APPENDICES

Oconee Nuclear Station

INSPECTOR GENERAL'S ASSESSMENT OF THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING NRC

October 6, 2006

MEMORANDUM TO: Chairman Klein

FROM: Hubert T. Bell
Inspector General

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE MOST SERIOUS MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE NUCLEAR REGULATORY COMMISSION (OIG-07-A-01)

EXECUTIVE SUMMARY

Background

The Reports Consolidation Act of 2000 (the Act) requires the Inspector General (IG) of each Federal Agency to annually summarize what he or she considers to be the most serious management and performance challenges facing the Agency and to assess the Agency's progress in addressing those challenges.

Purpose

In accordance with the Act, the IG at the Nuclear Regulatory Commission (NRC) updated what he considers to be the most serious management and performance challenges facing NRC. As part of the evaluation, the Office of the Inspector General staff sought input from NRC's Chairman, Commissioners, and NRC management to obtain their views on what challenges the Agency is facing and what efforts the Agency has taken to address previously identified management challenges.

Results in Brief

The IG identified nine challenges that he considers are the most serious management and performance challenges facing NRC. The challenges identified represent critical areas or difficult tasks that warrant high-level management attention. Additionally, the IG identified one of the 2005 management challenges, *Intra-agency communication (up, down, and across organizational lines)*, to be removed. The chart that follows provides an overview of the nine most serious management and performance challenges as of September 30, 2006.

Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission as of September 30, 2006 *(As Identified by the Inspector General)*	
Challenge 1 Protection of nuclear material used for civilian purposes.	**Challenge 6** Administration of all aspects of financial management.
Challenge 2 Protection of information.	**Challenge 7** Communication with external stakeholders throughout NRC regulatory activities.
Challenge 3 Development and implementation of a risk-informed and performance-based regulatory approach.	**Challenge 8** Managing human capital.
Challenge 4 Ability to modify regulatory processes to meet a changing environment.	**Challenge 9** Ability to meet the demand for licensing new reactors.
Challenge 5 Implementation of information resources.	*The most serious management and performance challenges are not ranked in any order of importance.

Conclusion

Although the nine challenges identified in this report are distinct, they are also interdependent. The overarching challenge of managing human capital is the cornerstone to effectively addressing all other management and performance challenges. The Agency took considerable action to address one of the 2005 management challenges to justify its removal and has taken action regarding the management and performance challenges identified in this report.

However, continuing management attention and emphasis on the management and performance challenges is essential to achieving significant progress for each challenge.

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I. BACKGROUND

On January 24, 2000, Congress enacted the Reports Consolidation Act of 2000 (the Act), requiring Federal agencies to provide financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. The Act requires the Inspector General (IG) of each Federal agency to annually summarize what he or she considers to be the most serious management and performance challenges facing the Agency and to assess the Agency's progress in addressing those challenges.

II. PURPOSE

In accordance with the Act, the IG at the Nuclear Regulatory Commission (NRC) updated what he considers to be the most serious management and performance challenges facing NRC. The IG evaluated the overall work of the Office of the Inspector General (OIG), the OIG staff's general knowledge of Agency operations, and other relevant information to develop his list of management and performance challenges.

As part of the evaluation, OIG sought input from NRC's Chairman, Commissioners, and NRC management to obtain their views on what challenges the Agency is facing and what efforts the Agency has taken to address previously identified management challenges. Also, this report includes a listing of OIG audit and investigative reports issued during FY 2006 that address the challenges identified.

III. EVALUATION RESULTS

The NRC's mission is to "License and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment." Like other Federal agencies, NRC faces management and performance challenges in carrying out its mission.

Determination of Management and Performance Challenges

Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspectors General. As a result, the IG applied the following definition in identifying challenges:

Serious management and performance 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.

Based on the aforementioned definition and criteria, the IG revised his list of the most serious management and performance challenges facing NRC. The challenges identified represent critical areas or difficult tasks that warrant high-level management attention. The chart that follows provides an overview of the nine management challenges. The sections that follow provide more detailed descriptions of the challenges, descriptive examples related to the challenges, and examples of efforts the Agency has taken or are underway to address the challenges. The most serious management and performance challenges that follow are not ranked in any order of importance. Eight of the nine challenges are essentially the same as last year. However, this year the IG identified a new management and performance challenge titled: *Ability to meet the demand for licensing new reactors*. Additionally, the IG identified one 2005 management challenge, *Intra-agency communication (up, down, and across organizational lines)*, to be removed.

Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission as of September 30, 2006 *(As Identified by the Inspector General)*	
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Removal of 2005 Management Challenge 8: Intra-agency Communication

As a result of various actions taken by NRC to improve internal communications, last year's management challenge number 8, Intra-agency communication (up, down, and across organizational lines), was removed. The results of a 2005 survey of NRC employees, as reported in the NRC Safety Culture and Climate Survey Executive Summary 2005, illustrate that the Agency's commitment to internal communications has paid dividends. The Executive Summary noted that the staff's response to questions in the category of communication[1] showed the highest improvement of all categories over the 2002 survey results.

NRC's Strategic Plan stresses the importance of the role of internal communications in achieving the Agency's mission and goals. Accordingly, the Agency's Communications Council is actively involved in planning, coordinating, implementing, and improving NRC internal communications strategies. The main impetus of the Council is to address internal communication issues. The Council engages staff from around the Agency to assist with projects requiring multiple office input, coordination, and agreement.

During FY 2006, NRC continued to improve and maintain several mechanisms to enhance its internal communications. For example:

- the Executive Director for Operations (EDO) issues periodic electronic "EDO Updates" to NRC staff highlighting current events around the Agency.
- the NRC Reporter, an internal use only publication, is designed to communicate a quick overview of what's happening all over the Agency.

[1] Communication: The survey evaluated the availability of information about matters affecting the Agency, and information employees need to do their job. It also assessed the degree of openness that employees have with speaking up in the NRC; measured employees' understanding of the goals and objectives of their work unit, division, office/region, and NRC as a whole and the NRC Strategic Plan. In addition, employees' awareness of NRC's plans, performance, and mission were evaluated. This category also measured the effectiveness of various internal communication vehicles.

- NRC issues Announcements (formerly Network Announcements) to communicate information of major significance or interest to Agency employees, as well as urgent or time-sensitive information.
- NRC also issues Yellow Announcements to communicate new policies, practices, or procedures; to introduce changes in policy, senior staff assignments, or organization; or to address major agencywide events.

Also, NRC's Internal website provides employees with information on (1) different ways to address intra-agency concerns such as the Differing Professional Opinions Program, Discrimination Complaints, Employee Concerns Overview, and clarification of ethics in the workplace.

Finally, NRC continues to hold an annual "All Employees" meeting as a mechanism for direct two-way communication between the Commission and Agency staff. The Office of the Executive Director for Operations' internal webpage provides guidance to the staff, including guidance on communicating with the Commission.

While the Agency has taken considerable action that would justify the removal of the 2005 Management Challenge number 8, Intra-agency communication, assuring effective intra-agency communication remains critical to successfully carrying out the Agency's mission. Apart from the positive results of the 2005 Safety Culture Climate Study, the IG continues to see instances where the Agency has experienced difficulty in communicating across programs.

Continued focus on across-the-agency communications is needed to address this area. Therefore, although the IG removed this as one of the most serious management and performance challenges, OIG will continue to monitor this issue.

CHALLENGE 1

Protection of nuclear material used for civilian purposes.

NRC's Strategic Plan provides for "Excellence in regulating the safe and secure use and management of radioactive materials for the public good." NRC is authorized to grant licenses for the possession and use of radioactive materials (e.g., byproduct material[2], source material[3], and special nuclear material[4]) and establish regulations to govern the possession and use of those materials. NRC's regulations require that certain materials licensees have ex-

[2] Byproduct material – (1) Any radioactive material (except special nuclear material) yielded in or made radioactive by exposure to the radiation incident to the process of producing or using special nuclear material and (2) the tailings or wastes produced by the extraction or concentration of uranium or thorium from any ore processed primarily for its source material content. [Source: Atomic Energy Act of 1954, Section 11 (e)]

The Energy Policy Act of 2005 expanded the definition of byproduct material, as defined in Section 11(e) of the Atomic Energy Act, to include certain discrete sources of radium, certain accelerator-produced radioactive material, and certain discrete sources of naturally occurring radioactive material, placing these materials under NRC jurisdiction.

[3] Source material – Uranium or thorium or any combination thereof, in any physical or chemical form; or ores that contain by weight 0.05 percent or more of (1) uranium, (2) thorium, or (3) any combination thereof. Source material includes depleted uranium and natural uranium, but not "special nuclear material." [Source: Title 10 Code of Federal Regulations (CFR) Part 40.4]

[4] Special nuclear material – Plutonium, uranium-233, uranium enriched in the isotopes uranium-233 or uranium-235, and any other material which the Commission, pursuant to the provisions of Section 51 of the Atomic Energy Act of 1954, as amended, determines to be special nuclear material, but does not include source material; or any material artificially enriched by any of the foregoing, but does not include source material. [Source: Title 10 CFR Part 74.4]

tensive material control and accounting programs as a condition of their license. All other license applicants (including those requesting authorization to possess small quantities of special nuclear materials) must develop and implement plans that demonstrate a commitment to accurately control and account for radioactive materials.

One of NRC's and the nuclear industry's highest priorities must be ensuring adequate protection of public health and safety. Heightened sensitivity to the control of special nuclear materials warrants NRC's serious attention to its licensees' material control and accounting activities. Similarly, the control and accounting of licensed byproduct material also warrants attention. The challenges currently facing NRC in the area of protecting nuclear materials are to:

- Ensure adequate inspections to verify licensees' commitments to their material control and accounting programs;
- Ensure reliable accounting of special nuclear materials in the NRC and Department of Energy's jointly managed Nuclear Materials Management and Safeguards System (NMMSS); and
- Establish an effective system to ensure the accurate tracking for byproduct material, especially those with the greatest potential to impact public health and safety.

Special Nuclear Material

The Agency has made progress in improving the reliability of licensee-reported special nuclear material inventory balances recorded in the NMMSS, and has increased efforts to hold licensees accountable for the control and accounting of special nuclear material. NRC increased its oversight of the jointly managed system and required interim inspections to validate the accuracy of licensee-reported inventory data to NMMSS. However, the staff awaits final Commission endorsement on a proposed revised rule to address regulatory improvements to the NMMSS.

Byproduct Material

The NRC is developing a National Source Tracking System to improve accountability and tracking of byproduct material. The system is proposed as a cradle to grave tracking system of high risk sealed sources. It is intended to:

- improve accountability and control for nationally tracked sources;
- improve the understanding of the location of nationally tracked sources;
- improve regulatory efficiency;
- enhance NRC's ability to promote and maintain the public health and safety and common defense and security; and
- increase public confidence.

However, because the Agency did not consider all viable options in its analysis of the system, the National Source Tracking System may be inadequate. Specifically, the proposed tracking system may not account for all byproduct material that represents a risk to the common defense and security and public health and safety.

NRC implemented measures to improve the nation's security of radioactive material. For example, NRC issued advisories to byproduct material licensees that emphasized the importance of the security and control of licensed material. NRC also issued security-related

orders to the largest material licensees. These orders addressed potential vulnerabilities in the storage, transportation, and access of byproduct material among the licensees. In addition, NRC worked with the Department of Energy to facilitate recovery of selected orphaned sources.[5]

Related Office of the Inspector General Work

Audits

- Audit of NRC's Office of Nuclear Security and Incident Response
- Audit of the Development of the National Source Tracking System
- Audit of the NRC Byproduct Materials License Application and Review Process
- Audit of the Baseline Security and Safeguards Inspection Program
- Audit of NRC's Oversight of Agreement States' Licensing Actions

Investigations

- NRC's Oversight of Force-On-Force Program
- NRC's Handling of Preemption Matters
- NRC's Regulation of a Materials Licensee
- NRC Oversight of Licensee's Site Access Authorization Programs
- NRC Oversight of Research Test Reactors
- NRC's Oversight of Releases of Radioactive Material at the St. Lucie Nuclear Power Plant
- NRC's Regulatory Oversight of Gaseous Fire Extinguishing Systems
- Counterfeit NRC Licensing Documents
- NRC's Handling of Security Issues at Shearon Harris Plant

CHALLENGE 2

Protection of information.

NRC employees create and work on a significant amount of sensitive information that needs to be protected. Such information can be sensitive unclassified information or classified national security information contained in written documents and various electronic databases.

As a result of continuing terrorist activity worldwide, NRC continually reexamines its document control policies. NRC is faced with the challenge of attempting to balance the need to protect sensitive information from inappropriate disclosure against its goal of openness in its regulatory processes. Over the past year, NRC has made various efforts to protect sensitive information, including personal information, from inappropriate disclosure.

[5] Orphaned sources are those radioactive sources that become lost or abandoned and may wind up in nonnuclear facilities, such as scrap yards, steel mills, and municipal waste facilities.

Sensitive Unclassified Non-Safeguards Information

The Agency is revising a policy to ensure that sensitive unclassified non-safeguards information (SUNSI) is properly handled and marked, and adequately protected from unauthorized disclosure. SUNSI refers to any information that, if lost, modified inappropriately, or accessed by unauthorized individuals, could reasonably be foreseen to harm the:

- Public interest;
- Commercial or financial interests of the entity or individual to whom the information pertains;
- Conduct of NRC and Federal programs; and
- Personal privacy of individuals.

An initial SUNSI policy, that became effective in October 2005, required staff to determine which of seven categories best applied to documents generated within NRC and apply specific protective measures commensurate with the categorization.

In June 2006, however, the Commission disapproved the SUNSI policy. It imposed a simplified policy, including a two-tiered categorization that incorporates the existing seven SUNSI categories. The simplified two-tiered approach is intended only to be an interim process. A final policy will need to incorporate a December 16, 2005, Presidential Memorandum requiring the standardization of acquisition, access, retention, production, use, management, and sharing of sensitive but unclassified information across the Federal Government. In an e-mail to the OIG, one Commissioner acknowledged that the SUNSI policy needs to be reevaluated, and requested that it be included as an audit in the fiscal year 2007 OIG audit plan. OIG included this suggestion in the FY 2007 Annual Plan.

Security Inspection Report Information

Another challenge for NRC is the necessary restriction of public access to information from the security oversight program for nuclear power plants, fuel cycle facilities, and other licensed activities. Restricting public access to licensees' security performance information is necessary to protect the Nation from harm that could result if this information was misused by those with malevolent intentions. However, the staff has had difficulty achieving NRC's goal of openness with regard to sharing licensees' security performance information with the public due to this restriction.

The Commission took action to address this challenge in April 2006 when it made security inspection report cover letters publicly available. By reviewing these cover letters, members of the public can learn that an NRC inspection was conducted at a particular facility and whether any deficiencies were found.

Other Security-related Information

NRC will continue to face challenges regarding the protection of sensitive information in a post-9/11 environment. Agency initiatives undertaken to address this issue have resulted in some improvements. For example, the Agency used to develop and distribute security advisories outside of the Agency's established framework. Recognizing that these security advisories are a form of generic communications, the Agency now processes them through the Agency's formal Generic Communications Program. However, more needs to be done to ensure consistent understanding and implementation by staff tasked with the protection of information.

Computer Security

Computer security is the necessary protection afforded to an information system to preserve the integrity, availability, and confidentiality of the information system resources. These resources include hardware, software, firmware, information/data, and telecommunications.

The Veterans Administration found that a laptop containing social security numbers was stolen from an employee's home. As a result, heightened concern over protecting personal information emerged across the Federal Government. Other agencies have also revealed thefts of laptops. For example, in August 2006, the Department of Transportation disclosed that a laptop containing personally identifiable information on more than 130,000 people in the Miami region was stolen from an employee. Like other Federal agencies, NRC also faces the challenge of protecting personal information.

OIG examined NRC's practices regarding personal privacy information after it found such information, including social security numbers and dates of birth, on NRC network drives. NRC employees could have been at risk for identity fraud and the Agency may not have been in compliance with the Privacy Act.

In response to the OIG report, on July 26, 2006, NRC's Chairman requested that staff review Agency network drives to identify and remove any additional unnecessary personal privacy information required to be withheld. He also directed the staff to:

- Review the extent to which social security numbers and other personal privacy information are used for identification purposes or are required for Agency business;
- Determine the vulnerabilities that such use creates; and
- Identify actions to mitigate the vulnerabilities, to minimize the use of this information and to eliminate any unnecessary use.

In an August 25, 2006, EDO Update to the staff, the Executive Director for Operations reported on the following specific actions planned and underway to protect personally identifiable information (PII):

- Mandatory information systems security training for all staff starting in the fall of 2006;
- Prohibition on removing paper documents that contain PII from NRC premises, unless the PII has been redacted or an exception has been granted;
- Formation of an interoffice task force to evaluate NRC's business processes that use PII;
- Update of guidance documents and modification of computer systems and peripheral devices will be modified to better protect PII, and
- Installation of encryption capabilities on certain computers.

Completion of these activities is integral to addressing this management and performance challenge to protect information.

Related Office of the Inspector General Work

Audits

- Evaluation of NRC's Efforts to Protect Sensitive Information
- Audit of NRC's Integrated Personnel Security System

- Audit of NRC's Office of Nuclear Security and Incident Response
- Office of the Inspector General Computer Security Audit of the Technical Training Center, Chattanooga, TN
- Office of the Inspector General Computer Security Audit of Region I – King of Prussia, PA
- Office of the Inspector General Computer Security Audit of Region II – Atlanta, GA
- Office of the Inspector General Computer Security Audit of Region III – Lisle, IL
- Office of the Inspector General Computer Security Audit of Region IV – Arlington, TX
- Evaluation of NRC's Implementation of the Federal Information Security Management Act (FISMA) for Fiscal Year 2006
- Evaluation of Personal Privacy Information Found on NRC Network Drives
- Audit of NRC's Implementation of Homeland Security Presidential Directive – 12 (HSPD-12)
- Audit of NRC's Process for Releasing Commission Decision Documents

Investigations

- Computer Security Inadequacies in the Office of Nuclear Regulatory Research
- Possible Compromise of NRC Privacy Act Data by NRC Contractor
- Identity Theft by NRC Employee
- Possible Unauthorized Release of Pre-decisional Information
- Possible Inappropriate Release of Safeguards Information

CHALLENGE 3

Development and implementation of a risk-informed and performance-based regulatory approach.

NRC's intent is to increase its safety focus on licensing and oversight activities through the application of a balanced combination of experience, deterministic models, and probabilistic analysis. This approach is known as risk-informed and performance-based regulation. Incorporating risk analysis into regulatory decisions is intended to improve the regulatory process by focusing both NRC and licensee attention and activities on the areas of highest risk.

In interviews, former Chairman Diaz, a staunch proponent of risk-informed regulation, stated that NRC has "done well" in adopting a risk-informed approach. However, he believed that risk-informed and performance-based regulation should have progressed faster than it has. He also stated that "it seems like things slow down" due to "communication and implementation, rather than the principles."

Probabilistic Risk Assessment

One particular challenge NRC faces is the integration of probabilistic risk assessment (PRA) into regulatory decision-making. PRA has been used by industry and NRC since the 1970s. PRA represents a methodology that can be used to determine (1) what can happen, (2) what

is the likelihood, and (3) what are the consequences. NRC uses PRA in the regulatory process including licensing, rulemaking, the Reactor Oversight Process, and enforcement. The Commission has encouraged the use of PRA and its applications in all nuclear regulatory matters to the extent possible. This challenge reflects NRC's commitment to increase the use of PRA technology in all regulatory matters (1) to the extent supported by the state-of-the-art in PRA methods and data and (2) in a manner that complements the Agency's approach and philosophy. Implementation of this practice is expected to improve NRC's regulation of licensees.

In FY 2006, NRC initiated an effort to address the quality of PRAs and develop standard regulatory risk-informed activities. However, full implementation of PRA quality standards will take a number of years. In addition, application of PRA to NRC's non-reactor regulatory activities (e.g., nuclear materials regulation) lags behind application of PRA in regulating commercial nuclear power reactors.

Commercial Nuclear Power Reactors

NRC has made progress in implementing a risk-informed and performance-based approach at the Nation's 104 operating commercial nuclear power reactors. For example, the NRC Reactor Inspection Program and Reactor Performance Assessment Program are combined to implement the revised Reactor Oversight Process (ROP). An integral part of the ROP is the baseline inspection program that was developed using a risk-informed approach to determine a list of areas to inspect within seven established cornerstones of safety. The baseline inspection program is the minimum inspection oversight that should be conducted at each nuclear power plant.

Application of the risk-informed, performance-based approach in the baseline inspection program requires continual refinement. As a living program, the Agency dedicates resources to continually reassess and modify this program as necessary based on operating experience and industry performance. A recent ROP self-assessment recognized that regional inspection resources warrant a sizeable increase in full-time equivalents for FY 2007 and FY 2008. Potential short-falls in inspection resources pose a challenge to the Agency to ensure that the risk-informed, performance-based approach applied in the baseline inspection program is up-to-date and reflects lessons learned.

Nuclear Materials Strategic Arena

NRC is still working to develop and implement a risk-informed and performance-based approach to its nuclear materials strategic arena. For example in May 2003, the OIG noted that the Agency did not have a documented basis for the risk-informed approach to its oversight of licensees' material, control and accounting program. The OIG recommended that NRC document that basis. To address this recommendation, the Agency is developing a new rule related to the oversight of special nuclear materials. As part of its rulemaking plan, NRC staff committed to completing documentation of the basis of its risk-informed approach. The rulemaking process is continuing.

Additionally, NRC amended 10 CFR Part 70, *Domestic Licensing of Special Nuclear Material*, to achieve its objectives of applying a risk-informed and performance-based regulatory approach for certain fuel cycle facilities. While NRC has made progress on implementing 10 CFR Part 70 revisions, it still has not completed the work.

Related Office of the Inspector General Work

Audits

- Follow-up Audit of the Nuclear Regulatory Commission's Decommissioning Fund Program
- Evaluation of NRC's Use of Probabilistic Risk Assessment (PRA) in Regulating the Commercial Nuclear Power Industry
- Perspective on NRC's PRA Policy Statement
- Audit of NMSS' Procedures for Processing Inspection Guidance
- Audit of NRC's Oversight of Agreement States' Licensing Actions

CHALLENGE 4

Ability to modify regulatory processes to meet a changing environment.

NRC faces the challenge of maintaining its core regulatory programs while adapting to emerging changes in its regulatory environment. These changes are listed in NRC's Strategic Plan. One particular change in the environment is of such significance that the IG has isolated it as a separate challenge (see Challenge 9). That is, NRC must address a growing interest in licensing and constructing new nuclear power plants to meet the Nation's demand for energy production. The anticipated workload associated with gearing up to receive license applications for new reactors will strain NRC's current resources. Preparing for the anticipated strain on resources intensifies the challenges posed by other changes in NRC's regulatory environment. While responding to the emerging demands associated with regulating new reactors, NRC must also sustain the technical quality in carrying out its current regulatory responsibilities. In particular, NRC must be able to adapt to:

- Uncertainty in the expected number of applications for license renewals submitted to NRC by industry in response to the Nation's demand for energy production;
- A heightened public focus on license renewals resulting in contentious hearings;
- Uncertainty in the expected number of licensee requests to increase power levels;
- Increasing quantities of radioactive waste requiring interim or permanent disposal sites; and
- Delays and uncertainties related to NRC's receipt and review of a Department of Energy license application to construct a high-level waste repository at Yucca Mountain.

Reactor License Renewals

NRC's license renewal program is one of the major elements of its regulatory work. In accordance with the Atomic Energy Act, NRC approves and issues licenses for commercial nuclear power plants to operate for up to 40 years. 10 CFR Part 54, *Requirements for Renewal of Operating Licenses for Nuclear Power Plants*, allows these plants to be renewed upon expiration of their existing licenses. Issuance of a renewed license allows a license to be renewed for up to 20 years. NRC could receive approximately 25 to 30 additional applications to renew operating licenses over the next several years. Because the decision whether to seek a renewal is the responsibility of the nuclear power plant owner(s), anticipating the number of applications is a challenge to NRC. Recent Agency experience reflects industry's strong interest in license renewal.

Additionally, NRC will encounter challenges related to a heightened public interest in license renewals that may lead to more contentious hearings. Until 2006, it was unlikely for NRC to grant hearings on license renewals. In 2006, however, NRC granted the first two such hearings and the license renewal staff anticipates more.

Licensee Requests to Increase Power Levels

Licensees have been using power uprates since the 1970s as a way to increase the power output of their nuclear power plants. Many licensees have formally requested NRC approval to operate their plants at a higher power level than the level authorized in the original license. As of August 2006, the NRC approved 112 power uprate increases, and six are pending review. Over the next five years, NRC expects 23 additional requests, which may affect the ability of NRC staff to maintain established review schedules.

To address the increase in power uprate requests, NRC is continuing to develop process improvements based on lessons learned from completed reviews. The process improvements include more detailed analysis of specific technical issues and related efficiencies. Some of the technical issues include power uprate testing programs and reactor systems methods. Also, NRC has implemented more rigorous acceptance reviews for power uprate applications to improve the efficiency of the process.

High-Level Waste Disposal

According to the Nuclear Waste Policy Act, the Department of Energy has the responsibility to locate, design, build, and operate a repository for high-level nuclear waste. NRC has the responsibility to license and regulate this facility. Over the past several years, NRC has been preparing its review plan in anticipation of the Department of Energy tendering its license application for the construction of a permanent repository at Yucca Mountain in Nevada.

Recently, the Department of Energy announced plans to submit a license application to NRC by June 30, 2008, and to initiate repository operations in 2017. However, the date that the Department of Energy will submit its license application continues to change. As a result, NRC is faced with the challenge of being prepared to receive and review the application whenever it comes in.

Once NRC receives the application, the Agency has a congressionally mandated time frame of 3 years, with an optional year, to review the application and make its determination on the license.

NRC continues to prepare for receipt of the license application and is now focusing its efforts on pre-licensing activities. The Agency's ability to modify regulatory processes to meet a changing environment will continue to be a prominent challenge for NRC in FY 2007, as it relates to NRC's high-level waste program.

Related Office of the Inspector General Work

Audits

- Audit of NRC's Office of Nuclear Security and Incident Response
- Audit of the Development of the National Source Tracking System
- Audit of the NRC Byproduct Materials License Application and Review Process
- Audit of the NMSS' Procedures for Processing Inspection Guidance

CHALLENGE 5

Implementation of information resources.

Federal agencies' acquisition and implementation of information resources is crucial to (1) support critical mission-related operations and (2) provide more effective and cost-efficient Government services to the public. The necessary link of information technology to NRC's mission performance makes it important to have decision-making processes which ensure that funds are invested and managed to achieve high value outcomes at acceptable costs. NRC relies on a wide variety of information systems to help it fulfill its responsibilities and support its business flow. NRC continues to work towards obtaining a good return on these investments. In recent years, NRC has created large databases of publicly available information, including the High-Level Waste Meta System, the Licensing Support Network, the NRC website, and the Agencywide Documents Access and Management System (ADAMS) public reading room.

The following sections highlight NRC's efforts to strengthen and support the Agency's business needs using information technology strategies.

Information Security and Federal Information Security Management Act (FISMA) Compliance

NRC received a "D-" on its Federal computer security grade for 2005. The low grade primarily reflected that very few NRC system certifications and accreditations were current at the time the systems were reviewed for compliance with FISMA. The security certification and accreditation of information systems is integral to an agency's information security program and supports the risk management process required by FISMA. To ensure the Agency's systems have adequate security controls to protect information resources, NRC engaged a contractor to enhance Agencywide information systems security. The approximate $41 million contract was awarded on July 28, 2006, and will be in place for five years. In its 2006 FISMA evaluation report, OIG identified two significant deficiencies in NRC's information system security program. While progress is being made on strengthening the program, more actions are needed to correct identified weaknesses.

Homeland Security Presidential Directive 12 (HSPD-12)

On August 27, 2004, the President signed HSPD-12 requiring implementation of a mandatory governmentwide standard for secure and reliable forms of identification for Federal employees and contractors. It directed Government departments and agencies to require Federal employees and contractors to use identification that meets the standard to gain physical and logical access to Federal facilities and information systems. Subsequent Federal guidance split requirements into two parts. The first part required agencies to verify the identity of individuals applying for official Agency badges. The second part provided detailed specifications to support using a common identification standard for Federal employees and contractors.

On October 27, 2005, NRC implemented part one requirements in compliance with the Office of Management and Budget's (OMB) deadline. Implementation of the first part of the process did not require major adjustments to NRC's existing personnel security program. In

August 2006, OIG reviewed the Agency's efforts to date and found that while NRC implemented the first part in compliance with OMB's deadline, several improvements were needed.

The second part of the process involves issuing standard badges and acquiring the technology to integrate usage of the cards into Agency security practices. OMB established October 27, 2006, as the date that Federal agencies are to begin issuing badges compliant with the new standard. NRC recognizes that it will be a challenge to implement the requirements on a timely basis. It is considering approaches as to how to best implement these requirements and intends to meet the October 2006 deadline.

Microsoft Office Deployment

NRC is developing a plan to deploy Microsoft Office Professional software suite, including Word, Excel, Powerpoint, and Access to all Agency desktop computers. Microsoft Office products will become the Agency's standard within the coming year. During the implementation, Corel WordPerfect will remain the Agency's standard word processing format. Once MS Word has been installed agency wide and declared the new Agency standard, Corel WordPerfect will be available on desktop computers for up to one year. The EDO explained the Agency's position on this matter in an EDO Update, dated August 25, 2006. The change will need to involve training the staff to facilitate the transition to the use of the new software.

Agencywide Documents Access and Management System (ADAMS)

ADAMS is an information system that allows access to image and text documents that NRC has made public since November 1, 1999, as well as bibliographic records that NRC made public before November 1999. ADAMS permits full-text searching and enables users to view document images, download files, and print documents locally. The Office of Information Services is planning to update ADAMS and then replace it in 2010. This strategy consists of the following major activities necessitating end user involvement:

- Conducting an analysis of the features and capabilities of document management systems currently on the market with respect to Agency requirements;
- Improving the present system to the extent possible;
- Updating the existing system in a carefully planned manner to achieve a smooth transition; and
- Acquiring and implementing a replacement document management system by securing a suitable product at a reasonable cost.

This change will present a major challenge to NRC. ADAMS initial cost exceeded Agency estimates, took longer to become operational than anticipated, and initially failed to produce significant improvements in document management. The challenge will be to incorporate ADAMS previous lessons learned for an effective transition to a new system.

Related Office of the Inspector General Work

Audits

- Audit of NRC's Integrated Personnel Security System
- Audit of NRC's Implementation of Homeland Security Presidential Directive – 12 (HSPD-12)

CHALLENGE 6

Administration of all aspects of financial management.

Financial management challenges include—

- Preparation of financial statements in accordance with applicable requirements;
- Financial systems replacement;
- Sound budget formulation planning; and
- Efficient and effective procurement operations.

A brief discussion of these challenges follows.

Preparation of Financial Statements

For the fifth consecutive year, the NRC received the Certificate of Excellence in Accountability Reporting (CEAR Award) for the FY 2005 Performance and Accountability Report. The CEAR Program, sponsored by the Association of Government Accountants, was established in conjunction with the Chief Financial Officers Council and the OMB. Its goal is to improve financial and program accountability by streamlining reporting and improving the effectiveness of such reports.

NRC received an unqualified audit opinion on its FY 2005 financial statements. However, the Agency's independent auditors continued to characterize NRC's legacy Fee Billing System as a material weakness and as a Federal Financial Management Improvement Act substantial non-compliance. The lack of system functionality for the Agency's Fee Billing System, coupled with the age of the system, and a reliance on manual processes, is the underlying cause of the material weakness.

In FY 2005, the NRC implemented a number of internal control measures to mitigate the effects of the system deficiencies. Those measures include performing a license fee reconciliation, modifying the Fee Billing System to improve the functionality of the interfaces, expanding acceptance testing for software modifications, conducting an independent verification and validation of the software modifications, and separating the billing and reconciliation functions.

In FY 2006, the NRC conducted a comprehensive internal control assessment and identified additional internal control improvements. These include performing automated interface validation procedures, implementing an exception reporting process, expanding manual validation procedures to include a contract cost reconciliation, and performing statistical sampling to validate the billing of small material invoices.

While the Agency has made progress in developing a variety of quality control procedures, the challenge remains to mitigate known design and system risks of the legacy system and to assert to the completeness and reliability of the fee billing process.

Financial Systems Replacement Project

The financial systems replacement project, as currently planned, involves the replacement of the NRC's core accounting system (the Federal Financial System), the License Fee Billing System, and the Human Resources Management System.

NRC implemented the Federal Financial System as their core accounting system in October 1992. The National Business Center (NBC), Department of the Interior, hosts this system for the Agency. NBC notified all customer agencies in a March 30, 2006, letter, that the corporate owner of the system advised that the Federal Financial System is no longer compliant with Federal standards for financial management systems. Accordingly, any upgrades or enhancements to this system have been discontinued. Therefore, NBC will no longer provide services on the Federal Financial System effective October 1, 2010.

The License Fee Billing System is actually a combination of nine separate systems used to accomplish license fee billing. The systems that comprise the License Fee Billing System were developed piecemeal over many years to accomplish fee billing. The system software is outdated, requires too much manual intervention, and was not designed to include the internal control and data auditing features expected in contemporary financial applications.

The Agency is facing the challenge of replacing the Federal Financial System and the License Fee Billing System by creating a new organizational unit, the Financial Systems Development Staff. NRC determined that it would be more efficient to place replacement efforts under one modernization group that would focus exclusively on these important projects.

Budget Formulation

To accomplish the Agency's mission, NRC must maintain a long-range planning and budgeting process. The process must provide for adequate consideration of contingencies and changing priorities so that resources are assigned commensurate with program requirements. Overall, NRC faces the following challenges in planning the FY 2008 budget:

- **Planning for license applications for new reactors** - The projected number of license applications can, and has, changed. The assumption used in the FY 2008 budget is 13 license applications expected to be submitted during FY 2007 and FY 2008. However, uncertainties exist regarding whether some utilities may decide to accelerate or decelerate their applications.
- **Planning for receiving a license application for the high-level waste repository at Yucca Mountain** - In the Nuclear Materials and Waste Safety arena, uncertainties in timing and approach associated with the Department of Energy's plan for submitting a license application for the high-level waste repository at Yucca Mountain present a challenge for budget formulation. The assumption used in the FY 2008 budget is that the Department will submit the license application in June 2008 with NRC having 6 months to docket. However, the date that the Department will submit its license application continues to change, posing the challenge for NRC to be prepared to receive and review the application whenever it comes in.
- **Implementation of a new budget system** - NRC procured a vendor to integrate a new budget system and planned to test it with FY 2008 budget data in parallel with the existing process. However, because the new budget system requires "certification and accreditation," and has not been granted authorization to operate, NRC could not test it as planned. Consequently, the Agency must wait until the FY 2009 budget cycle to test the new system.

Procurement

NRC's procurement of goods and services must be made in accordance with Federal regulations and with an aim to achieve the best value for the Agency's dollars in a timely manner. Agency policy provides that the NRC's procurement of goods and services support the

Agency's mission and be planned, awarded, and administered efficiently and effectively. During FY 2005, the Division of Contracts (with 32 full-time employees) completed 1,849 procurement actions totaling $109.2 million. There are numerous challenges facing the Agency in the procurement area. Some of these challenges, as well as certain actions the Agency is taking to address them, are mentioned below:

- **Hiring and training new contract personnel** - In the past 15 months, the Division of Contracts hired 17 new employees, with 3 additional staff expected to start in the upcoming fiscal year. The new staff will require training on NRC regulations and procedures to become productive team members. Accordingly, the Division of Contracts has developed a list of training topics for presentation to new employees.
- **Keeping current with changes to the Federal Acquisition Regulation (FAR)** - Employees new to the Division of Contracts will receive training on FAR as part of the training presentations described above. However, existing employees may not have had FAR training recently and may not be aware of changes. A Division of Contracts staff member has been identified to monitor the revisions to the FAR by the Civilian Acquisition Council and to keep the other Division of Contracts staff informed of those changes.
- **Obtaining contract audit services** - The Division of Contracts continues to coordinate with OIG to obtain needed contract audits. This includes audits of contracts that are complete and in closeout status, active contracts with significant dollars expended, as well as pre-award audits on proposed contracts.
- **Closing expired contracts and deobligating excess funds** – The FAR promulgates time standards by which contracts should be closed out and money deobligated. The Agency has made progress in closing out its old expired contracts, thereby deobligating excess funds and making those funds available for other Agency priorities. During FY 2006, the Agency closed 87 old expired contracts and deobligated the excess funds to make those funds available for other Agency priorities.

Related Office of the Inspector General Work

Audits

- Results of the Audit of the United States Nuclear Regulatory Commission's Financial Statements for Fiscal Years 2005 and 2004
- Independent Auditors' Report on the U.S. Nuclear Regulatory Commission's Special-Purpose Financial Statements as of September 30, 2005, and 2004, for Years then Ended
- Independent Accountant's Report on the Application of Agreed-Upon Procedures on the Closing Package Intragovernmental Activity and Balances as of September 30, 2005
- Review of NRC's Implementation of the Federal Managers' Financial Integrity Act for Fiscal Year 2005

Investigations

- Failure to Report Contractor Payment Error to OIG Auditors
- Review of Court Reporting Services Contract Organizational Conflict of Interest by NRC Contractor
- Review of NRC's Oversight of the Management of the Parking Garage Contract
- False Claim by NRC Licensee of Small Business Status

- Review of NRC's Workers' Compensation Program
- Possible Improper Worker's Compensation Claim
- Adequacy of Controls by Office of Nuclear Regulatory Research Managers of Research Expenditures
- Review of NRC's Management of the Small Disadvantaged Business Program

CHALLENGE 7

Communication with external stakeholders throughout NRC regulatory activities.

The NRC has stated that nuclear regulation is the public's business and, therefore, it should be transacted in an open and candid manner in order to maintain the public's confidence. The continuing challenge for management is to ensure that there are effective ways of communicating with and obtaining information from external stakeholders (e.g., public meetings, workshops). Effective communication is vital and can have a significant impact on the Agency achieving its goals.

NRC established a strategic goal to ensure openness. That goal expressly recognizes that the public must be informed about, and have a reasonable opportunity to participate in, the regulatory processes. NRC states that public involvement in, and information about, its activities is the cornerstone of strong, fair regulation of the nuclear industry. The Agency has long acknowledged the public's interest in the regulation of nuclear activities, and therefore, provides opportunities for citizens to be heard.

Due to the nature of its business, the Agency needs to interact with a diverse group of external stakeholders (e.g., the Congress, general public, other Federal agencies, and various industry and citizen groups) with clear, accurate, and timely information about NRC's regulatory activities.

The Agency enhanced its outreach to better involve external stakeholders in NRC's business in several ways. The Agency responded to an extraordinary high number of stakeholder requests for more information and to numerous Congressional inquiries. The Agency also conducted extensive interviews with the media and meetings with residents of local communities and state and local government officials to discuss new initiatives, reported events, and other significant regulatory activities. For instance:

- NRC encourages public participation and comments applicable to new reactor licensing activities through open meetings, commission meetings, advisory committee meetings, and other opportunities open to the public.
- Public meetings between NRC's technical staff and applicants or licensees are open for interested members of the public to attend. In this case, members of the public attend in accordance with the "Commission Policy Statement on Staff Meetings Open to the Public."

Compliance with the Freedom of Information Act

In this post-9/11 environment, NRC continues to face challenges with determining an appropriate balance between its strategic goal of openness and the need to protect sensitive

information. The Agency has traditionally committed to the principles of openness, fairness and due process. In addition, the Freedom of Information Act requires Federal agencies to make information available to the general public by request or through automatic disclosure of certain types of information. Although the Agency has a process for handling Freedom of Information Act requests from external stakeholders, OIG found weaknesses in the Agency's internal controls needed to ensure compliance with requirements to automatically disclose information to the public. The Agency faces the challenge to reconcile its position regarding public release of information.

Related Office of the Inspector General Work

Audits

- Audit of NRC's Controls Over Video News Release
- Audit of NRC's Process for Releasing Commission Decision Documents

Investigations

- NRC's Handling of Preemption Matters

CHALLENGE 8

Managing human capital.

NRC's ability to successfully execute activities in support of its mission depends on a highly skilled and experienced workforce. NRC continues to be challenged by growth in new work at a time when senior experts are increasingly eligible to retire. Over the next 5 years, NRC expects a substantial increase in work related to:

- New reactor licensing applications;
- The Department of Energy's license application for the Yucca Mountain high-level waste repository;
- Industry applications to increase the number of fuel cycle production facilities; and
- Potential NRC involvement in the Global Nuclear Energy Partnership.

To mitigate the impact of these challenges, the Agency:

- Established a Human Capital Council to find, attract, and retain staff who possess critical skills;
- Continued implementation of a space optimization plan;
- Implemented human capital provisions of the Energy Policy Act of 2005;
- Identified staffing/training and development needs;
- Moved forward with knowledge management strategies; and
- Monitored the attrition rate.

Human Capital Council

In July 2006, the EDO established the Human Capital Council. The Council's goal is to provide an agency-level forum for the formulation of strategies to address human capital

challenges, share best practices, and develop an integrated approach to address human capital issues.

Space Planning and Management

The Agency is working to address the challenge of ensuring that enough workstations are available to keep pace with continued growth in headquarters hiring. NRC continues to implement its space optimization initiative to create additional workstations throughout the White Flint Complex, including temporary construction of workstations in conference rooms and restricting additional onsite contractors. The plan includes moving the Professional Development Center offsite to Bethesda, Maryland, which will allow for the construction of additional workstations. NRC's Document Processing Center contractor will be relocated within Headquarters which will also create space for additional workstations for staff use.

In order to meet NRC's growth needs, additional office space has been selected. The site has undergone a complete renovation during which the building infrastructure was replaced. Some NRC staff is projected to move into the new building during January 2007. Finally, the Agency is working with the General Services Administration to pursue the acquisition of additional headquarters office space to meet NRC's near-term and long-term requirements. For the foreseeable future, ensuring that adequate office space is available for all new employees will be a significant challenge for the Agency.

Energy Policy Act of 2005

The Energy Policy Act of 2005 includes human capital provisions that will assist the Agency in increasing its workforce and assuring that its workforce has the knowledge and skills necessary to prepare for anticipated new reactor license applications. The Agency is implementing a provision that authorizes it to pay Federal retirees, who are hired as consultants, their full salary without pension offset. This provision applies to positions for which there is exceptional difficulty in recruiting or retaining qualified employees. It is currently being used to accomplish different agency tasks and to recover critical skills and transfer critical knowledge.

Staffing/Training and Development

NRC needs a results-oriented workforce with the requisite talents, multidisciplinary knowledge, and current skills to ensure that it is equipped to accomplish its mission and achieve its goals. Acquiring and retaining a workforce with the appropriate knowledge and skills demands that NRC improve its recruiting, training, development, and retention approaches so that the Agency can compete for and retain talented people.

Also, NRC faces a challenge to continually identify emerging critical skill needs, sustain hiring momentum into the future, and retain personnel as the industry staffs up for new plant construction. The Agency expects to hire approximately 1,300 new employees between FYs 2006 and 2009. During the same time period, NRC anticipates providing technical training for approximately 11,523 students. NRC's ability to effectively review and license the new generation of commercial nuclear reactors will depend significantly on how well employees are trained and developed into effective reviewers and regulators at the staff and senior management level. Ongoing agency programs such as the Nuclear Safety Professional Development Program and Graduate Fellowship Program help to train staff to carry-out the Agency's mission and functions.

Knowledge Management

Knowledge management involves capturing critical information and making the right information available to the right people at the right time. It is a part of the strategic management of human capital. Knowledge management is a critical strategy for assuring that knowledge and experience of the current staff is passed onto the next generation of NRC staff. The issue of knowledge leaving the Agency as a result of departing and retiring personnel and within-agency promotions represents a significant challenge. NRC's Office of Human Resources continues to work with NRC offices and regions to identify and add useful information to its recently developed knowledge management website. Continuing attention is needed to explore innovative methods to capture and transfer key knowledge held by Agency employees.

Monitoring of Attrition Rate

NRC monitors its voluntary attrition rate, including retirements, which has historically been below six percent. Close monitoring is critical because it is possible that NRC's attrition rate could increase as nuclear industry competition for skilled employees increases and as older staff members retire. As of August 30, 2006, there were approximately 3,200 NRC staff at the Agency, the highest total since 1993. In spite of the accelerated hiring efforts, NRC faces the difficult challenge of replacing key senior staffers who retire or leave the Agency. For example, during the first seven months of 2006, of the 19 Office of Nuclear Reactor Regulation staff who either retired or left the Agency, seven were considered senior staffers. The Agency's continued monitoring of the attrition rate is necessary to identify any unusual upward trends and to take prompt action to build and maintain a strong retention culture.

Related Office of the Inspector General Work

Audits

- 2005 NRC's Safety Culture and Climate Survey

CHALLENGE 9

Ability to meet the demand for licensing new reactors.

There is a growing list of United States utilities (licensees) that are considering new nuclear power plant construction in the Nation. These licensees intend to submit various applications including those for early site permits, combined licenses, and design certifications. NRC's licensing process is outlined in 10 CFR Part 52, Early Site Permits; Standard Design Certifications; and Combined Licenses for Nuclear Power Plants (Part 52). The Combined Operating Licenses (COLs) for nuclear power facilities involve the issuance of a combined construction permit and a conditional operating license for a nuclear power facility. NRC is involved in several significant activities to ensure that it is prepared to review the first of these COL applications which is expected in 2007-2008. Some of these activities include:

- Reviewing industry's guidelines for a COL application;
- Determining what actions are necessary to prepare for receipt of a COL application;

- Assessing rulemaking activities for the licensing process;
- Reviewing Early Site Permits applications; and
- Developing a Multi-National Design Approval program with international regulators that will take advantage of worldwide nuclear safety, licensing and operating experience.

The NRC has already certified some new reactor designs under the new Part 52 licensing process. Under this approach, NRC pre-approves or certifies new reactor designs and allows licensees' to apply for an Early Site Permit and/or a COL using one of the pre-approved designs. Also, NRC intends to apply a Design-Centered-Approach to facilitate effective, efficient, and timely review of multiple COL applications. This approach streamlines and shortens the NRC review process.

Although the Part 52 application process has advantages for both NRC and the nuclear industry, it nevertheless represents a significant challenge through the increased workload and pressure on the Agency to create the infrastructure necessary to support review of new plant licensing applications.

As NRC enters a new era of reactor regulation, it faces many challenges. In addition to ongoing license renewal activities, the Agency will face the first round of new reactor applications since 1978. NRC estimates that it may receive 20 or more applications in the coming years, and believes that upward of 450 new staff positions will be needed to meet this need.

Coinciding with the dramatic increase in regulatory responsibilities will be the retirement of many senior staff that has experience licensing reactors from the 1960s, 1970s, and 1980s. The Agency's ability to effectively review and license the new generation of commercial nuclear reactors will depend significantly on how well employees, new to the process, are trained and developed into effective reviewers and regulators at the staff and senior management level. Furthermore, construction oversight of future plants would be equally or more challenging.

The review of new applications involving new reactor technologies, a new licensing process, and new untested staff in this realm necessitates a strong control process to ensure the Agency meets its review and licensing objectives. Specific challenges include:

- **Project Management** – Effective technical and communications skills are essential to being the focal point (project manager) of NRC and licensee interactions.
- **Construction Inspection Oversight** – NRC must reinstitute this program after being dormant for many years.
- **Technical Review Process** – NRC must have a defined process for ensuring that all requisite technical reviews are conducted, documented and approved.
- **Standard Review Plan** – As with the previous generation of reactors, NRC must have a comprehensive Standard Review Plan for examining a license application. Additionally, consistent implementation is vital.
- **Safety Evaluation Reports** – The Agency needs a solid process for compiling its regulatory examination into a Safety Evaluation Report. This report reflects the Agency's conclusion about a plant's ability to operate safety. It is vital that such conclusions be documented and approved.

Finally, in a September 28, 2006, letter, Congress raised concern that, in preparing for additional COLs, NRC is presented with organizational, management and resource challenges.

CONCLUSION

Although the nine challenges identified in this report are distinct, they are also interdependent. The overarching challenge of managing human capital is the cornerstone to effectively addressing all other management and performance challenges.

One of the OIG's strategic goals is to improve the economy, efficiency, and effectiveness of NRC corporate management. The Inspector General's identification of the most serious management and performance challenges facing the Agency and the OIG's commitment to ensuring the integrity of NRC programs and operations help achieve this goal. The Agency continues to take action in response to the management and performance challenges identified. In particular, the Agency sufficiently addressed one of the 2005 management challenges to result in its removal. However, continuing management attention and emphasis on the management and performance challenges is essential to achieving significant progress for each challenge.

Attachment A

SCOPE AND METHODOLOGY

The scope of this evaluation involved the Inspector General's annual assessment of the most serious management and performance challenges facing the Nuclear Regulatory Commission. The challenges represent critical areas or difficult tasks that warrant high-level management attention. To accomplish this work, the Office of the Inspector General (OIG) focused on determining (1) the current challenges, (2) the Agency's efforts to address the challenges, and (3) what remains to be done.

The OIG reviewed and analyzed pertinent laws and authoritative guidance. In addition, OIG conducted interviews with Agency officials to identify current performance and management challenges and the steps taken by the Agency to address these challenges through planning and in daily operations. Since challenges affect mission critical areas or programs that have the potential to impact Agency operations or strategic goals, NRC Commission members, the EDO and CFO were afforded the opportunity to share any information on this subject.

OIG conducted this evaluation from July through September 2006. The major contributors to this report were Steven Zane, Team Leader, Beth Serepca, Team Leader, Anthony Lipuma, Team Leader, Debra Lipkey, Audit Manager, and Michael Steinberg, Senior Auditor.

MANAGEMENT DECISIONS AND FINAL ACTIONS ON OIG AUDIT RECOMMENDATIONS

The agency has established and continues to maintain an excellent record in resolving and implementing audit recommendations presented in OIG reports. Section 5(b) of the Inspector General Act of 1978, as amended, requires agencies to report on final actions taken on OIG audit recommendations. The following table gives the dollar value of disallowed costs determined through contract audits conducted by the Defense Contract Audit Agency and NRC's Office of the Inspector General. Because of the sensitivity of contractual negotiations, details of these contract audits are not furnished as part of this report. As of September 30, 2006, there were no outstanding audits recommending that funds be put to better use.

MANAGEMENT REPORT ON OFFICE OF THE INSPECTOR GENERAL AUDITS WITH DISALLOWED COSTS

For the period October 1, 2005-September 30, 2006

Category	Number of Audit Reports	Questioned Costs	Unsupported Costs
1. Audit reports with management decisions on which final action had not been taken at the beginning of this reporting period.	1	$5,114	0
2. Audit reports on which management decisions were made during this period.	1	$5,114	0
3. Audit reports on which final action was taken during this report period.			
(i) Disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise.	1	$5,114	0
(ii) Disallowed costs that were written off by management.	0	0	0
4. Reports for which no final action had been taken by the end of the reporting period.	0	0	0

Management Decisions Not Implemented within One Year

Management decisions were made before October 1, 2005 for the OIG audit reports listed in the following tables. As of September 30, 2006, NRC did not take final action on some issues. Completion of the activities listed as "Actions Pending" will complete agency action on the listed OIG audit and evaluation recommendations.

NRC's License Fee Development Process Needs Improvement (OIG/99A-01) **December 14, 1999**

This audit was conducted to determine if the overall fee development process complied with pertinent laws and regulations, and if the management controls over this function were adequate. The audit found weaknesses in the methodologies NRC uses to develop annual and user fees for licensees.

Open Recommendations*	Actions Pending
2. Reevaluate the hourly rate calculation methodology so that the rates NRC develops include the full-cost concept as embodied in Office of Management and Budget Circular A-25, *User Charges*, and Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Standards*. The reassessment should: a. define and identify generic costs and explain how to treat such costs; c. use actual billing and cost data to develop and refine future rate calculations.	The staff developed procedures to calculate hourly rates using actual cost data from the cost accounting system and compared the results to hourly rates developed using budget data from the same fiscal year, for purposes of incorporating any lessons learned into the budget formulation process. Because the hourly rates established under 10 CFR Part 170 are based on budget data, any changes in the budget resulting from this analysis will be reflected in future Part 170 rates. The staff utilized the procedures to calculate hourly rates using FY 2005 cost data and compared the results to hourly rates developed using FY 2005 budget data, and also developed documentation on how the comparison of costs to the budget has, and will be, used to inform the budget. This documentation has been provided to the OIG. The recommendation remains in a resolved status and closure is pending a favorable finding during OIG's audit of NRC's FY 2007 financial statements.

Special Evaluation of the Role and Structure of NRC's Executive Council (OIG-00-E-09) **August 31, 2000**

This evaluation was conducted to determine whether the NRC's Executive Council (EC)–a body composed of three equal NRC individuals reporting directly to the Chairman, i.e., the Executive Director for Operations (EDO), the Chief Financial Officer (CFO), and the Chief Information Officer (CIO)–was operating in accordance with applicable laws and could effectively and efficiently facilitate NRC's mission given its role and structure. The review concluded that while the reporting lines for the EDO, CIO, and CFO were consistent with applicable laws, the EC was not operating in accordance with internal guidance or meeting expectations, and that its structure impaired its ability to facilitate the agency's mission. The OIG recommended that the Chairman/ Commission consider alternative management strategies regarding the EC's structure and the alignment of the EDO, CIO, and CFO, which ultimately resulted in the Commission's decision to eliminate the EC.

Open Recommendations*	Actions Pending
1. Update NRC's management directives to reflect the responsibilities and alignment of the EDO, CIO and CFO.	After the Commission's decision to eliminate the EC, the OIG recommended that NRC's management directives (MDs) and communication mechanisms be updated to reflect the responsibilities and alignment of the EDO, CFO, and CIO. All management directives that required revision to reflect the elimination of the EC have been issued or superceded. Information on completion of this recommendation will be forwarded to the OIG for review in early FY 2007 for a determination on closure.
2. Establish a mechanism to ensure that the necessary communication between the CIO and CFO, as required by OMB guidance, can occur if the EC is eliminated. Furthermore, current EC responsibilities related to the capital planning and investment control (CPIC) process would need redefinition.	Following the elimination of the EC, the CIO was aligned to report to the EDO, although the CFO still reports to the Chairman. Many means are used to ensure the necessary communications between the CIO and CFO. Information on completion of this recommendation will be forwarded to the OIG for review in early FY 2007 for a determination on closure.

*Open recommendations are numbered according to the respective OIG audit.

Government Performance and Results Act: Review of the FY 1999 Performance Report (OIG-01-A-03) **February 23, 2001**

This audit was conducted at the request of the Chairman of the Senate Committee on Governmental Affairs to determine if NRC's FY 1999 performance data was valid and reliable and if the FY 2000 performance data would be more valid and reliable. The audit found that while NRC was improving and strengthening its performance reporting process, management control procedures required to produce valid and reliable data needed to be put in place as interim policy guidance and then institutionalized in an NRC management directive.

Open Recommendations*	Actions Pending
1. Develop an NRC management directive (MD) to provide the management controls needed to ensure that NRC produces credible Government Performance and Results Act (GPRA) documents. 3. Include guidance on reporting unmet goals in both the management directive and the interim policy guidance on implementing GPRA initiatives.	Interim guidance for performance management and reporting performance information was issued in July 2001. In July 2002, a new MD and Handbook 4.8, *Performance Measurements*, was issued for intra-agency review and comment. It was subsequently decided that performance measurement should be addressed in the broader context of budget and performance integration. Therefore, new MD 4.8 is being incorporated into a revision of MD and Handbook 4.7, which will be entitled *Planning, Budgeting, and Performance Management*. Revised MD 4.7 will clarify the roles and responsibilities in setting the Agency's strategic direction, determining planned activities and resources, measuring and monitoring performance, and assessing performance. The revised management directive and handbook is expected to be finalized and issued by May 2007.

Review of the Agencywide Documents Access and Management System (OIG-02-A-12) **June 12, 2002**

This audit was conducted to determine how effectively NRC carried out the Chairman's request for an assessment of the effectiveness and efficiency of the Agencywide Documents Access and Management System (ADAMS), the electronic system that maintains official NRC records, and to assess what additional NRC actions are required to make ADAMS successful. The audit found that NRC needed to improve ADAMS management controls.

Open Recommendations*	Actions Pending
1. Finalize and issue Management Directive (MD) 2.5, *Application Systems Life-Cycle Management* and Handbook 2.5, *System Development and Life-Cycle Management Methodology*.	Draft MD 2.8, *Project Management Methodology*– superceding MD 2.1, *Information Technology Architecture*, MD 2.2, *Capital Planning and Investment Control*, and previously issued draft MD 2.5–is in Agency concurrence and will be issued during FY 2007 after the Chairman's approval. In the interim, the Executive Director for Operations issued draft MD 2.8 as interim staff guidance. OIG's review of NRC actions taken and closure was pending at the time of the FY 2006 Performance and Accountability Report's issuance.

*Open recommendations are numbered according to the respective OIG audit.

Review of NRC's Handling and Marking of Sensitive Unclassified Information (OIG-03-A-01) **October 25, 2002**

This audit was conducted to assess NRC's program for the handling, marking, and protection of Official Use Only (OUO) information, a category of sensitive unclassified information. The audit found that NRC's program and guidance for the handling and marking of sensitive unclassified information may not adequately protect OUO information from inadvertent public disclosure and that training on handling and protecting sensitive unclassified information is not provided to all NRC employees and contractors on a regular basis.

Open Recommendations*	Actions Pending
1. Update the guidance for OUO documents to require clear identification of sensitive unclassified information to prevent its inadvertent disclosure. 2. Mandate consistent use of defined markings on documents containing OUO information and clarify the markings that should be used on sensitive unclassified information.	Agency corrective actions require issuance of a revised management directive (MD) covering sensitive unclassified, non-safeguards information (SUNSI) and a new MD covering safeguards information (SGI). It is expected that the new MD on SGI will be issued by the end of 2006. With respect to SUNSI, the staff is developing a proposed policy, which is scheduled to be provided to the Commission for review and approval by the end of June 2007. Following receipt of the Commission's guidance on the proposed policy, the staff will develop the revised MD on SUNSI, which is expected to be issued by the end of 2008.

Use of Electronic Mail at NRC (OIG-03-A-11) **March 21, 2003**

This audit was conducted to determine whether NRC has an adequate process for ensuring that appropriate items of electronic mail (e-mail) correspondence become official agency records, adequate policies and procedures covering the use of its e-mail system, and employee and contractor use of the e-mail system is consistent with agency policy. The audit found that adequate controls for ensuring that appropriate e-mail records become official Agency records have not been implemented, and while NRC employees generally use the e-mail system for official business or limited personal use in accordance with Agency policy, contractors do not follow the more stringent e-mail usage policy applicable to them.

Open Recommendations*	Actions Pending
1. Revise Management Directive and Handbook 3.53, *NRC Records Management Program*, to include current information about capturing e-mail records in the Agencywide Documents Access and Management System (ADAMS).	The revised management directive and handbook is in process for final Agency approval and is expected to be finalized and issued in early 2007.

*Open recommendations are numbered according to the respective OIG audit.

Audit of NRC's Regulatory Oversight of Special Nuclear Materials (OIG-03-A-15) **June 3, 2003**

This audit was conducted to determine whether NRC adequately ensures its licensees control and account for special nuclear material (SNM). The audit found that NRC's current levels of oversight of licensees' material control and accounting (MC&A) activities do not provide adequate assurance that all licensees properly control and account for SNM in that NRC performs only limited inspections of licensees' MC&A activities and cannot assure the reliability of data in the Nuclear Materials Management and Safeguards System, which is a computer database managed by the U.S. Department of Energy and jointly used with NRC as the national system for tracking certain private- and Government-owned nuclear materials.

Open Recommendations*	Actions Pending
1. Conduct periodic inspections to verify that material licensees comply with MC&A requirements, including but not limited to visual inspections of licensees' SNM inventories and validation of report information.	NRC expects to issue a proposed rule in 2008, with issuance of the final rule in 2009, to make enhancements to MC&A regulations, inspections, and licensing process. The work on this rulemaking will include documentation of the technical basis for risk-informing the MC&A program and how it will be applied to the program. By December 2009, NRC expects to have determined inspection resources and frequencies for MC&A inspections for SNM.
3. Document the basis of the approach used to risk-inform NRC's oversight of MC&A activities for all types of materials licensees.	
4. Revise NRC regulations to require licensees authorized to possess SNM, and not currently required to do so, to conduct annual inventories and submit an annual Material Status Report or Physical Inventory Summary Report to NRC.	NRC expects to issue a proposed rule in early 2007, with issuance of the final rule in early 2008, to require all licensees possessing 1 gram or more of SNM to submit a completed Material Status Report and Physical Inventory Listing to NRC annually.

Audit of NRC's Fiscal Year 2003 Financial Statements (OIG-04-A-03) **December 17, 2003**

This audit was conducted as required by the Chief Financial Officers Act of 1990. The audit resulted in an unqualified opinion on the FY 2003 financial statement, a conclusion that NRC management's assertion about the effectiveness of internal controls was fairly stated, and identification of three new reportable conditions. The audit identified one prior-year reportable condition that remains resolved, and one prior-year noncompliance.

Open Recommendations*	Actions Pending
2. Monitoring of accounting for internal use software: reassess the accounting activities being undertaken by agency personnel to ensure the completeness and propriety of accounting transactions. Be more proactive in monitoring and training project managers to install discipline which provides reliability of financial information. *Note: OIG is tracking closure action under resolved Recommendation 4 in the FY 2005 financial statement audit, OIG-06-A-01.*	In January 2006, the Office of the Chief Financial Officer developed a comprehensive plan of actions to further promote and strengthen internal use software practices. Since then, numerous actions have been completed. The Agency received a favorable finding in the FY 2006 financial statement audit and closure is pending the OIG's official letter.

*Open recommendations are numbered according to the respective OIG audit.

Review of NRC's Personnel Security Program (OIG-04-A-11) **March 25, 2004**

This audit was conducted to determine whether NRC is in compliance with external and internal personnel security requirements and whether NRC's personnel security program is efficiently managed. The audit found that although enhancements were made in recent years to the personnel security program, further action was needed to bring the program into compliance with agency requirements and ensure that the Agency is responding appropriately to heightened security concerns following the terrorist attacks of September 11, 2001.

Open Recommendations*	Actions Pending
12. In accordance with U.S. Office of Personnel Management (OPM) policy, inform OPM when an intern terminates employment prior to completion of the OPM background investigation.	A procedure for Security Branch staff regarding how to determine when an intern has not been identified to return to NRC, the need to notify OPM in such situations, and how to make the notifications to OPM, is being developed and will be implemented by mid-December 2006.

Review of NRC's Reactor Operating Experience Task Force Report (OIG-04-A-13) **March 30, 2004**

The audit of the commercial nuclear power plant baseline inspection program (discussed further in the table on OIG-05-A-06) included a review of NRC's Reactor Operating Experience Task F orce (ROETF) report. The audit concluded that the ROETF report's conclusions and recommendations were adequate to address program weaknesses identified by the task force, but that some areas of the report's recommendations needed to be strengthened.

Open Recommendations*	Actions Pending
1. Revise the Reactor Operating Experience Program objectives to include measurable performance aspects.	The reactor operating program objectives have been revised to include measurable performance aspects and have been included in Management Directive (MD) 8.7, *Reactor Operating Experience Program*, which was issued on September 28, 2006. Information on completion of this recommendation will be forwarded to the OIG for review in early FY 2007 for a determination on closure.
3. Establish an independent operating experience function and locate that function at the appropriate organizational level.	Roles and responsibilities for the operating experience function are defined in MD 8.7, which was issued on September 28, 2006. Information on completion of this recommendation will be forwarded to the OIG for review in early FY 2007 for a determination on closure.

*Open recommendations are numbered according to the respective OIG audit.

Review of NRC's Drug-Free Workplace Plan (OIG-04-A-15) **May 24, 2004**

The audit of NRC's Drug Testing Program (discussed further in the table on OIG-05-A-05) found that the NRC's Drug-Free Workplace Plan was not in compliance with Federal guidance that requires the plan to receive U.S. Department of Health and Human Services' (HHS's) approval and that it was missing a required clause.

Open Recommendations*	Actions Pending
1. Revise the *NRC Drug-Free Workplace Plan* to include the deferral-of-testing clause from the HHS's *Model Plan for a Comprehensive Drug-Free Workplace Program*.	The plan was revised to include the deferral-of-testing clause and an instruction that plan revisions must receive approval from HHS prior to implementation. Submission of the revised plan to HHS for review and approval was delayed until receipt of the Commission's recent decision to revise the drug testing pool criteria to include all NRC employees. Additional changes were included in the plan to reflect the Commission's decision, and the revised plan was submitted to HHS on September 29, 2006. A meeting with HHS to discuss the revised plan is scheduled for November 2006. Depending upon HHS's comments and the effort required to resolve issues, NRC expects to be able to submit a revision addressing HHS's comments by late November 2006. Full implementation and dissemination of the revised plan are pending receipt of HHS's approval of NRC's plan, which is expected in January 2007.
2. Include in the *NRC Drug-Free Workplace Plan* instruction that revisions must receive approval from the HHS prior to implementation.	
3. Obtain HHS's approval of the 2004 *NRC Drug-Free Workplace Plan* prior to implementation.	

Audit of NRC's Incident Response Program (OIG-04-A-20) **September 23, 2004**

This audit was conducted to determine whether NRC's incident response program is performed in a timely and effective manner, provides adequate support to licensees, and maintains readiness and qualifications of staff. The audit found that while NRC has improved its program since the Three Mile Island 2 accident on March 29, 1979, more needed to be done to ensure that the program is performed consistently, is more fully understood by licensees, and maintains a well-defined process for demonstrating staff are qualified and ready to respond.

Open Recommendations*	Actions Pending
1. Establish a defined agencywide incident response plan that includes standards for performance, delineation of the conduct of exercises and drills, and a well-defined objective mechanism for evaluating incident response during exercises.	Implementing procedures and other supporting documents linked to the NRC Incident Response Plan (NUREG-0728) are to be incorporated into the incident response manual (IRM) chapter, and are expected to be completed by the end of FY 2008.
3. Update NUREG-0845, *Agency Protocols for the NRC Incident Response Plan*, or incorporate relevant portions into other Agency procedures.	NUREG-0728, Revision 4, issued for interim use effective April 14, 2005, superseded NUREG-0845. The relevant portions of NUREG-0845 have been incorporated into NUREG-0728 and its implementing procedures. Revised implementing procedures and manual chapters are expected to be completed by the end of FY 2008.

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*Open recommendations are numbered according to the respective OIG audit.

Audit of NRC's Incident Response Program (OIG-04-A-20) ***(continued)***

Open Recommendations*	Actions Pending
6. Exercise the deployment of headquarters and regional response staff as part of the Agency's incident response program.	NRC revised IRM Chapter 0410, "Incident Response Guidance for Minimum Exercise Participation," to require each region to annually test its logistical procedures for the deployment of a site team. The guidance does not dictate an actual deployment but requires the regional emergency response coordinators to aggressively pursue all aspects of the deployment process. OIG's review of NRC actions taken and closure was pending at the time of the FY 2006 Performance and Accountability Report's issuance.
7. Develop team- and position-specific strategies and procedures for handling events at multiple sites.	NRC completed IRM Chapter 0920, "Incident Response-Multiple Incidents," which provides a standard methodology for NRC response to multiple, simultaneous incidents based on the significance of each incident. It also specifies the responsibilities and authorities for NRC response personnel during the response. The guidance provides for flexibility in the use of NRC resources so that they may be applied effectively. OIG's review of NRC actions taken and closure was pending at the time of the FY 2006 Performance and Accountability Report's issuance.
8. Periodically conduct incident response exercises involving multiple sites.	In order to test the key elements of IRM Chapter 0920, in March 2006, NRC conducted a multiple-event tabletop exercise that included participation by all of the regional offices. A multiple-site standard exercise is to be conducted in FY 2007.
11. Revise the *NRC Incident Response Plan* to better define the incident response to emergencies involving regulated fuel cycle facilities and nuclear materials.	In lieu of revising the *NRC Incident Response Plan* (NUREG-0728) to include improved guidance for incident response to emergencies involving fuel facilities, NRC will provide this improved guidance in the IRM. The manual chapters containing this guidance are expected to be completed by the end of FY 2008.
13. Update response technical manual (RTM) supplements for gaseous diffusion plants.	Updates to the RTM supplements for gaseous diffusion plants are expected to be completed by November 2007.
14. Improve and expand outreach for licensees to enhance licensees' understanding of NRC's incident response program.	NRC issued and implemented guidance on conducting incident response outreach with licensees and has increased licensee outreach at different venues both at NRC Headquarters and in the regions. This includes increased outreach with licensees before exercises, tours and briefings with licensee officials at the Headquarters Operations Center, and NRC Incident Response Program presentations at stakeholder workshops and conferences. NRC is developing a digital video disk (DVD) for licensees and other stakeholders on the NRC's Incident Response Program, and is continuing to develop standardized outreach presentations that will be given on a routine basis to licensees and other stakeholders. These additional outreach initiatives are expected to be completed by the end of FY 2007.

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*Open recommendations are numbered according to the respective OIG audit.

Audit of NRC's Incident Response Program (OIG-04-A-20) ***(continued)***

Open Recommendations*	Actions Pending
16. Develop and implement a well-defined Agencywide training program to meet incident response commitments.	NRC identified program goals and development milestones and drafted an IRM chapter that describes the new training program and its requirements, which is expected to be issued in mid-FY 2007. Full implementation of the formal training and qualification program remains and is expected to be completed by the end of FY 2008.
17. Establish a centralized system for tracking successful completion of training activities by individual and position.	Until tracking of incident response training is integrated into the Agencywide Learning Management System (LMS), NRC will continue to use existing records for qualifying staff for exercise participation and for responding to actual events, but will collect and load baseline information on responder qualifications into the LMS. Integration of tracking for incident response training into the LMS is expected to be completed by November 2007.

System Evaluation of the Agencywide Documents Access and Management System (OIG-04-A-21) **October 21, 2004**

This evaluation was conducted as part of the OIG's review of NRC's implementation of the Federal Information Security Management Act (FISMA) for FY 2004, with the objectives of reviewing and evaluating the management, operational, and technical controls for NRC's Agencywide Documents Access and Management System (ADAMS). The review found that ADAMS security documentation was not always consistent with National Institute of Standards and Technology (NIST) guidelines, security protection requirements were not consistent within the security documentation, and findings and recommendations resulting from testing were not consistently tracked.

Open Recommendations*	Actions Pending
1. Update the ADAMS Risk Assessment Report to be consistent with NIST Special Publication 800-30, *Risk Management Guide*.	The ADAMS Risk Assessment Report is being updated as part of the ADAMS security certification and accreditation, and will be consistent with the applicable NIST and NRC guidance. In accordance with the ADAMS certification and accreditation schedule, the final ADAMS Risk Assessment Report is expected to be completed by the end of April 2007.
2. Update the ADAMS Security Plan to describe all controls currently in place. In-place controls are those marked at least at Level 3 in the self-assessment and that were documented as passed in the last Security Test and Evaluation Report or in any test and evaluation on controls added since publication of that report.	The ADAMS Security Plan is being updated as part of the ADAMS security accreditation, and will describe all controls in place. Completion of the ADAMS Security Plan is dependent on a completed ADAMS Risk Assessment Report, approved by the NRC's Senior Information Technology Security Officer (SITSO). The ADAMS Security Plan is expected to be completed by the end of July 2007.
5. Update the ADAMS Security Plan and/or ADAMS self-assessment to consistently define the protection requirements (confidentiality, integrity, availability).	The ADAMS Security Plan is being updated as part of the ADAMS security accreditation, and will consistently define protection requirements. Completion of the ADAMS Security Plan is dependent on a completed ADAMS Risk Assessment Report, approved by the NRC's SITSO. The revised ADAMS Security Plan is expected to be completed by the end of July 2007.
6. Track all action items resulting from testing of the ADAMS security controls and contingency plan in either the agency's internal tracking system or the Agency's plan of action and milestones (POA&M).	The ADAMS system-level action items are tracked in the NRC's FISMA POA&M. The Information Technology Systems Security Tracking System database will be updated to track all action items as results become available, until the final report is completed, which is expected to be completed by the end of March 2008.

*Open recommendations are numbered according to the respective OIG audit.

Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act for FY 2004 (OIG-04-A-22) **September 30, 2004**

This was an independent evaluation of NRC's implementation of the Federal Information Security Management Act for FY 2004. The review found that while NRC had made improvements to its automated information security program, additional improvements were needed.

Open Recommendations*	Actions Pending
Five of the original 16 recommendations remain open.	Due to the sensitive nature of the OIG's review and recommendations in this area, specific details are not furnished as part of this report. As of September 30, 2006, completion of Agency actions on this OIG audit report requires certification and accreditation or re-certification and re-accreditation of some systems and updating of a business continuity plan. These activities are expected to be completed between March 2007 and December 2008. These Agency actions will be carried over to and tracked to completion via NRC's FY 2007 Plan of Action and Milestones required by the Federal Information Security Management Act.

Systems Evaluation of the Fee Systems (OIG-04-A-23) **October 21, 2004**

This evaluation was conducted as part of the OIG's review of NRC's implementation of the Federal Information Security Management Act for FY 2004, with the objectives of reviewing and evaluating the management, operational, and technical controls for the Fee Systems, the primary function of which is to generate invoices to licensees for fees. The review found that Fee Systems' security documentation did not always follow required guidelines and that NRC was not tracking all action items resulting from testing the security controls.

Open Recommendations*	Actions Pending
1. Update the Fee Systems Security Plan to describe all controls currently in place.	The Fee Systems Security Plan is being updated as part of the re-certification and re-accreditation effort. The security plan is expected to be completed in FY 2007.
4. Update the Fee Systems Business Continuity Plan (BCP) to include listed changes.	The Fee Systems Business Continuity Plan will be updated as a follow-on to the re-certification and re-accreditation. The BCP is expected to be completed in FY 2007.

*Open recommendations are numbered according to the respective OIG audit.

System Evaluation of the General License Tracking System (OIG-04-A-24) **October 21, 2004**

This evaluation was conducted as part of the OIG's review of NRC's implementation of the Federal Information Security Management Act for FY 2004, with the objectives of reviewing and evaluating the management, operational, and technical controls for the General License Tracking System (GLTS), the primary function of which is to facilitate the tracking and accountability of NRC general licensees and generally licensed devices. The review found that the GLTS's security documentation did not always follow required guidelines, security protection requirements were not consistent within the security documentation, and NRC was not tracking all action items resulting from testing the system's security controls.

Open Recommendations*	Actions Pending
1. Update the GLTS Security Plan to describe all controls currently in place. In-place controls are those marked at least at Level 3 in the self-assessment and that were documented as passed in the last Security Test and Evaluation Report, or in any test and evaluation on controls added since publication of that report.	The GLTS Security Plan is scheduled to be completed by the first quarter of FY 2008.
3. Update the GLTS Business Continuity Plan.	The revised GLTS Business Continuity Plan is scheduled to be completed by the fourth quarter of FY 2008.
4. Update the GLTS Security Plan and/or GLTS self-assessment to consistently define the protection requirements (confidentiality, integrity, availability).	The GLTS Security Plan, which will define protection requirements in a consistent manner, is scheduled to be completed by the first quarter of FY 2008.

(Appendix B continued on page 146)

*Open recommendations are numbered according to the respective OIG audit.

Audit of the NRC's Financial Statements for Fiscal Years 2004 and 2003 (OIG-05-A-02) **November 12, 2004**

This audit was conducted as required by the Chief Financial Officers Act of 1990 to determine whether the Agency's financial statements were free of material misstatements, to assess the accounting principles used and significant estimates made by management, and to evaluate overall financial statement presentation. The audit resulted in an unqualified opinion on the FY 2004 financial statement and revision from an unqualified opinion to a qualified opinion on the FY 2003 statement, and identification of a material weakness and several reportable conditions relative to NRC's FY 2004 internal controls and compliance with applicable laws and regulations.

Open Recommendations*	Actions Pending
2. Develop and implement a remediation plan to enhance the reliability of the current billing system. Additionally, as system redesign is considered, identify steps to address systemic issues with the current fee billing system. *Note: OIG is tracking closure actions under resolved Recommendation 1 in the FY 2005 financial statement audit, OIG-06-A-01.*	During FY 2006, the Office of the Chief Financial Officer (OCFO) took several actions to improve quality assurance over fee billing, including performing a comprehensive assessment to identify processes that would benefit from strengthened internal control. As a result, a corrective action plan was developed and the following internal control improvements were implemented: system interface controls, such as systems balancing, to ensure that data is captured and processed; reports to ensure that the universe of license fee billing data is processed; controls to increase the accuracy of assigning fee categories; reconciliation procedures to ensure that contract costs are processed accurately; and procedures to strengthen the certification process used by NRC program and regional offices. OCFO will continue to implement corrective actions in FY 2007 and the OIG will reassess their progress in the FY 2007 financial statement audit.
3. Ensure that documented, complete, and reliable quality assurance procedures are prepared for the billing process. At a minimum, those procedures should provide for a documented, global reconciliation at each billing cycle of hours and fees reflected in the Fee Systems to the invoices generated by the personal-computer-based fee billing systems. *Note: OIG is tracking closure actions under resolved Recommendations 1 and 2 in the FY 2005 financial statement audit, OIG-06-A-01.*	
4. Continue to reassess the internal use software procedures and related accounting activities being undertaken by agency personnel to ensure their completeness and propriety. In addition to proactive monitoring, design and provide training to project managers and their supervisors in order to provide awareness and instill discipline to project managers in their role of providing reliable information to the OCFO. *Note: OIG is tracking closure actions under resolved Recommendation 4 in the FY 2005 financial statement audit, OIG-06-A-01.*	In early 2006, the OCFO developed a comprehensive plan of actions to further promote and strengthen internal use software practices. Since then, numerous actions have been completed. The Agency received a favorable finding in the FY 2006 financial statement audit and closure is pending the OIG's official letter.

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*Open recommendations are numbered according to the respective OIG audit.

Audit of the NRC's Financial Statements for Fiscal Years 2004 and 2003 (OIG-05-A-02) ***(continued)***

Open Recommendations*	Actions Pending
6. Continue to pursue the assessment strategy that is under way and ensure that a communication process is developed to assist OCFO management and to inform OIG of the progress and actions planned to resolve the issue of revising the hourly rate calculation methodology so that the rates NRC develops include the full-cost concept. *Note: OIG is tracking closure actions under resolved Recommendation 11 in the FY 2005 financial statement audit, OIG-06-A-01.*	For purposes of incorporating any lessons learned into the budget formulation process, OCFO developed procedures to calculate hourly rates using actual cost data from the cost accounting system and compared the results to hourly rates developed using budget data from the same fiscal year. Because the hourly rates established under 10 CFR Part 170 are based on budget data, any changes in the budget resulting from this analysis will be reflected in future Part 170 rates. OCFO utilized the procedures to calculate hourly rates using FY 2005 cost data and compared the results to hourly rates developed using FY 2005 budget data. The recommendation remains in a resolved status and closure is pending a favorable finding during OIG's audit of NRC's FY 2007 financial statements.

Audit of NRC's Drug Testing Program (OIG-05-A-05) **December 30, 2004**

This audit was conducted to assess the NRC's implementation of its drug testing program, and identified that improvements were needed in the program's random testing process and management oversight.

Open Recommendations*	Actions Pending
4. Revise the categories of testing-designated positions to include computer system administrators and individuals engaged in law enforcement activities who are authorized to carry weapons.	On September 29, 2006, the Commission decided to revise the drug testing pool to include all NRC employees. Appropriate changes were incorporated in the NRC Drug-Free Workplace Plan to reflect this decision and the plan was submitted to the U.S. Department of Health and Human Services (HHS) for review and approval on September 29, 2006. A meeting with HHS to discuss the revised plan is scheduled for November 2006. Depending upon HHS's comments and the effort required to resolve issues, NRC expects to be able to submit a revision addressing HHS's comments by late November 2006. Full implementation and dissemination of the revised plan are pending receipt of HHS's approval of NRC's plan, which is expected in January 2007.
5. Re-evaluate categories of testing-designated positions and continue to do so biennially.	Upon approval of NRC's plan by HHS, as discussed in the actions pending relative to Recommendation 4, the testing-designated position criteria will be reviewed and revised as appropriate on a biennial basis.
12. Update the Management Directive System to include the drug testing policy and procedures that employees are expected to follow.	NRC is developing a new management directive (MD) to describe the Agency's drug testing policy and provide an overview of the procedures that employees are expected to follow. This new MD directive is expected to be completed by the end of July 2007.

*Open recommendations are numbered according to the respective OIG audit.

Audit of NRC's Baseline Inspection Program (OIG-05-A-06) **December 30, 2004**

This audit was conducted to determine whether NRC's baseline inspection program is based on a sound methodology, carried out by sufficient, qualified staff, and completed at all operating commercial nuclear power plants. The audit found that the program is generally sound but needed improvement.

Open Recommendations*	Actions Pending
2. Develop guidance on how to identify human performance trends and how that information should be integrated into the reactor oversight process (ROP).	NRC completed all actions to enhance the ROP treatment of cross-cutting issues in order to more fully address safety culture through revision of numerous Inspection Manual Chapters and Inspection Procedures, and has begun to implement the enhancements. OIG's review of NRC actions taken and closure was pending at the time of the FY 2006 Performance and Accountability Report's issuance.

System Evaluation of the Integrated Personnel Security System (OIG-05-A-08) **January 26, 2005**

This evaluation was conducted as part of the OIG's review of NRC's implementation of the Federal Information Security Management Act for FY 2004, with the objectives of reviewing and evaluating the management, operational, and technical controls for the Integrated Personnel Security System (IPSS), which replaced NRC employee security information contained in paper files and in a less-capable automated data system. The review found that the IPSS's security test and evaluation were not comprehensive and independent, security documentation was not always consistent with National Institute of Standards and Technology (NIST) guidelines, and security protection requirements were not consistent within the security documentation.

Open Recommendations*	Actions Pending
1. Re-certify and re-accredit IPSS based on an independent, comprehensive, and fully documented assessment of all management, operational, and technical controls.	Certification and accreditation for IPSS will be performed as part of the NRC's Information Systems Security Program, and is expected to be completed by the end of 2007.
2. Update the IPSS Risk Assessment Report to include listed changes.	The IPSS Risk Assessment Report is scheduled to be updated to include the specified items by June 2007.
3. Update the IPSS System Security Plan to include listed changes.	The IPSS Security Plan is scheduled to be updated to include the specified items by June 2007.
4. Update the IPSS System Security Plan to include a section on planning for security in the life cycle and a section on incident response capability.	The IPSS Security Plan is scheduled to be updated by June 2007 and will include sections on planning for security in the life cycle and incident response capability.
5. Update the IPSS System Security Plan to describe all controls currently in place. In-place controls are those marked at least at Level 3 in the self-assessment and that were documented as passed in the last Security Test and Evaluation Report, or in any test and evaluation on controls added since publication of that report.	The IPSS Security Plan is scheduled to be updated by June 2007 and will describe all controls currently in place.
7. Update the IPSS Contingency Plan to include listed changes.	The IPSS Contingency Plan is scheduled to be updated by June 2007 and will include the specified items.
8. Update the IPSS System Security Plan and/or IPSS self-assessment to consistently define the protection requirements (confidentiality, integrity, availability).	The security plan and IPSS self-assessment will be updated by June 2007 to consistently define protection requirements.

*Open recommendations are numbered according to the respective OIG audit.

Audit of NRC's Budget Formulation Process (OIG-05-A-09) **February 9, 2005**

This audit was conducted to determine whether the budget formulation portion of the NRC's Planning, Budgeting, and Performance Management process is effectively used to develop and collect data to align resources with strategic goals and efficiently and effectively coordinated with program and support offices. The audit identified that NRC effectively develops and collects data to align resources with strategic goals, prepares the budget in alignment with the Strategic Plan, and successfully conducts Office of Management and Budget-required Program Assessment Rating Tool evaluations, but needed additional internal coordination and communication efforts.

Open Recommendations*	Actions Pending
1. Clarify the roles and responsibilities of the Chief Financial Officer and the Executive Director for Operations in the budget formulation process. 2. Document the decision-making process and roles and responsibilities of the Program Review Committee. 3. Document the budget formulation process to ensure a logical, comprehensive sequencing of events that provides for obtaining early Commission direction and approval.	Revised Management Directive 4.7, *Planning, Budgeting, and Performance Management*, will clarify roles and responsibilities and document the budget formulation process, including decision-making, and will provide for a logical, comprehensive sequencing of events for obtaining early Commission direction and approval. The revised management directive and handbook is expected to be finalized and issued by May 2007.

Audit of NRC's Telecommunications Program (OIG-05-A-13) **June 7, 2005**

This audit was conducted to evaluate controls over the use of NRC telecommunications services and the physical security of NRC telecommunications systems, and found that improvements were needed to strengthen controls over the use of telecommunications services and the physical security of NRC telecommunications systems.

Open Recommendations*	Actions Pending
1. Purchase and implement billing review software to assist in implementing a cost-effective, comprehensive telecommunications billing review process.	NRC performed a market analysis of 10 vendors and recently completed a business case analysis. The preliminary results of the business case indicate the purchase and implementation of billing review software is not cost-effective. As such, NRC is proceeding to identify and document the processes needed to implement a manual telecommunications billing review process that is cost-effective and comprehensive, and incorporates the intent of the OIG's recommendation. Documentation for sound telecommunications billing review practices is expected to be completed and implementation begun in January 2007.
2. Establish benchmarks for determining if telecommunications charges are accurate and appropriate.	Current processes are being documented in order to establish standard operating procedures (SOP) and benchmarks to determine billing accuracy. These processes will be incorporated into a standard operating procedure (SOP) for the Telecommunications Team Project Officers and implementation will be part of their duties. The procedures are expected to be completed and implemented in January 2007.

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*Open recommendations are numbered according to the respective OIG audit.

Audit of NRC's Telecommunications Program (OIG-05-A-13) ***(continued)***

Open Recommendations*	Actions Pending
3. Revise Management Directive and Handbook 2.3 to include effective management controls over NRC Headquarters staff use of Agency telecommunications services.	The revised management directive and handbook is expected to be circulated for intra-agency review and comment in December 2006, and finalized and issued in May 2007.
4. Establish requirements for routinely conducting inventories of telephone lines and circuits for which the Agency pays monthly recurring charges, assessing usage of these telephone lines and circuits, and making adjustments to account for unneeded telephone lines and circuits.	Completion of the procedures for the Telecommunications Team and the inventory are dependent upon completion of the procedures and processes developed as part of benchmarking telecommunications charges for fairness and reasonableness, as well as the processes to implement a non-automated billing review. This work is expected to be completed in January 2007.
5. Define and enforce appropriate use of Agency toll-free numbers.	Interim guidance on the use of the NRC's toll-free numbers has been posted on the NRC intranet. This guidance will be incorporated into Management Directive and Handbook 2.3, which is expected to be finalized and issued in May 2007.

System Evaluation of Listed Systems that Process Safeguards and/or Classified Information (OIG-05-A-14) **August 11, 2005**

This evaluation was conducted as part of the OIG's review of NRC's implementation of the Federal Information Security Management Act for FY 2005, with the objectives of testing the effectiveness of NRC security policies, procedures, practices, and controls for listed systems processing safeguards and/or classified information. The review found that the inventory of listed systems was inaccurate and information was inconsistent, some listed systems lacked required security plans, and some security controls were not implemented as required.

Open Recommendations*	Actions Pending
1. Correct the inaccuracies in the inventory of listed systems.	Resolution of the inaccuracies in the inventory is expected to be completed by the end of 2006.
2. Validate the inventory of listed systems annually.	Resolution of the inaccuracies in the inventory and validation of the inventory is expected to be completed by the end of 2006.
5. Develop procedures for ensuring all listed systems have an up-to-date, approved security plan prior to being put into operation.	NRC offices have been notified of the requirement for an approved system security plan prior to placing listed systems that process safeguards or classified information into production. Formal procedures for ensuring all listed systems have an up-to-date, approved security plan are expected to be completed by the end of March 2007.
6. Develop procedures for ensuring system owners/ sponsors respond to Office of Information Services requests for security plan updates in a timely manner.	NRC offices have been notified of the requirement for an annual update of the system security plans for listed systems that process safeguards or classified information. Formal procedures for ensuring system owners provide security plan updates in a timely manner are expected to be completed by the end of March 2007.
7. Develop procedures for verifying all required security controls are implemented on listed systems.	Formal procedures for verifying the security controls on listed systems are expected to be completed by the end of 2007.

*Open recommendations are numbered according to the respective OIG audit.

Audit of NRC's Decommissioning Program (OIG-05-A-17) **September 30, 2005**

This audit was conducted to determine whether NRC's decommissioning program achieves desired performance results as stated in the Strategic Plan and reported in the Performance and Accountability Report. The audit identified that while NRC's decommissioning program has processes in place to monitor, evaluate, and report on performance, some performance results could not be verified. In addition, the audit found that although most of the recommendations from an FY 2003 self-evaluation of the program were implemented, progress to implement a few was minimal.

Open Recommendations*	Actions Pending
1. Clarify and disseminate expectations for generating and maintaining supporting documentation for performance data to staff responsible for preparing and collecting performance data.	Revised Management Directive 4.7, *Planning, Budgeting, and Performance Management*, will include clarifications of expectations for generating and maintaining supporting documentation for performance data. The revised management directive and handbook is expected to be finalized and issued by May 2007.

System Evaluation of Security Controls for Standalone Personal Computers and Laptops (OIG-05-A-18) **September 30, 2005**

This evaluation was conducted as part of the OIG's review of NRC's implementation of the Federal Information Security Management Act for FY 2005, with the objectives of evaluating the effectiveness of NRC security policies, procedures, practices, and controls for standalone personal computers (PCs) and laptop computers. The review found that security controls for standalone PCs and laptops were not adequate, that the devices were not monitored for compliance with Federal regulations, and agency information technology coordinators' understanding of disposal practices for these devices were not consistent.

Open Recommendations*	Actions Pending
1. Provide users guidance for implementing security controls on standalone PCs and laptops.	By September 2007, guidance for implementing security controls on standalone PCs and laptops will be developed and posted on the computer security web page, and offices will be notified that the guidance is available.
2. Develop and require users to sign a rules-of-behavior agreement accepting responsibility for implementing security controls on standalone PCs and laptops.	By September 2007, standard rules of behavior implementing security controls on standalone PCs and laptops will be developed, the standard agreement will be posted on the computer security web page, and offices will be notified of the requirement for all users of such devises to sign the agreement as a condition of using the devices.
3. Develop and implement procedures for verifying all required security controls are implemented on standalone PCs and laptops.	By September 2007, procedures for verifying all required security controls are implemented on standalone PCs and laptops will be developed and implemented.
4. Provide users guidance on compliance with Executive Order (EO) 13103, Computer Software Piracy, for standalone PCs and laptops.	By September 2007, clear guidance on compliance with EO 13103, for standalone PCs and laptops will be developed and posted on the computer security web page, and offices will be notified that the guidance is available.

(continued)

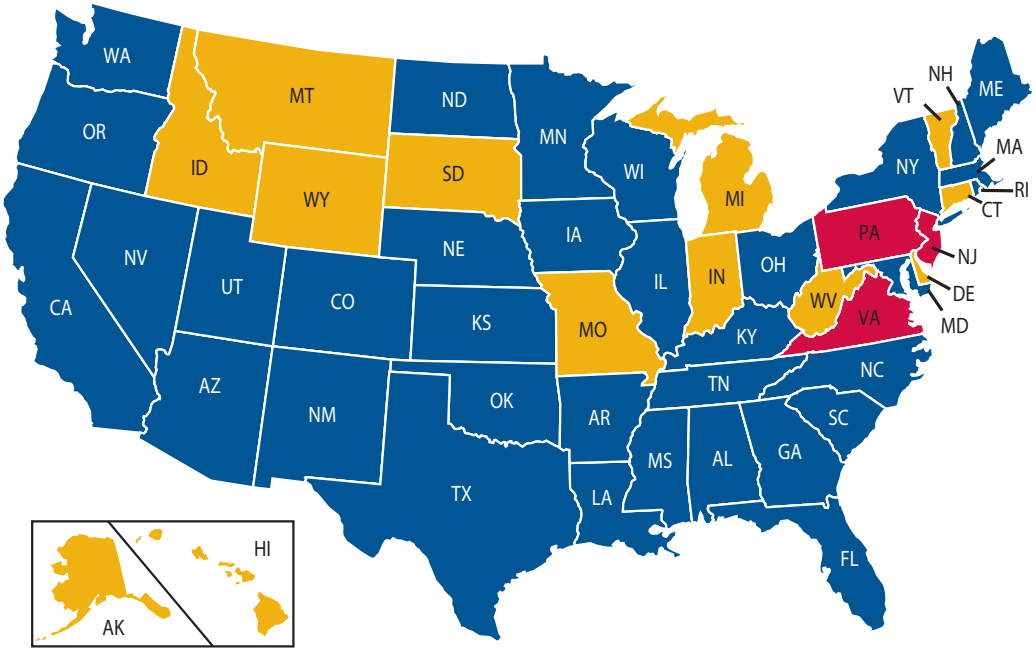
*Open recommendations are numbered according to the respective OIG audit.

System Evaluation of Security Controls for Standalone Personal Computers and Laptops (OIG-05-A-18) ***(continued)***

Open Recommendations*	Actions Pending
5. Develop and require users to sign a rules-of-behavior agreement acknowledging their compliance with EO 13103, Computer Software Piracy, for standalone PCs and laptops.	By September 2007, a standard rules-of-behavior agreement for users to acknowledge their compliance with EO 13103 for standalone PCs and laptops will be developed and posted on the computer security web page, and offices will be notified of the requirement for all users of such devices to sign the agreement as a condition of using the devices.
6. Develop and implement procedures for monitoring compliance with EO 13103, Computer Software Piracy, for standalone PCs and laptops.	By September 2007, procedures for monitoring compliance with EO 13103 for standalone PCs and laptops will be developed and issued.
7. Develop detailed procedures in the appropriate NRC management directives (MDs) for the disposal of equipment used to process safeguards and/or classified information. These procedures should then be referenced in the appropriate chapters of the Volume 12 series of management directives.	NRC's process for disposing of media/equipment used to process safeguards and/or classified information at Headquarters and regional offices will be documented by the end of January 2007, and NRC MDs dealing with facility and information security will be revised to include language consistent with guidance currently provided in the MD on NRC's automated information security program.
8. Include the procedures for the disposal of equipment containing safeguards and/or classified information in the security plan templates.	By the end of March 2007, the security plan templates for standalone systems that process safeguards or classified information will be modified to reference the procedures for the disposal of equipment containing such information.

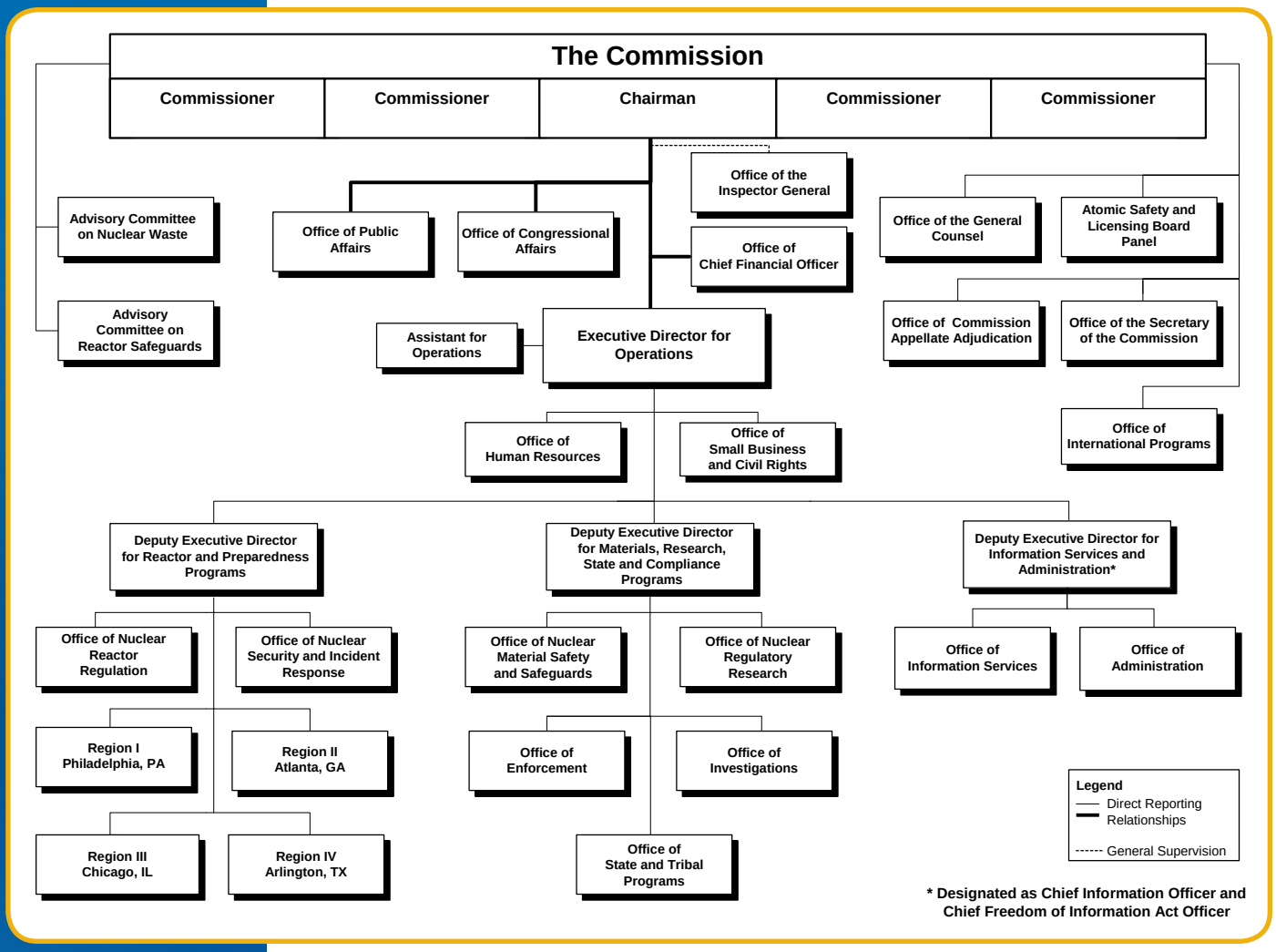
*Open recommendations are numbered according to the respective OIG audit.

AGREEMENT STATES



Agreement States (34)
NRC States (13)
NRC States that have expressed intent to sign Agreement (3)

NRC ORGANIZATION CHART AS OF SEPTEMBER 30, 2006



GLOSSARY OF ACRONYMS

ACRS	Advisory Committee on Reactor Safeguards
ADAMS	Agencywide Documents Access and Management System
AICPA	American Institute of Certified Public Accountants
AID	Agency for International Development
AO	abnormal occurrence
ASP	accident sequence precursor
BCP	Business Continuity Plan
CCR	Central Contractor Registration
CE	Combustion Engineering Owner's Group
CEAR	Certificate of Excellence in Accountability Reporting
CFO	Chief Financial Officer
CFO Act	Chief Financial Officer Act of 1990
CFR	United States Code of Federal Regulations
CIO	Chief Information Officer
CIOC	CIO Council
COLs	Combined Operating Licenses
CPIC	Capital Planning Investment Control
CSRS	Civil Service Retirement System
CY	calendar year
DHS	Department of Homeland Security
DOE	Department of Energy
DOI	Department of Interior
DOL	Department of Labor
EC	Executive Council
ECIC	Executive Committee on Internal Control
EDO	Executive Director for Operations
EFT	electronic funds transfer
E-Gov	electronic Government
EO	Executive Order
EPA	Environmental Protection Agency
E-QIP	Electronic Questionnaires for Investigations Processing
ESP	Early Site Permits
FACTS I	Federal Agencies' Centralized Trial Balance System
FAR	Federal Acquisition Regulation

FECA	Federal Employees Compensation Act
FEMA	Federal Emergency Management Agency
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Improvement Act
FFS	Federal Financial System
FICA	Federal Insurance Contribution Act
FISMA	Federal Information Security Management Act
FOIA	freedom of information requests
FPPS	Federal Personnel and Payroll System
FSIO	Financial System Integration Office
FTE	Full-Time Equivalent
FY	fiscal year
GAO	Government Accountability Office
GFE	Generic Fundamentals Examination
GFRS	Governmentwide Financial Reporting System
GLTS	General License Tracking System
GPEA	Government Paperwork Elimination Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
GSI	General Safety Issue
HHS	Health and Human Services
HLW	High-Level Waste
HSPD	Homeland Security Presidential Directive
HSPD-12	Homeland Security Presidential Directive 12
IAEA	International Atomic Energy Agency
IG	Inspector General
IMPEP	Integrated Materials Performance Evaluation Program
Improvement Act	Federal Financial Management Improvement Act of 1996
Integrity Act	Federal Manager's Financial Integrity Act of 1982
IOAA	Independent Offices Appropriation Act
IPAC	Intragovernment Payment and Collection
IPSS	Integrated Personnel Security System
IRM	incident response manual
ISA	integrated safety analysis
IT	information technology
JFMIP	Joint Financial Management Information Program

LMS	Learning Management System
LSN	Licensing Support Network
MC&A	material control and accounting
MD	Management Directive
MOX	mixed-oxide fuel
MWe	Megawatts electric
NARA	National Archive and Records Administration
NBC	National Business Center
NFPA	National Fire Protection Association
NIST	National Institute of Standards and Technology
NMED	Nuclear Materials Event Database
NMMSS	Nuclear Materials Management and Safeguards System
NMSS	Office of Nuclear Materials Safety and Safeguards
NRC	Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation
NSIR	Office of Nuclear Security and Incident and Response
NUREG	Nuclear Regulatory Commission Regulation
NWF	Nuclear Waste Fund
OBRA-90	Omnibus Budget Reconciliation Act of 1990
OCFO	Office of the Chief Financial Officer
OEDO	Office of the Executive Director for Operations
OIG	Office of the Inspector General
OIS	Office of Information Services
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSART	Operational Safety Review Team
OUO	Official Use Only
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PBPM	planning, budgeting, and performance management
PC	Personal Computers
PII	personal identifiable information
PL	Public Law
PMM	Project Management Methodology
POA&M	plan of action and milestones
PRA	Probabilistic Risk Assessment

PRB	Petition Review Board
PWR	Pressurized Water Reactor
RASP	Risk Assessment Standardization Project
RES	Office of Nuclear Regulatory Research
RIRIP	Risk-Informed Regulation Implementation Plan
RLO	records liaison officer
RMG	records management guideline
ROETF	Reactor Operating Experience Task Force
ROP	Reactor Oversight Process
RTM	response technical manual
SAT	Senior Assessment Team
SBR	Statement of Budgetary Resources
SDLCM	System Development Life-Cycle Management
SDLCMM	System Development Life-Cycle Management Methodology
SDP	Significance Determination Process
SECY	Office of the Secretary of the Commission
SFFAS	Statements of Federal Financial Accounting Standards
SGI	Safeguards Information
SITSO	Senior Information Technology Security Officer
SNM	special nuclear material
SUNSI	Sensitive Unclassified Non-Safeguards Information
TAC	Technical Assignment Control
TI	temporary instruction
TSP	Thrift Savings Plan
TSTF	Technical Specification Task Force

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