Integrity and Efficiency updated and adopted these quality standards for the management, operation, and conduct of the Federal Offices of Inspector General. Beginning with the 1988 edition, Government Auditing Standards required government audit organizations to have an appropriate internal quality control system in place and undergo an external quality assurance review. The 1988 amendments to the Inspector General Act of 1978 require that these external quality assurance reviews be performed exclusively by an audit entity of the Federal Government, including the Government Accountability Office or another OIG, every 3 years. The PCIE assigned the OIG at NRC the responsibility for performing an external quality assurance review of the audit function of the U.S. Corporation for National and Community Service in FY 2009.

OBJECTIVE:

The review objective will be to determine whether the internal control system is in place and operating effectively to provide reasonable assurance that established policies and procedures and applicable professional standards are being followed.

This audit is shown in the FY 2009 Annual Plan because it will impact OIG resources.

SCHEDULE:

Initiate in 3rd quarter of FY 2009.

STRATEGIC GOAL:

Not applicable because this is a review of another Government agency.

Audit of Electronic Submissions from Licensees

DESCRIPTION AND JUSTIFICATION:

NRC developed an enhancement to the existing software and procedures to facilitate the receipt and loading of combined license applications into the Agencywide Documents Management and Access System (ADAMS). This effort included working with an industry task force to ensure that the applications would be formatted consistently and that the submitters and NRC staff had a common understanding of how applications would be structured. The system has been used for applications for combined licenses (including major documents such as the final safety analysis reports, emergency plans, and environmental reports) and design certifications. Guidance on the electronic submittal of applications related to new reactors is provided in Chapter 8 of "Guidance for Electronic Submissions to the NRC," which is posted on NRC's public Web site.

Although the initiative appears generally successful, there have been some implementation issues and suggested improvements. The most notable problems identified have included (1) delays in processing applications because some files provided did not meet NRC expectations for loading into ADAMS, and (2) the means used to make the electronic versions of the applications available to the public (via NRC public Web site). Favorable comments have been received related to the ease of use (e.g., use of hyperlinks between major documents) and efficiencies gained from previous processing of paper applications.

OBJECTIVE:

The audit objective will be to evaluate NRC's use of electronic submissions in the Office of New Reactors and its applicability to other NRC's activities such as in the Office of Nuclear Reactor Regulation.

SCHEDULE:

Initiate in the 3rd quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

Audit of the Timeliness of NRC's Contract Award Process

DESCRIPTION AND JUSTIFICATION:

The Division of Contracts completed 1,579 procurement actions valued at \$162 million and 953 procurement actions valued at \$86 million during FY 2007 and FY 08 to date (October 1, 2007, through July 7, 2008), respectively. These figures include new contract awards, contract modifications, purchase orders, delivery orders, and task orders. Grants and interagency agreements are not included.

NRC MD 11.1, *NRC Acquisition of Supplies and Services*, states, "It is the policy of the U.S. Nuclear Regulatory Commission that the NRC's acquisition of supplies and services support the agency's mission; are planned, awarded, and administered efficiently and effectively; and are accomplished in accordance with applicable Federal statutes and procurement regulations." NRC acquisitions must adhere to the Federal Acquisition Regulation and the NRC Acquisition Regulation. The vision for the Federal acquisition process is to deliver on a timely basis the best value product or service to the customer, while maintaining the public's trust and fulfilling public policy objectives. The Federal acquisition process is intended, among other objectives, to satisfy the customer in terms of cost, quality, and timeliness of the delivered product or service.

OBJECTIVES:

The audit objectives will be to (1) determine the timeliness of NRC's contract award process and (2) identify any opportunities to make the process more efficient.

SCHEDULE:

Initiate in the 4th quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

Evaluation of NRC's Most Serious Management and Performance Challenges

DESCRIPTION AND JUSTIFICATION:

In January 2000, Congress enacted the *Reports Consolidation Act of 2000*, which requires Federal agencies to provide an annual report that would consolidate financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. Included in the act is a requirement that, on an annual basis, IGs summarize the most serious management and performance challenges facing their agencies. Additionally, the act provides that IGs assess their respective agency's efforts to address the challenges, compare and contrast the new management challenges listing with previous listings, and identify programs and performance areas that "have had questionable success in achieving results."

OBJECTIVES:

The evaluation objectives will be to:

- Assess the agency's efforts to address the management and performance challenges.
- Identify any related agency programs that have had questionable success in achieving results.

SCHEDULE:

Initiate in the 4th quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

Audit of Web-Based Licensing

DESCRIPTION AND JUSTIFICATION:

NRC is developing the Web-Based Licensing (WBL) system to manage information on licenses issued for radiological materials and sources. Along with the forthcoming National Source Tracking System and automated license verification programs, WBL is intended to improve accountability for potentially hazardous radiological materials. NRC initially planned to deploy WBL in 2005, but the program has experienced delays and the agency recently began soliciting new contract offers. Consequently, NRC does not expect the WBL system to be operational before the summer of 2010.

OBJECTIVE:

The audit objective is to evaluate NRC's management of the design, development, and implementation of the Web-Based Licensing system.

SCHEDULE:

Initiate in the 4th quarter of FY 2009.

STRATEGIC GOAL 3:

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

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

**INVESTIGATIONS –
PRIORITIES, OBJECTIVES,
AND INITIATIVES FOR FY 2009**

INTRODUCTION

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

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

This investigative plan was developed to focus OIG investigative priorities and use available resources most effectively. It provides strategies and planned investigative work for FY 2009 in conjunction with the OIG Strategic Plan and the *President's Management Agenda for Improving Government Performance*. The most serious management and performance challenges facing the NRC as identified by the Inspector General were also considered in the development of this plan.

PRIORITIES

The OIG will initiate approximately 70 investigations and Event/Special Inquiries in FY 2009. As in the past, reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority on OIG's use of available resources. Because NRC's mission is to protect the health and safety of the public, Investigations' main concentration of effort and resources will involve investigations of alleged NRC staff misconduct that could adversely impact on health and safety related matters.

OBJECTIVES

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

Safety and Security

- ◆ Investigate allegations that NRC employees improperly disclosed alleged (mainly licensee employees) identities and allegations, NRC employees improperly handled alleged concerns, and NRC failed to properly address retaliation issues involving licensee employees who raised health and safety concerns at nuclear power plants.
- ◆ Examine allegations that the NRC has not maintained an appropriate “arms length” distance from licensees, particularly in the inspection process.
- ◆ Investigate allegations that NRC employees released predecisional, proprietary, or official-use-only information to the nuclear industry that could have had an impact on nuclear power plant operations or interfered with litigation involving agency decisions.
- ◆ Investigate allegations that NRC employees had improper personal relationships with NRC licensees and where NRC employees violated Governmentwide ethics regulations concerning the solicitation of employment with NRC licensees.
- ◆ Interact with public interest groups, individual alleged, and industry workers to identify indications of lapses in NRC regulatory oversight that could create safety and security problems.
- ◆ Maintain close working relationships with members of NRC technical staff to facilitate the flow of information and concerns regarding possible nuclear safety and security issues.
- ◆ Conduct Event and Special Inquiries into specific events that indicate an apparent shortcoming in NRC’s regulatory oversight of the nuclear industry’s safety and security programs to determine the appropriateness of the staff’s actions to protect public health and safety.
- ◆ Proactively review and become knowledgeable in areas of NRC staff regulatory emphasis to identify emerging issues that may require future OIG involvement. Also provide real time OIG assessments of the appropriateness of NRC staff’s handling of contentious regulatory activities related to nuclear safety and security matters.
- ◆ Provide appropriate computer forensic and computer intrusion support to the NRC.

Corporate Management

- ◆ Attempt to detect possible wrongdoing perpetrated against NRC's procurement and contracting program by maintaining a close working relationship with the Office of Administration, Division of Contracts (DC). This will include periodic meetings between OIG and DC management officials and a fraud awareness presentation by OIG special agents to DC contract specialists, NRC project managers, NRC project officers, and other identified employees.
- ◆ Pursue aggressively investigations appropriate for Program Fraud Civil Remedies Act action, including abuses involving false reimbursement claims by employees and contractors.
- ◆ Coordinate with NRC property custodians and the Office of Administration, Division of Facilities and Security (DFS), in instances involving theft of computers and other agency equipment.
- ◆ Coordinate with DFS regarding accountability issues surrounding property purchased with NRC funds by a contractor or property furnished by the NRC to a contractor.
- ◆ Coordinate with the Office of the Chief Financial Officer in instances involving abuse of individual credit cards issued to agency employees as well as credit cards issued for the procurement of supplies and equipment.
- ◆ Coordinate with the OIG Audit Issue Area Monitors in an effort to identify areas or programs with indicators of possible fraud, waste, and abuse.
- ◆ Conduct fraud awareness and information presentations regarding the role of the NRC OIG to NRC employees.

OIG Hotline

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

Freedom of Information Act/Privacy Act

- ◆ Promptly process all requests for information received under the Freedom of Information Act. Coordinate as appropriate with the General Counsel to the IG and the Freedom of Information/Local Public Document Room Branch.

NRC Support

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

Liaison Program

- ◆ Maintain close working relationships with other law enforcement bodies, public interest groups, and the Congress. This will be accomplished through periodic meetings with AIGIs, pertinent congressional staff, public interest groups, and appropriate law enforcement organizations.
- ◆ Take an aggressive stand to protect NRC infrastructure against both internal and external computer intrusions by working in close coordination with staff within the Office of Information Services and NRC systems administrators. This will include developing and disseminating criminal intelligence to assist in protecting NRC computer systems and aggressively pursuing suspected cyber fraud cases.
- ◆ Maintain a viable regional liaison program to foster a closer working relationship with NRC regional offices.
- ◆ Establish and maintain NRC OIG active participation in OIG community fraud working groups, multiagency fraud task forces, and multiagency undercover operations where a nexus to NRC programs and operations has clearly been established.

INITIATIVES

OIG Investigations utilizes a case management system to increase productivity and improve the effectiveness and efficiency of the OIG investigations program. Investigations will upgrade the commercial-off-the-shelf software application to support its business processes. The system upgrade will provide enhanced, secure, and easy-to-use access to investigative data for staff and managers.

ALLOCATION OF RESOURCES

Investigations will undertake proactive initiatives where resources allow. Of the resources available for direct investigative activities, it is anticipated that approximately 85 percent will be spent on reactive investigations. The balance of investigative time will be allocated to proactive investigative efforts such as reviews of NRC contract files; examinations of NRC information technology systems to identify weaknesses or misuse by agency employees; participation in interagency task forces and working groups; reviews of delinquent Government credit card accounts; and other initiatives.

**LISTING OF ISSUE AREAS
AND DESIGNATED
ISSUE AREA MONITORS**

ISSUE AREAS AND DESIGNATED ISSUE AREA MONITORS

NUCLEAR SAFETY

NUCLEAR REACTOR SAFETY

Catherine Colleli
Eric Rivera
Tim Wilson

NUCLEAR MATERIALS SAFETY AND SAFEGUARDS

Sherri Miotla
Robert Woodward
Michael Zeitler

NUCLEAR WASTE SAFETY

Rebecca Ryan
RK Wild

SECURITY AND INFORMATION TECHNOLOGY

INFORMATION MANAGEMENT AND SECURITY

Paul Rades
Beth Serepca
Jaclyn Storch

NUCLEAR SECURITY

Terri Cooper
James McGaughey
Beth Serepca

CORPORATE MANAGEMENT

FINANCIAL AND ADMINISTRATIVE

Yvette Mabry
Michael Steinberg
Kathleen Stetson
Rebecca Underhill
Steven Zane

CONTRACTS AND PROCUREMENT

Kathleen Stetson
Rebecca Underhill
Steven Zane

HUMAN RESOURCES

Vicki Foster

INTERNATIONAL PROGRAMS

Andrea Ferkile

**LISTING OF ABBREVIATIONS
AND ACRONYMS**

ABBREVIATIONS AND ACRONYMS

ADAMS	Agencywide Documents Access and Management System
AIGI	Assistant Inspector General for Investigations
CFR	Code of Federal Regulations
CRGR	Committee to Review Generic Requirements
DCAA	Defense Contract Audit Agency
DC	Division of Contracts
DFS	Division of Facilities and Securities
DOE	U.S. Department of Energy
DOJ	U.S. Department of Justice
FISMA	Federal Information Security Management Act
FY	fiscal year
IAM	Issue Area Monitor
IG	Inspector General
ISFSI	Independent Spent Fuel Storage Installation
MC&A	Material Control and Accountability
MD	Management Directive
NMSS	Office of Nuclear Material Safety and Safeguards
NRC	U.S. Nuclear Regulatory Commission
NSIR	Office of Nuclear Security and Incident Response
OEP	Occupant Emergency Plan
OIG	Office of the Inspector General
OPM	U.S. Office of Personnel Management
PCIE	President's Council on Integrity and Efficiency
TTC	Technical Training Center
WBL	Web-Based Licensing