

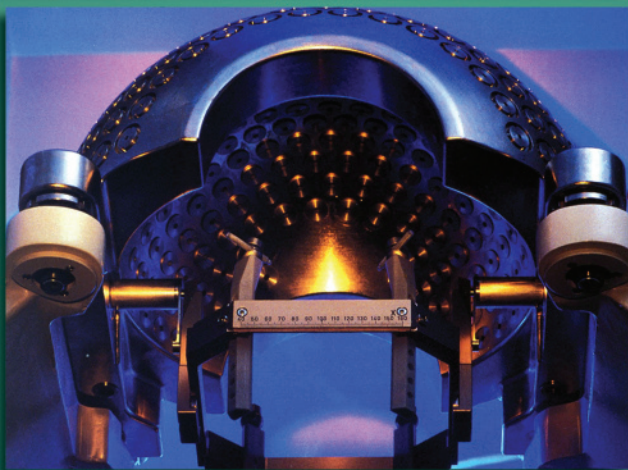
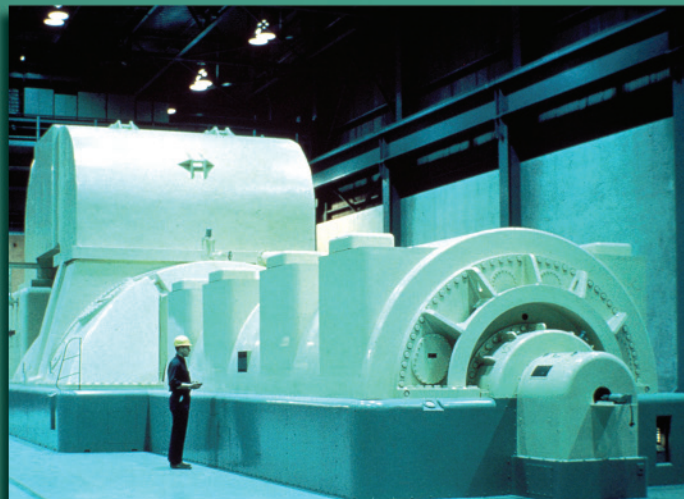
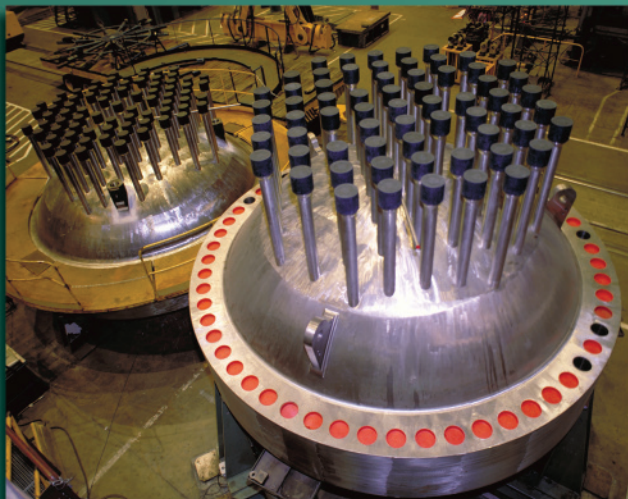


United States Nuclear Regulatory Commission

Protecting People and the Environment

Semiannual Report to Congress

October 1, 2007 – March 31, 2008



OIG VISION

“We are agents of positive change striving for continuous improvement in our agency’s management and program operations.”

NRC-OIG MISSION

NRC-OIG’s mission is to (1) independently and objectively conduct and supervise audits and investigations relating to NRC’s programs and operations; (2) prevent and detect fraud, waste, and abuse, and (3) promote economy, efficiency, and effectiveness in NRC’s programs and operations.

Cover photos (clockwise): Reactor Head, Turbine, Control Room, and Gamma Knife.

A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to present this Semiannual Report to Congress on the activities and accomplishments of the Nuclear Regulatory Commission (NRC) Office of the Inspector General (OIG) from October 1, 2007, to March 31, 2008.

Our work reflects the legislative mandate of the Inspector General Act which is to identify and prevent fraud, waste, and abuse through the conduct of audits and investigations relating to NRC programs and operations. The audits and investigations highlighted in this report demonstrate our commitment to ensuring integrity and efficiency in NRC's programs and operations.



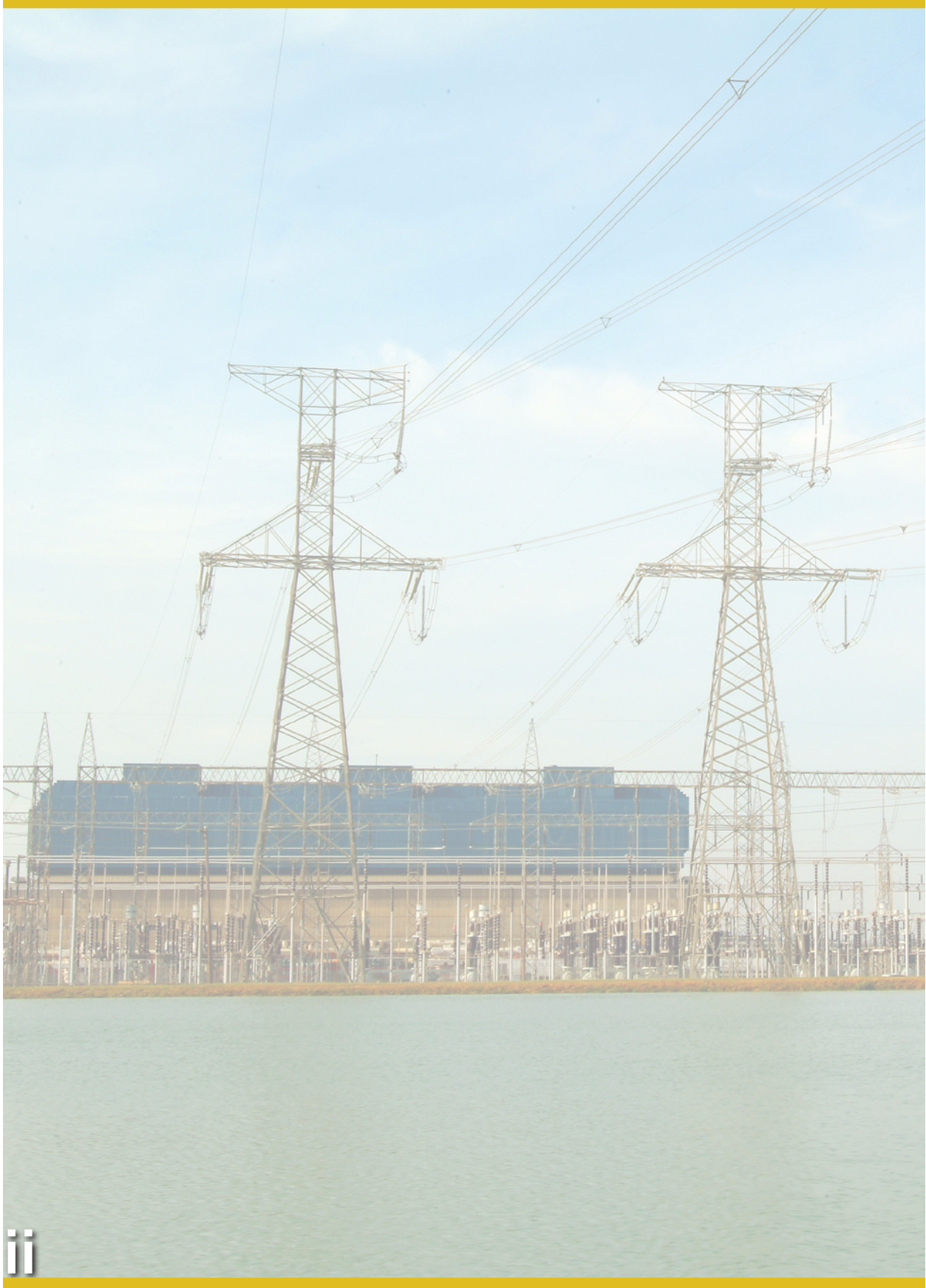
During this semiannual reporting period, we issued 9 program audit reports and analyzed 2 contract audit reports. As a result of this work, OIG made recommendations to improve the effective and efficient operation of NRC's safety, security, and corporate management programs. OIG also opened 35 investigations, and completed 29 cases. Seven of the open cases were referred to the Department of Justice, and 18 allegations were referred to NRC management for action.

I would like to acknowledge our auditors, investigators, and support staff for their superior work and commitment to the mission of our office. I also want to congratulate the members of my audit staff who recently received the "Award for Excellence in Audit" issued by the President's Council on Integrity and Efficiency. This award was received for their noteworthy work in identifying weaknesses and recommending enhancements to the program used by NRC to evaluate the performance of nuclear power plants security efforts.

Finally, the success of the NRC OIG would not be possible without the collaborative work between my staff and agency managers to address OIG findings and implement the recommendations made by my office. I wish to thank them for their dedication and support, and look forward to their continued cooperation as we work together to ensure the integrity of agency operations.

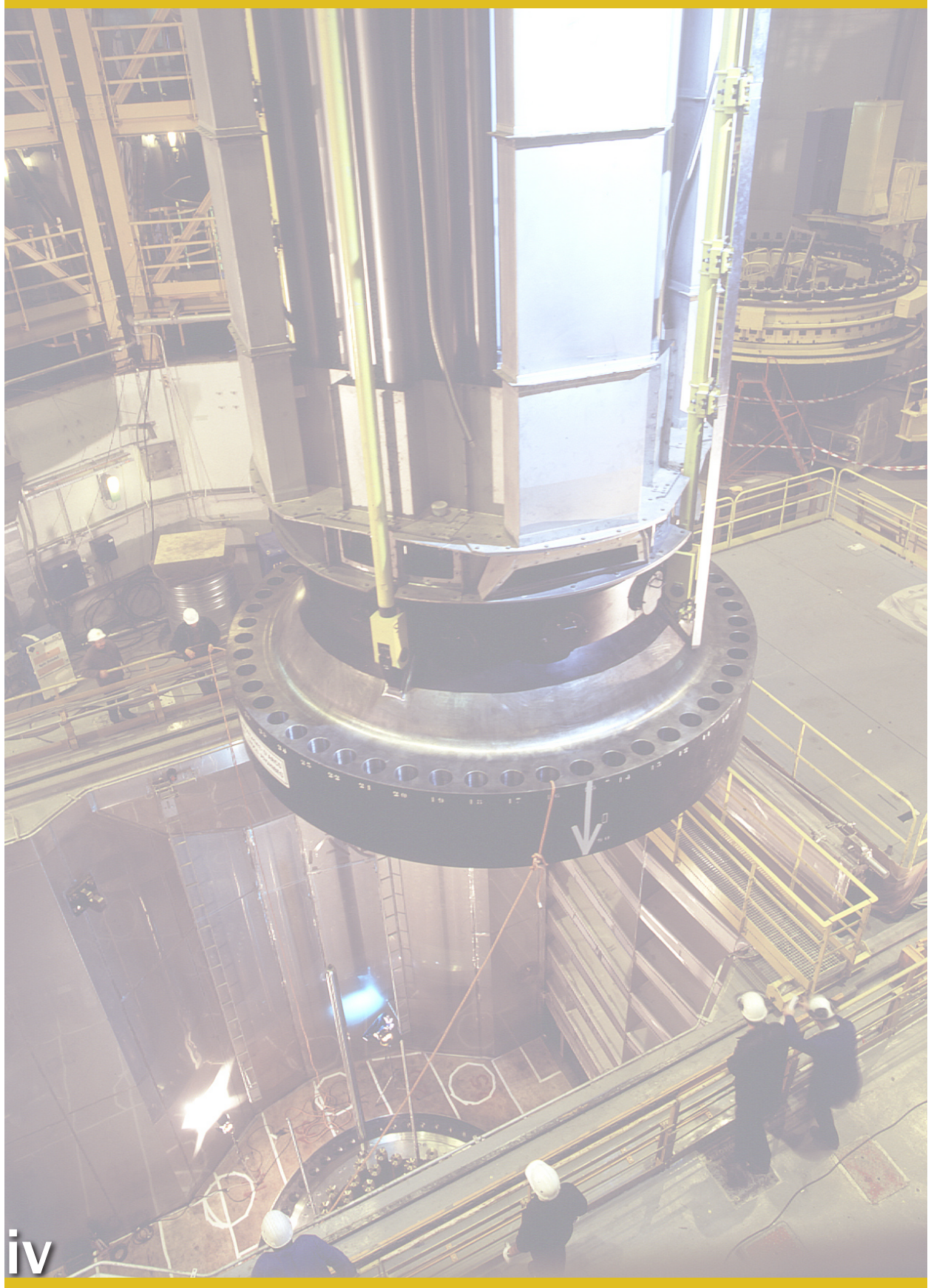
A handwritten signature in black ink that reads "Hubert T. Bell". The signature is written in a cursive, flowing style.

Hubert T. Bell
Inspector General





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

AUDITS

- The Chief Financial Officers Act requires OIG to annually audit NRC's principal financial statements. An independent public accounting firm conducted the audit with OIG oversight.
- Alternative Dispute Resolution (ADR) is a term that refers to a number of processes, such as mediation, which can be used to resolve disputes between parties. Through the Office of Enforcement, NRC developed a pilot program to evaluate whether the use of ADR could provide greater flexibility in the enforcement process, more timely and economical resolution of issues, more effective outcomes, and improved relationships. OIG audited this program to determine if the enforcement-related ADR program is complete and ready for full implementation. In addition, OIG audited a contract for ADR services to determine if it had appropriate internal controls.
- Cybersecurity refers to the branch of security that protects information technology (IT) infrastructure. IT infrastructure encompasses not only the public internet, but also the less visible systems and connections of the Nation's critical infrastructures, such as nuclear power plants and electric power distribution grids. Cyber attacks can temporarily disrupt computer networks, or more seriously, cause failure of public services. The objective of this audit was to determine how upcoming changes to NRC's cybersecurity oversight processes might impact the agency's oversight at licensee facilities.
- Licensees take various measures to ensure that their security officers are mentally and physically fit, professionally competent, and sufficiently trustworthy to carry out their duties at nuclear power plants. NRC exercises oversight of licensees' security officers primarily through the Reactor Oversight Process's physical protection cornerstone. OIG audited this program to assess NRC's oversight of security officers employed by licensees to protect nuclear power plants.
- NRC regulates the maximum power level at which a commercial nuclear power plant may operate. The process of increasing the maximum power level at which a plant may operate is called a power uprate. Licensees seek



permission to perform a power uprate by submitting a license application amendment to NRC. Since 1977, NRC has approved 118 power uprates and anticipates as many as 24 power uprate applications during the next 5 years. The objective of this audit was to examine the process for reviewing and approving power uprate amendment applications.

INVESTIGATIONS

- OIG completed a special inquiry in response to concerns pertaining to Hemyc fire barriers. Hemyc is a fire barrier that has been installed in operating nuclear power plants since the 1980s and is currently installed at 15 nuclear reactors in the United States. Concerns focused on Hemyc's failure to provide the level of protection expected for a 1-hour rated fire barrier during confirmatory testing sponsored by NRC in 2005. Additional concerns pertained to whether NRC staff were aware of problems with Hemyc prior to 2005, even as far back as 1994, and whether the staff acted to address these problems.
- OIG completed an investigation into the misuse of the NRC e-mail system by an NRC contractor employee who placed a software monitoring program on a privately-owned computer so that he could monitor, via his NRC computer, the other computer's e-mail and web-browsing activity.
- OIG conducted an investigation into whether an NRC staff member was pressured by NRC management to change his written testimony to the NRC Atomic Safety Licensing Board Panel that concluded the steel containment liner at Oyster Creek Nuclear Generating Station was structurally sufficient and met regulatory standards.
- OIG conducted an investigation concerning incorrect deductions that were taken from the agency's payments to an NRC contractor.
- OIG completed an investigation pertaining to NRC's involvement in an improper settlement agreement between a whistleblower and an NRC nuclear power plant licensee and the related understanding of the ADR process by agency offices.

OIG ORGANIZATION AND ACTIVITIES

NRC'S MISSION

The U.S. Nuclear Regulatory Commission (NRC) was formed in 1975 to regulate the various commercial and institutional uses of nuclear materials by the Energy Reorganization Act of 1974. The agency succeeded the Atomic Energy Commission, which previously had responsibility for both developing and regulating nuclear activities.

NRC's mission is to 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. NRC's regulatory mission covers three main areas:

Reactors - Commercial reactors for generating electric power and research and test reactors used for research, testing, and training.

Materials - Uses of nuclear materials in medical, industrial, and academic settings and facilities that produce nuclear fuel.

Waste - Transportation, storage, and disposal of nuclear materials and waste, and decommissioning of nuclear facilities from service.

Under its responsibility to protect public health and safety, NRC has three principal regulatory functions: (1) establish standards and regulations, (2) issue licenses for nuclear facilities and users of nuclear materials, and (3) inspect facilities and users of nuclear materials to ensure compliance with the requirements. These regulatory functions relate to both nuclear power plants and other uses of nuclear materials – like nuclear medicine programs at hospitals, academic activities at educational institutions, research work, and such industrial applications as gauges and testing equipment.

NRC places a high priority on keeping the public informed of its work. The agency maintains a current Web site and a public document room in Rockville,



NRC Headquarters, Rockville, MD.



Maryland (NRC headquarters) and holds public hearings, public meetings in local areas and at NRC offices, and discussions with individuals and organizations.

OIG MISSION AND STRATEGIES

Inspector General History

In the 1970s, Government scandals, oil shortages and stories of corruption covered by newspapers, television, and radio stations took a toll on the American public's faith in its Government. The U.S. Congress knew it had to take action to restore the public's trust. It had to increase oversight of Federal programs and operations. It had to create a mechanism to evaluate the effectiveness of Government programs. Also, it had to provide an independent voice for economy, efficiency and effectiveness within the Federal Government that would earn and maintain the trust of the American people.

In response, President Jimmy Carter in 1978 signed into law the landmark legislation known as the *Inspector General Act (IG Act)*. The *IG Act* created independent Inspectors General (IGs), who would: protect the integrity of Government; improve program efficiency and effectiveness; prevent and detect fraud, waste and abuse in Federal agencies; and keep agency heads, Congress, and the American people fully and currently informed of the findings of the IGs' work.

Almost 30 years later, the IG concept is a proven success. The IGs continue to deliver significant benefits to our Nation. Thanks to IG audits and inspections, billions of dollars have been returned to the Federal Government or have been better spent based on recommendations identified through those audits and inspections. IG investigations have also contributed to the prosecution of thousands of wrongdoers. In addition, the IG concept of good governance, accountability and monetary recoveries encourages foreign governments to seek our advice, with the goal of replicating the basic IG principles in their own governments.

OIG Mission

NRC's OIG was established as a statutory entity on April 15, 1989, in accordance with the 1988 amendment to the *IG Act*. NRC OIG's mission is to (1) independently and objectively conduct and supervise audits and investigations relating to NRC programs and operations; (2) prevent and detect fraud, waste, and abuse;



and (3) promote economy, efficiency, and effectiveness in NRC programs and operations.

OIG is committed to ensuring the integrity of NRC programs and operations. Developing an effective planning strategy is a critical aspect of accomplishing this commitment. Such planning ensures that audit and investigative resources are used effectively. To that end, OIG developed a Strategic Plan that includes the major challenges and critical risk areas facing NRC.

The plan identifies the priorities of OIG and establishes a shared set of expectations regarding the goals OIG expects to achieve and the strategies that will be employed to do so. OIG's Strategic Plan features three goals which generally align with NRC's mission and goals:

1. Advance NRC's efforts to enhance **safety** and protect the environment.
2. Enhance NRC's efforts to increase **security** in response to the current threat environment.
3. Improve the economy, efficiency, and effectiveness of NRC **corporate management**.

Audit Program

The OIG Audit Program covers the management and financial operations, economy or efficiency with which an organization, program, or function is managed and program results achieved. For this program, auditors assess the degree to which an organization complies with laws, regulations, and the internal policies in carrying out programs, and they test program effectiveness as well as the reasonableness and reliability of financial statements. The overall objective of an audit is to identify ways to enhance agency operations and promote greater economy and efficiency. Audits comprise four phases:

- **Survey phase** - An initial phase of the audit process is usually to gather information, without detailed verification, on the agency's organization, programs, activities, and functions. An assessment of vulnerable areas determines whether further review is needed.



- **Verification phase** - Detailed information is obtained to verify findings and support conclusions and recommendations.
- **Reporting phase** - The auditors present the information, findings, conclusions, and recommendations that are supported by the evidence gathered during the survey and verification phases. Exit conferences are held with management officials to obtain their views on the issues in the report. Comments from the exit conferences are presented in the published audit report, as appropriate. Formal written comments are included in their entirety as an appendix in the published audit report.
- **Resolution phase** - Positive change results from the resolution process in which management takes action to improve operations based on the recommendations in the published audit report. Management actions are monitored until final action is taken on all recommendations. When management and OIG cannot agree on the actions needed to correct a problem identified in an audit report, the issue can be taken to the NRC Chairman for resolution.

Each September, OIG issues an Annual Plan that summarizes the audits planned for the coming Fiscal Year (FY). Unanticipated high priority issues may arise that generate audits not listed in the Annual Plan. OIG audit staff continually monitor specific issues areas to strengthen OIG's internal coordination and overall planning process. Under the OIG Issue Area Monitor (IAM) program, staff designated as IAMs are assigned responsibility for keeping abreast of major agency programs and activities. The broad IAM areas address nuclear reactors, nuclear materials, nuclear waste, international programs, security, information management, and financial management and administrative programs.

Investigative Program

OIG's responsibility for detecting and preventing fraud, waste, and abuse within NRC includes investigating possible violations of criminal statutes relating to NRC programs and activities, investigating misconduct by NRC employees, interfacing with the Department of Justice on OIG-related criminal matters, and coordinating investigations and other OIG initiatives with Federal, State, and local investigative agencies and other OIGs. Investigations may be initiated as a result of allegations or referrals from private citizens; licensee employees; NRC employees; Congress; other Federal, State, and local law enforcement agencies;



OIG audits; the OIG Hotline; and IG initiatives directed at areas bearing a high potential for fraud, waste, and abuse.

Because NRC's mission is to protect the health and safety of the public, one of the Investigation unit's main focus and use of resources is investigations of alleged conduct by NRC staff that could adversely impact the agency's handling of matters related to health and safety. These investigations may include allegations of:

- Misconduct by high ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact public health and safety.
- Failure by NRC management to ensure that health and safety matters are appropriately addressed.
- Failure by NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.
- Conflict of interest by NRC employees with NRC contractors and licensees involving such matters as promises of future employment for favorable or inappropriate treatment and the acceptance of gratuities.
- Fraud in the NRC procurement program involving contractors violating Government contracting laws and rules.

OIG has also implemented a series of proactive initiatives designed to identify specific high-risk areas that are most vulnerable to fraud, waste, and abuse. A primary focus is electronic-related fraud in the business environment. OIG is committed to improving the security of this constantly changing electronic business environment by investigating unauthorized intrusions and computer-related fraud, and by conducting computer forensic examinations. Other proactive initiatives focus on determining instances of procurement fraud, theft of property, Government credit card abuse, and fraud in Federal programs.



OIG GENERAL COUNSEL ACTIVITIES

Regulatory Review

Pursuant to the Inspector General Act, 5 U.S.C. App. 3, Section 4(a)(2), OIG reviews existing and proposed legislation, regulations, policy, and implementing Management Directives, and makes recommendations to the agency concerning their impact on the economy and efficiency of agency programs and operations.

From October 1, 2007, through March 31, 2008, OIG reviewed more than 250 agency documents, including approximately 160 Commission papers (SECYs), Staff Requirements Memoranda, and 75 Federal Register Notices, regulatory actions, and statutes.

To effectively track the agency's response to OIG regulatory review comments, this office requests written replies within 90 days with either a substantive reply or status of issues raised by OIG.

During this reporting period, four significant comments were provided to the agency and are summarized below. In each case, the agency replied with responsive comments.

The agency proposed a rule, "Expansion of the National Source Tracking System." (The purpose of the system is to track certain sealed radioactive sources which would require licensees to report information on the manufacture, transfer, receipt, or disposal of these sources.) The National Source Tracking System was the subject of two recent OIG audits. Outstanding issues identified in those audits were not resolved at the time the rule was proposed. These include receipt of recommendations for appropriate tracking levels and quantities of radioactive materials and the need for a framework for evaluating options and alternatives to adequately address security. As a result, OIG related that the timing of the rule was potentially premature. The agency response advised that initiation of the rule was deemed prudent in the overall context of this health and safety issue, and that flexibility in the processes and software systems contemplated would allow for inclusion of additional sources as a separate matter. Further, security concerns were considered as an initial consideration for later analysis, and the timing of the rulemaking was a logical fit with the increased controls evident in the Agreement States.



Draft Management Directive 8.14, “Agency Action Review Meeting,” addressed the major issues related to the NRC’s practice for its senior managers to conduct an annual Agency Action Review Meeting. This meeting includes an overview of the performance of operating reactors, fuel cycle and other materials licensees, industry trends, and the effectiveness of NRC’s oversight process. The clarifications to the draft directive suggested by OIG were minor, and the agency advised that, after delay to allow for development of more specific criteria, a subsequent draft will be provided for review.

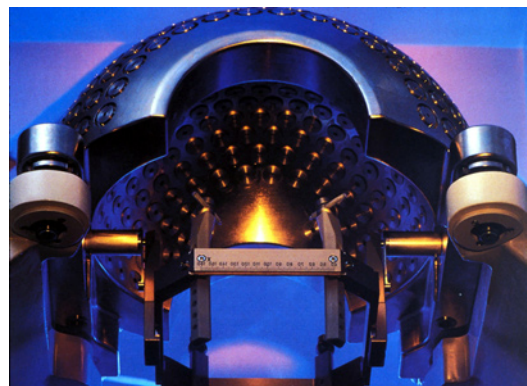
OIG reviewed a proposed “No Fear Act” training module which, as developed, provided comprehensive discussion on the most important aspects of this topic. Besides suggesting that specific examples of relevant conduct be avoided, OIG also suggested inclusion of the whistleblower protection section of the Inspector General Act, and elimination of superfluous information. The agency adopted the OIG comments in the final version of the training module.

In addition, OIG provided substantive suggestions to the agency Annual Ethics Training syllabus. Tied to weaknesses identified in a recent investigation, OIG suggested emphasis and focus on the need for explicit directions to employees seeking employment in the private sector. The additional detail in this part of the training syllabus created a more robust annual ethics training by the agency Designated Agency Ethics Official.

SPECIAL FEATURE ARTICLE

Follow-up to Report on NRC’s Oversight of Byproduct Materials

On March 30, 2007, OIG issued its *Summary Report and Perspectives on Byproduct Material Security and Control*. The report sought to synthesize the findings of previous OIG and Government Accountability Office (GAO) audits and investigations to provide a more complete perspective of NRC’s approach to byproduct material security and control. However, the work published by OIG and GAO,



Gamma Knife.



as a whole, painted a picture of NRC efforts that are incomplete, especially with regard to taking a comprehensive look inwards at its own business and regulatory processes, which would include conducting a vulnerability assessment of the agency's material licensing and tracking programs.

As the Nation's authority on radioactive material, OIG recognized that NRC could face continued difficulties in convincing critics and concerned onlookers of the appropriateness of its approach towards byproduct material security. However, OIG found no evidence that the agency sought an independent assessment of the risks and consequences associated with the malevolent use of byproduct material. OIG therefore recommended that the agency convene an independent panel of experts external to the agency to identify agency vulnerabilities concerning NRC's material licensing and tracking programs and validate the agency's ongoing byproduct material security efforts.

Subsequent to OIG's report, GAO conducted an undercover investigation that validated the vulnerability concerns previously voiced in the OIG report. GAO easily obtained an NRC license under false pretense by exploiting some of the very weaknesses in the NRC licensing process that OIG had earlier discussed with NRC officials. For example, GAO was able to gather all necessary information to produce a credible license application. Once the application was submitted, the GAO team was able to anticipate all of the license review actions the NRC was going to perform when processing the application, because the agency outlined the process in publicly-available guidance.

In October 2007, the Commission chartered an Independent External Review Panel to address issues raised by the GAO investigation. Two of the specific charter areas included (1) listing vulnerabilities concerning NRC's licensing and tracking programs for import, export, specific and general licensees, and (2) validating NRC's ongoing material security efforts. The Panel issued its final report on March 11, 2008, and made 13 recommendations to address vulnerabilities in NRC's oversight of byproduct materials licensing and security.



OTHER ACTIVITIES

NRC OIG Receives PCIE Award for Excellence

In 2007, the President's Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency awarded an OIG audit team the prestigious Award for Excellence. The team was recognized for exceptional performance in identifying weaknesses and recommending enhancements to the program used by NRC to evaluate the performance of nuclear power plants security efforts. The team consisted of Beth Serepca, Shyrl Coker, David Ditto, and Rebecca Underhill.

The events of September 11, 2001, showed that terrorists are willing to die in efforts to wreak as much destruction and death as possible, and that major terrorist events would take place in the United States. This new realization caused a marked change in how this country perceives the threat to its infrastructure and caused it to rethink earlier assumptions about the possible threats to the nuclear power plants that are regulated by NRC. The work conducted by the audit team successfully challenged long-held agency assumptions that nuclear power plants were so hardened that terrorists would not be interested in attacking them. Secondly, the team showed that NRC's security inspection program needs improvement to ensure that nuclear power plant security is at a high standard.

This review found that NRC's security training program needs improvement to ensure that key personnel have the appropriate knowledge and information to complete the inspection program. Specifically, the inspectors are not receiving relevant training or refresher courses, certification of inspectors is inconsistent,



The Security and Information Management Audit Team receives its 2007 PCIE/ECIE Award for Excellence. Pictured left to right are Rebecca J. Underhill, Senior Auditor; Shyrl A. Coker, Audit Manager; Hubert T. Bell, Inspector General; Beth H. Serepca, Team Leader; Stephen D. Dingbaum, Assistant Inspector General for Audits; David C. Ditto, Senior Management Analyst; and David C. Lee, Deputy Inspector General.



non-security staff with oversight responsibility are not receiving security training, and the training program has not been updated.

In addition, the team found that the depth of inspection review guidance is lacking. Inspectors examine a prescribed number of specific security program requirements to assess each inspectable area at a nuclear power plant. However, NRC security inspectors employ subjective approaches to examine each of these requirements. NRC does not provide explicit guidance on what constitutes an adequate review of each requirement which can result in inspections that vary in scope and depth.

The work conducted by the auditors successfully countered the belief that more training and guidance was not needed because no nuclear power plant had ever been successfully attacked. The audit team's work was recognized for its contribution to assisting the agency to better meet the public health, safety and security mission.



To help the agency improve its effectiveness and efficiency during this period, OIG completed 9 financial and performance audits or evaluations that resulted in numerous recommendations to NRC management. OIG also analyzed 2 contract audit reports.

AUDIT SUMMARIES

Results of the Audit of the Nuclear Regulatory Commission's Financial Statements for Fiscal Years 2007 and 2006

OIG STRATEGIC GOAL: CORPORATE MANAGEMENT

The Chief Financial Officers Act requires OIG annually to audit NRC's principal financial statements. In addition, the audit evaluated the effectiveness of internal controls over financial reporting and the agency's compliance with laws and regulations.

Audit Results:

Financial Statements

- The auditors expressed an unqualified opinion on the agency's FY 2007 and 2006 financial statements.

Internal Controls

- The auditors expressed a qualified opinion on the agency's internal controls.
- The auditors cited information systems security controls as a continuing material weakness. The material weakness results from the Federal Information Security Management Act (FISMA) independent evaluation for FY 2007. This evaluation identified significant deficiencies concerning certification and accreditation and annual contingency plan testing requirements.
- The auditors cited NRC's Fee Billing System as a significant deficiency.

Compliance with Laws and Regulations

- The auditors reported information systems security controls as a substantial noncompliance with the Federal Financial Management Improvement Act



(FFMIA). Office of Management and Budget Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, clarified that “significant deficiencies found under FISMA must also be reported as a material weakness under the Federal Managers’ Financial Integrity Act and as a lack of substantial compliance under FFMIA if related to financial management systems.” (*Addresses Management Challenge #6*)

Audit of NRC’s Alternative Dispute Resolution Program

OIG STRATEGIC GOAL: SAFETY

Alternative Dispute Resolution (ADR) is a term that refers to a number of processes, such as mediation, which can be used to resolve disputes between parties. Through the Office of Enforcement (OE), NRC developed a pilot program to evaluate whether the use of ADR could provide greater flexibility in the enforcement process, more timely and economical resolution of issues, more effective outcomes, and improved relationships. NRC offers two types of enforcement-related ADR — early¹ and post-investigative.² To reduce any perceived bias, OE contracted with the Institute on Conflict Resolution at Cornell University (Cornell) to act as the intake neutrals³ and to provide mediators for NRC’s ADR pilot program. NRC conducted the ADR pilot program from October 2004 through December 2005, offering post-investigative ADR to 43 offenders. Of those, 16 agreed to use ADR and all reached resolution.

The objective of this audit was to determine if the enforcement-related ADR program is complete and ready for full implementation.

Audit Results:

Despite overall ADR participant and other external stakeholder satisfaction with the post-investigative ADR process, the ADR program is not complete or ready

¹ The early ADR process occurs between an individual and his/her employer prior to NRC’s Office of Investigations performing an investigation based on an individual’s claim of discrimination.

² The post-investigative ADR process, between NRC and an offender (individual, licensee, or organization subject to NRC jurisdiction), is only available after the Office of Investigations completes an investigation and the agency decides to pursue enforcement.

³ Per the ADR Act, a “neutral” means an individual who, with respect to an issue in controversy, functions specifically to aid the parties in resolving the controversy.



for full implementation because of weaknesses in the program's guidance and management controls. Specifically,

- the process for follow-up and closure of confirmatory orders is unclear,
- pertinent NRC offices are involved on an ad hoc basis,
- preparation of support documentation is inconsistent, and
- complete case information is unavailable to all enforcement specialists.

Until complete policy and procedures are in place, NRC cannot ensure long-term success of the overall enforcement-related ADR program. (*Addresses Management Challenge #3*)

NRC'S Planned Cybersecurity Program

OIG STRATEGIC GOAL: SECURITY

Cybersecurity refers to the branch of security that protects information technology (IT) infrastructure. IT infrastructure encompasses not only the public internet, but also the less visible systems and connections of the Nation's critical infrastructures, such as nuclear power plants and electric power distribution grids. Cybersecurity is increasingly important to the nuclear power industry as plants upgrade from analogue to digital control systems, which are vulnerable to attacks by criminals and foreign governments. These cyber attacks can temporarily disrupt computer networks or, more seriously, cause failure of public services. According to the U.S. Central Intelligence Agency, for instance, extortionists recently penetrated computer systems of utility companies outside the United States and caused power outages that affected multiple cities.



Audit Results:

OIG identified an issue that could adversely affect NRC's oversight of licensees' cybersecurity programs for nuclear power plants. In particular, although NRC is making progress in developing cybersecurity regulations and a corresponding inspection program, it lacks a clear plan for the inspection program. In particular, agency management has not determined:



- respective roles of agency staff and contractors in conducting cybersecurity inspections,
- staff requirements for cybersecurity inspections and headquarters support, and
- resources needed for initial training of cybersecurity inspectors, and for follow-on training to maintain technical proficiency.

Without robust cybersecurity oversight, NRC faces increased risk that cyber attacks, human error, or technological failure could compromise IT systems that are critical to nuclear power plant operations. (*Addresses Management Challenge #2*)

Audit of NRC's Contract for Alternative Dispute Resolution Services

OIG STRATEGIC GOAL: CORPORATE MANAGEMENT

On September 27, 2006, NRC awarded a \$334,400 fixed-price, sole-source contract to Cornell to provide neutral services supporting the enforcement ADR program for a 2-year period. The contract provisions permit a three-year extension for an \$893,000 total contract cost. ADR is a term that refers to a number of processes, such as mediation and facilitated dialogues, that can be used to assist parties in resolving disputes. ADR is a voluntary process that often involves the use of a skilled third party neutral.

The objective of this audit was to determine if NRC's contract for ADR services had the appropriate controls in place.

Audit Results:

While the contract with Cornell has been used for more than a year for a number of ADR cases, NRC does not have the ability to provide effective contract oversight. This is caused by deficiencies in the contract such as inadequate billing requirements and an insufficient statement of work. Furthermore, there is minimal contract management over the contract. Thus, the agency's ability to prevent procurement fraud and abuse is reduced. In addition, there is the appearance of a conflict of interest due to the NRC's project officer's association with a Cornell workshop. (*Addresses Management Challenge #6*)



Audit of NRC's Oversight of Licensees' Nuclear Security Officers

OIG STRATEGIC GOAL: SECURITY

Licensees take various measures to ensure that their security officers are mentally and physically fit, professionally competent, and sufficiently trustworthy to carry out their duties at nuclear power plants. These measures are designed to comply with various NRC regulations governing employee conduct, health, and work requirements. NRC exercises oversight of licensees' security officers through the physical protection program of the Reactor Oversight Process, as well as regional inspections concerning specific problems or extraordinary events and through force-on-force exercises.

The audit objective was to assess NRC's oversight of security officers employed by licensees to protect nuclear power plants.

Audit Results:

NRC staff conducts security oversight activities in accordance with agency standards; however, OIG found two issues that NRC management should address to improve agency performance:

- Regulations for licensees' behavioral observation programs lack detailed implementation guidance and are not integrated with guidance for related security programs.
- Advance notification of all baseline security inspections could compromise the accuracy of NRC's assessments of licensee fitness-for-duty performance.

These factors compromise NRC's oversight of licensee behavioral observation programs, thereby increasing security risks to nuclear power plants.

By enhancing behavioral observation program oversight and incorporating limited-scope, short notice inspections into the baseline security inspection program, NRC can improve its oversight of licensees' security officers. (*Addresses Management Challenges #1 and 3*)



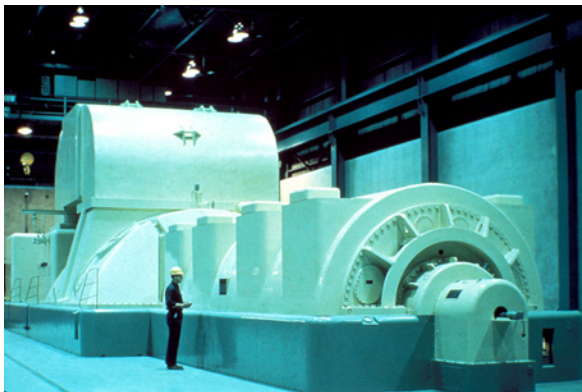
Security personnel participating in weapons training.



Audit of NRC's Power Uprate Program

OIG STRATEGIC GOAL: SAFETY

NRC regulates the maximum power level at which a commercial nuclear power plant may operate. The process of increasing the maximum power level at which



Turbine at a nuclear power plant.

a plant may operate is called a power uprate. Licensees seek permission to perform a power uprate by submitting a license application amendment to NRC. Since 1977, NRC has approved 118 power uprates, resulting in a combined increase of over 5,200 megawatts electric to the Nation's electric generating capacity, the equivalent of adding 3 to 4 additional power plants. NRC anticipates as many as 24 power uprate applications during the next 5 years. Some of these future power uprate requests may be for plants that have been approved or may seek approval for a license renewal to operate plants for 20 additional years beyond their original 40-year license term.

The objective of this audit was to examine the process for reviewing and approving power uprate amendment applications.

Audit Results:

The process for reviewing and approving power uprate amendment applications is generally the same as that for other types of license amendments. The audit, however, identified program matters needing NRC management attention as the license amendment process is applied to the uprates. Specifically:

- The power uprate inspection procedure has been implemented and documented inconsistently. NRC staff have an inconsistent understanding of the power uprate inspection procedure's use, implementation, and documentation, and some staff are not aware of the procedure.
- The circulation and written quality of power uprate safety evaluations needs improvement.

As a result, stakeholders are unable to adequately monitor power uprate inspections or to adequately comprehend NRC's basis for approving an uprate application. *(Addresses Management Challenges #3 and #4)*



AUDITS IN PROGRESS

Audit of NRC's Enforcement Program

OIG Strategic Goal: Safety

The NRC's enforcement jurisdiction is drawn from the Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, as amended. In recognition that violations occur in a variety of activities and have varying levels of significance, the Commission set out to create an enforcement framework with graduated sanctions to reflect this diversity. The Commission's first public statement of policy on enforcement (the first Enforcement Policy) was published in 1980. Although the policy statement has changed several times, two goals of the enforcement program remain unchanged: to emphasize the importance of compliance with regulatory requirements and to encourage prompt identification, and prompt, comprehensive correction of violations. The enforcement program is also intended to meet the agency's performance goals.

Violations are identified through inspections and investigations. All violations are subject to civil enforcement action and may also be subject to criminal prosecution. After an apparent violation is identified, it is assessed in accordance with the Commission's Enforcement Policy. Because the policy statement is not a regulation, the Commission may deviate from the Enforcement Policy as appropriate under the circumstances of a particular case.

The objectives of this audit are to determine how NRC assesses (1) the significance of violations and (2) the level of enforcement action to be taken. (*Addresses Management Challenges #1 and #3*)

Audit of NRC's Continuity of Operations Plan

OIG STRATEGIC GOALS: SAFETY AND SECURITY

To ensure that essential NRC services are available during an emergency (such as terrorist attacks, severe weather, or building level emergencies), Federal agencies are required to develop continuity of operations (COOP) plans. Federal Emergency Management Agency (FEMA) guidance, Federal Preparedness Circular 65, identifies elements of a viable COOP capability, including the requirement that agencies identify their essential functions.



The objectives of this audit are to evaluate the extent that NRC has identified and maintains essential functions during an emergency and to determine if NRC's COOP plan follows FEMA guidelines. (*Addresses Management Challenge #1*)

Audit of NRC's AID-Funded Activities

OIG STRATEGIC GOAL: CORPORATE MANAGEMENT

NRC receives Freedom Support Act (FSA) funds from the U.S. Agency for International Development (AID) to support provisions of nuclear regulatory safety and security assistance to the regulatory authorities of Armenia, Georgia, Kazakhstan, Russia, and Ukraine. These funds support activities that include strengthening regulatory oversight of:

- the startup, operation, shutdown and decommissioning of Soviet-designed nuclear power plants;
- the safe and secure use of radioactive materials; and
- accounting for and protection of nuclear materials.

NRC has received approximately \$53.3 million in FSA funds from FY 1992 through FY 2007. The Office of International Programs has responsibility for NRC's use of FSA funds. This responsibility includes the coordination within NRC, with other U.S. Governmental agencies involved with assistance activities, and with other international donors.

The objectives of this audit are to determine if the management controls over the use of AID funds are adequate and whether NRC's corrective actions resulting from OIG's recommendations in Audit Report OIG-02-A-04, dated December 3, 2001, are being adequately implemented. (*Addresses Management Challenge #6*)

Audit of NRC's Accounting and Control Over Time and Labor Reporting

OIG STRATEGIC GOAL: CORPORATE MANAGEMENT

Salaries and benefits for NRC's approximately 3,300 employees totaled \$424 million in FY 2006. Approximately 90 percent (\$382 million) of the salaries and benefits are recovered through billings to NRC licensees.



NRC's time and labor system is intended to collect data to adequately support employees' pay and show the number of hours employees are working and are in leave status. The system provides data in support of entitlements to overtime pay, premium pay, and compensatory time earned and used. An accurate and reliable system of collecting time and labor data is necessary to provide a basis for:

- allocating employees' time to the agency's program and performance objectives,
- assessing NRC fees, and
- financial reporting.

The objectives of this audit are to determine whether (1) NRC has established and implemented internal controls over time and labor reporting to provide reasonable assurance that hours worked in pay status and hours absent are properly reported, and (2) the time and labor system can be easier and more efficient to use. *(Addresses Management Challenge #6)*

Audit of NRC's FY 2008 Financial Statements

OIG STRATEGIC GOAL: CORPORATE MANAGEMENT

Under the Chief Financial Officers Act and the Government Management and Reform Act, OIG is required to audit the financial statements of the NRC. OIG is auditing NRC's financial statements in accordance with applicable auditing standards. The audit will express opinions on the agency's financial statements and internal controls, review compliance with applicable laws and regulations, review the performance measures for compliance with Office of Management and Budget guidance, and review the controls in the NRC's computer systems that are significant to the financial statements. In addition, OIG will measure the agency's improvements by assessing corrective action taken on prior audit findings. *(Addresses Management Challenge #6)*

INVESTIGATIONS

During this reporting period, OIG received 95 allegations, initiated 35 investigations and closed 29 cases. In addition, OIG made 18 referrals to NRC management and 7 to the Department of Justice.

INVESTIGATIVE CASE SUMMARIES

NRC's Oversight of Hemyc Fire Barriers

OIG STRATEGIC GOAL: SAFETY

OIG completed a special inquiry in response to concerns pertaining to Hemyc fire barriers. Hemyc is a fire barrier manufactured by Promatec, Inc., that has been installed in operating nuclear power plants (NPPs) since the 1980s and is currently installed at 15 nuclear reactors in the United States. Recent concerns focused on Hemyc's failure to provide the level of protection expected for a 1-hour rated fire barrier during confirmatory testing sponsored by NRC in 2005. Additional concerns pertained to whether NRC staff were aware of problems with

Hemyc prior to 2005 and whether the staff acted to address these problems.

NRC requires fire barrier manufacturers to conduct or sponsor tests that establish that their barrier materials meet either a 1-hour or 3-hour rating period. These time durations indicate the number of hours a fire barrier protects equipment from fire damage. NRC does not conduct tests to qualify fire barriers for use in NPPs but can conduct confirmatory testing to identify potential problems with the barriers.

In 1983, NRC approved the installation of Hemyc. Hemyc has since been used in a number of NPPs to provide protection of electrical cables from fire. In 1994, NRC received information pertaining to a small-

scale fire endurance test, sponsored by the agency, that indicated problems with Hemyc's fire endurance. However, OIG found that NRC did not communicate the results of the test to licensees, nor did the agency conduct any follow-up to the test.



Shearon Harris Nuclear Power Plant.



In November 1999, an NRC inspection identified potential problems with Hemyc fire barriers at Shearon Harris NPP. Consequently, in August 2000, NRC concluded that the information available from previous fire endurance tests proved inconclusive to qualify Hemyc as a 1-hour fire rated barrier. However, NRC did not require licensees to take corrective action.

After August 2000, NRC initiated a program to perform NRC-sponsored confirmatory testing of the Hemyc fire barriers. The testing, which was not completed until 2005, resulted in a finding that the Hemyc fire barrier failed to perform for 1-hour as designed. However, in April 2005, when NRC published the results of the tests in an NRC information notice to all licensees, it did not require licensees to take any action or provide a written response.

OIG also found that NRC was not timely in fulfilling a commitment made to Congress in 1993 to assess and resolve problems with fire barriers. In March 1993, after problems with another fire barrier were identified, a former NRC Chairman provided testimony to the U.S. House of Representatives Subcommittee on Oversight and Investigations. His testimony included a commitment to conduct assessments of all fire barriers used to protect electrical cables in NPPs to identify improvements needed to have these fire barriers meet NRC requirements. It was not until April 2005 that the NRC first informed licensees of Hemyc's failure to perform as an NRC-qualified fire barrier, and not until April 2006 that NRC first requested licensees to take actions to resolve problems with Hemyc fire barriers installed at their facilities. As of December 2007, no fire endurance tests had been conducted to allow NRC to qualify Hemyc as an approved 1-hour or 3-hour fire barrier for installation at NPPs. (*Addresses Management Challenge #1*)

NRC Involvement in Improper Whistleblower Settlement Agreement

STRATEGIC GOAL: CORPORATE MANAGEMENT

OIG completed an investigation pertaining to NRC's involvement in an improper settlement agreement between a whistleblower and an NRC nuclear power plant licensee. This investigation identified shortcomings by NRC staff that contributed to the improper settlement agreement and, consequently, may have adversely impacted the licensee. Additionally, OIG identified a lack of understanding by several NRC offices with respect to the NRC staff's role in the Alternative Dispute Resolution (ADR) process.



OIG determined that the licensee and the whistleblower entered into a settlement agreement in 2007 that purported to meet the intents and purposes of Early ADR under the NRC ADR Program. A draft of this settlement agreement was reviewed by an NRC Regional Council. However, because the Office of Investigations (OI) had initiated an investigation into the discrimination allegations on July 7, 2006, a fact known to the licensee’s counsel and the Regional Council, this settlement agreement did not comply with the most basic requirement of Early ADR (i.e., Early ADR is a means to resolve a discrimination complaint “prior to an OI investigation.”) The Regional Council’s failure to clearly articulate the applicability of NRC’s Early ADR policy may have caused the licensee to settle with the whistleblower for \$185,000 based on a belief that the settlement agreement would be viewed by NRC as Early ADR, thereby precluding an OI investigation.

OIG found that the Regional Council advised the licensee counsel that the agreement did not contain any potentially restrictive language that would violate Title 10 Code of Federal Regulations (CFR) 50.7, “Employee Protection.” 10 CFR 50.7 provides that settlement agreements may not prohibit, restrict, or otherwise discourage employees from engaging in certain protected activities. However, the settlement agreement required the whistleblower to send a letter to OI stating that he did not wish to pursue his discrimination complaint “in any forum.” This appears inconsistent with the language in 10 CFR 50.7 in that it discourages and may even prohibit him from engaging in a protected activity. It also conflicts with the whistleblower’s expressed interest in having OI continue its investigation.

OIG found that the licensee counsel, the NRC Office of Enforcement (OE), and the NRC Office of the General Counsel (OGC) had a different understanding of OGC’s role and responsibility in the ADR process. The licensee counsel believed that the NRC Regional Council was speaking for OGC when offering an opinion on the settlement agreement. The OE Senior Enforcement Specialist and the OGC Deputy Counsel believed that only OGC could officially review a settlement agreement. The OGC attorney responsible for the ADR Program stated there was no policy that requires settlement agreements be reviewed by OGC and that in most cases the Regional Council conducts the review. (*Addresses Management Challenge #3*)



Misuse of NRC E-Mail by a Contractor Employee

STRATEGIC GOAL: CORPORATE MANAGEMENT

OIG completed an investigation concerning misuse of NRC e-mail by an Office of Information Services contractor employee. The investigation was initiated based on information indicating that the employee had placed a computer monitoring program on a computer owned by a private, local company and assigned to the NRC contractor's wife, who worked for the company. According to the information, the wife's e-mails and web-browsing activity was captured by the monitoring program. The program then automatically and clandestinely sent reports, via e-mail, containing this information to the NRC contractor employee's NRC e-mail account.

Interception and disclosure of wire, oral, or electronic communications is prohibited under Title 18, Section 2511, of the U.S. Code. In addition, NRC's contract with the contractor company specifies that the contractor's employees are prohibited from engaging or using Government IT equipment, services, or access for any personal use, misuse, abuse, or any other unauthorized usage.

Through contact with the manufacturer of the computer monitoring software, OIG was able to verify that the NRC contractor employee had purchased, registered, and installed the software monitoring program. OIG review of NRC computer e-mail and network logs confirmed the employee had received 288 e-mails, in his assigned NRC e-mail account, which contained the reports sent by the monitoring program. (*Addresses Management Challenge #3*)

Incorrect Deductions from NRC Payments to Contractor

STRATEGIC GOAL: CORPORATE MANAGEMENT

OIG conducted an investigation into claims by an NRC contractor, Advanced Systems Technology and Management, Inc. (AdSTM), that unexplained deductions were being taken from NRC invoice payments. In late September 2007, AdSTM notified NRC staff that it had not received full payments for the prior eight invoices the company had issued to NRC.



OIG learned that AdSTM's latest contract to provide support to the Office of International Programs became effective in January 2007. Since that time, eight payments received by AdSTM from NRC in response to invoices were incorrect, and, as a result, NRC owed AdSTM approximately \$196,000.

During its investigation, OIG found that when AdSTM's newest contract payment information was entered into NRC's payment database, an NRC payment clerk mistakenly selected another company instead of AdSTM as the name of the NRC contractor. When the wrong company was entered into the financial accounting and payment system, the corresponding (and therefore incorrect) tax identification number was also entered. The payment clerk then entered the correct bank information (routing and account numbers) for AdSTM. The error caused the Department of Treasury to withhold monies from AdSTM that were supposed to be garnished from the other company.

NRC staff has corrected the error and paid AdSTM the monies owed to them. Additionally, NRC staff has analyzed its current payment process to ensure this type of mistake does not recur. (*Addresses Management Challenge #3*)

NRC Oversight of Steel Liner at Oyster Creek Nuclear Generating Station

STRATEGIC GOAL: SAFETY

OIG conducted an investigation concerning the sufficiency of the steel containment liner at Oyster Creek Nuclear Generating Station and whether an NRC staff member was pressured by NRC management to conclude the liner was sufficient. The containment liner is a fission product barrier, designed to prevent the release of radioactive materials to the environment in the event of a reactor accident where there is core damage.

This investigation was initiated after OIG learned that two U.S. Congressmen representing the State of New Jersey appealed to the NRC Atomic Safety and Licensing Board Panel (ASLBP) to review NRC's claim that Oyster Creek's steel containment liner met design requirements. A New Jersey newspaper reported that an Office of Nuclear Reactor Regulation staff member testified before the



ASLBP that the steel containment liner did not meet American Society of Mechanical Engineers (ASME) structural integrity requirements because of corrosion that had occurred since the barrier was installed. It was further reported in the newspaper that because of management pressure, the NRC staff member provided the ASLBP an addendum to his original testimony in which he concluded the steel containment liner was sufficient and met regulatory standards.

This investigation determined that the NRC staff member did not change his ASLBP testimony or conclusions regarding the structural integrity of the steel containment liner. The staff member provided initial written testimony to the ASLBP that concluded the steel containment liner was structurally sufficient and met regulatory standards. He supplied an addendum to his original testimony in an effort to clarify and strengthen his original written testimony.

This investigation further determined that NRC's assessment of the structural integrity of the steel containment liner was based on technical analyses by qualified staff members that considered known conditions of the liner. NRC staff concluded that the liner's condition was adequate to demonstrate that it would perform safely. The staff determined that there was no danger of the liner buckling (structural failure) because of excessive corrosion even with supporting sand removed from the outside of the liner. NRC staff has been aware of the corrosion issue since 1993 and has monitored the results of biennial licensee inspections that measured the thickness of the entire container liner to ensure it remained at structurally safe levels. Additionally, OIG determined that because the liner was designed and built prior to the current ASME standards, there was no requirement that the liner meet these standards.

The ASLBP ruled in favor of the licensee on December 18, 2007, and confirmed that the structural integrity of the steel containment liner was sufficient. (*Addresses Management Challenge #1*)

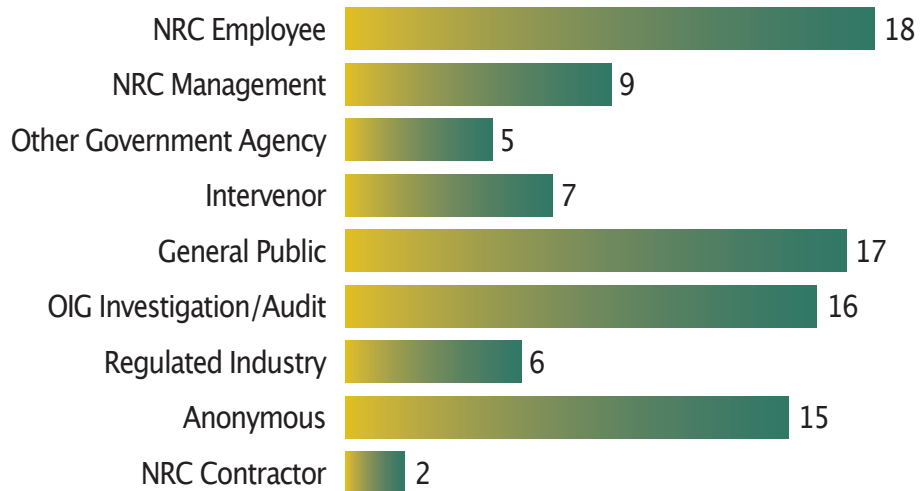


Oyster Creek Nuclear Power Plant.

STATISTICAL SUMMARY OF OIG ACCOMPLISHMENTS

INVESTIGATIVE STATISTICS

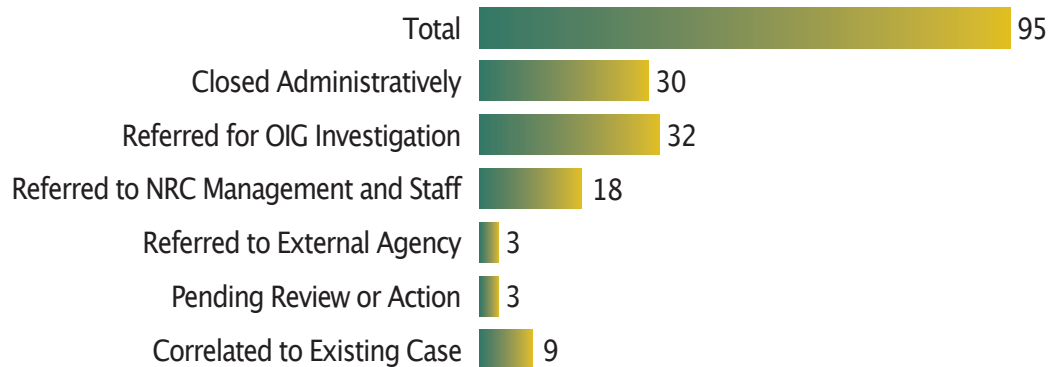
Source of Allegations — October 1, 2007, through March 31, 2008



Allegations resulting from the Hotline: 29

Total: 95

Disposition of Allegations — October 1, 2007, through March 31, 2008





STATUS OF INVESTIGATIONS

DOJ Referrals	7
DOJ Pending	1
DOJ Declinations	9
State Referrals	1
State Declinations	1
NRC Administrative Actions:	
Terminations and Resignations	4
Suspensions and Demotions	1
Counseling	1

SUMMARY OF INVESTIGATIONS

<i>Classification of Investigations</i>	<i>Carryover</i>	<i>Opened Cases</i>	<i>Closed Cases</i>	<i>Cases In Progress</i>
Conflict of Interest	3	1	3	1
Internal Fraud	1	0	0	1
External Fraud	6	5	5	6
False Statements	2	1	3	0
Misuse of Government Property	4	5	4	5
Employee Misconduct	4	4	5	3
Management Misconduct	1	4	2	3
Technical Allegations — Other	8	9	4	13
Proactive Initiatives	2	3	0	5
Project	10	1	1	10
Theft	0	1	1	0
Event Inquiries	1	1	1	1
Total Investigations	42	35	29	48



AUDIT LISTINGS

Internal Program Audit and Special Evaluation Reports

<i>Date</i>	<i>Title</i>	<i>Audit Number</i>
03/28/2008	Audit of NRC's Power Uprate Program	OIG-08-A-09
03/26/2008	Memorandum Report: Audit of NRC's Contract for Alternative Dispute Resolution Services	OIG-08-A-08
03/18/2008	Audit of NRC's Oversight of Licensees' Nuclear Security Officers	OIG-08-A-07
03/18/2008	Memorandum Report: NRC's Planned Cybersecurity Program	OIG-08-A-06
12/19/2007	Review of NRC's Implementation of the Federal Managers' Financial Integrity Act for Fiscal Year 2007	OIG-08-A-05
12/12/2007	Transmittal of the Independent Auditors' Report on the Condensed Financial Statements of the Nuclear Regulatory Commission	OIG-08-A-04
12/14/2007	Memorandum Report: Audit of NRC's Alternative Dispute Resolution Program	OIG-08-A-03
11/15/2007	Independent Auditors' Report on the U.S. Nuclear Regulatory Commission's Special-Purpose Financial Statements as of September 30, 2007, and 2006, and for the Years Then Ended	OIG-08-A-02
11/09/2007	Results of the Audit of the United States Nuclear Regulatory Commission's Financial Statements for Fiscal Years 2007 and 2006	OIG-08-A-01



CONTRACT AUDIT REPORTS

<i>OIG Issue Date</i>	<i>Contractor/ Contract Number</i>	<i>Questioned Costs</i>	<i>Unsupported Costs</i>
10/16/07	Numark Associates, Inc. NRC-03-07-036	0	0
12/18/07	Battelle Memorial Institute Battelle Columbus Operations NRC-04-02-074	0	0

AUDIT RESOLUTION ACTIVITIES

TABLE I

**OIG Reports Containing Questioned Costs⁴
October 1, 2007, through March 31, 2008**

<i>Reports</i>	<i>Number of Reports</i>	<i>Questioned Costs (Dollars)</i>	<i>Unsupported Costs (Dollars)</i>
A. For which no management decision had been made by the commencement of the reporting period	1	\$68,018	0
B. Which were issued during the reporting period	0	0	0
Subtotal (A + B)	1	\$68,018	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	1	\$68,018	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by the end of the reporting period	0	0	0
E. For which no management decision was made within 6 months of issuance	0	0	0

⁴Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.



TABLE II

OIG Reports Issued with Recommendations That Funds Be Put to Better Use⁵

<i>Reports</i>	<i>Number of Reports</i>	<i>Dollar Value of Funds</i>
A. For which no management decision had been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	0	0
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period	0	0
E. For which no management decision was made within 6 months of issuance	0	0

⁵A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if NRC management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.



TABLE III

Significant Recommendations Described in Previous Semiannual Reports on Which Corrective Action Has Not Been Completed

<i>Date</i>	<i>Report Title</i>	<i>Number</i>
05/26/03	Audit of NRC's Regulatory Oversight of Special Nuclear Materials Recommendation 1: Conduct periodic inspections to verify that material licensees comply with material control and accountability (MC&A) requirements, including, but not limited to, visual inspections of licensees' special nuclear material (SNM) inventories and validation of reported information.	OIG-03-A-15
02/23/06	Audit of the Development of the National Source Tracking System Recommendation 1: Before the NSTS rulemaking is finalized, conduct a comprehensive regulatory analysis for NSTS that explores other viable options, such as those in the Code of Conduct. The regulatory analysis should include an assessment of expanding materials tracked in NSTS to contain categories 3, 4, and 5; aggregation of sources; and bulk material.	OIG-06-A-10
03/16/06	Audit of the NRC's Byproduct Materials License Application and Review Process Recommendation 2: Modify the license application and review process to mitigate the risks identified in the vulnerability assessment.	OIG-06-A-11



09/26/06 Evaluation of NRC's Use of Probabilistic Risk Assessment in Regulating the Commercial Nuclear Power Industry

OIG-06-A-24

Recommendation 1: Develop and implement a formal, written process for maintaining PRA models that are sufficiently representative of the as-built, as-operated plant to support model uses.

Recommendation 3: Conduct a full verification and validation of SAPHIRE version 7.2 and GEM.



ABBREVIATIONS AND ACRONYMS

ADR	Alternative Dispute Resolution
AdSTM	Advanced Systems Technology and Management, Inc.
AID	U.S. Agency for International Development
ASLBP	Atomic Safety and Licensing Board Panel
ASME	American Society of Mechanical Engineers
CFR	Code of Federal Regulations
COOP	continuity of operations plans
DOJ	Department of Justice
FEMA	Federal Emergency Management Agency
FFMIA	Federal Financial Management Improvement Act
FISMA	Federal Information Security Management Act
FSA	Freedom Support Act
FY	Fiscal Year
GAO	U.S. Government Accountability Office
IAM	Issue Area Monitor
IG	Inspector General
IT	information technology
NPP	nuclear power plants
NRC	U.S. Nuclear Regulatory Commission
PRA	Probabilistic Risk Assessment
OGC	Office of the General Counsel (NRC)
OE	Office of Enforcement (NRC)
OI	Office of Investigations (NRC)
OIG	Office of the Inspector General (NRC)



REPORTING REQUIREMENTS

The Inspector General Act of 1978, as amended (1988), specifies reporting requirements for semiannual reports. This index cross-references those requirements to the applicable pages where they are fulfilled in this report.

CITATION	REPORTING REQUIREMENTS	PAGE
Section 4(a)(2)	Review of Legislation and Regulations	6-7
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	11-16, 20-25
Section 5(a)(2)	Recommendations for Corrective Action	11-16
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed	32-33
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	27
Section 5(a)(5)	Information or Assistance Refused	None
Section 5(a)(6)	Listing of Audit Reports	28
Section 5(a)(7)	Summary of Significant Reports	11-16, 20-25
Section 5(a)(8)	Audit Reports — Questioned Costs	30
Section 5(a)(9)	Audit Reports — Funds Put to Better Use	31
Section 5(a)(10)	Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made	32
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions With Which OIG Disagreed	None



NRC OIG'S STRATEGIC GOALS

1. Advance NRC's efforts to enhance safety and protect the environment.
2. Enhance NRC's efforts to increase security in response to the current threat environment.
3. Improve the economy, efficiency, and effectiveness of NRC corporate management.



The NRC OIG Hotline

The Hotline Program provides NRC employees, other Government employees, licensee/utility employees, contractors and the public with a confidential means of reporting suspicious activity to the OIG. We do not attempt to identify persons contacting the Hotline.

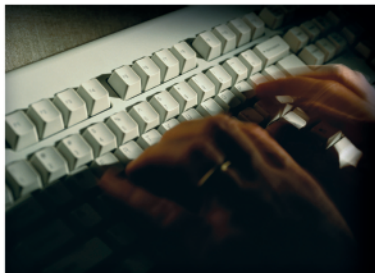
What should be reported:

- Contract and Procurement Irregularities
- Conflicts of Interest
- Theft and Misuse of Property
- Travel Fraud
- Misconduct
- Abuse of Authority
- Misuse of Government Credit Card
- Time and Attendance Abuse
- Misuse of Information Technology Resources
- Program Mismanagement

Ways to Contact the OIG



Call:
OIG Hotline
1-800-233-3497
TDD: 1-800-270-2787
7:00 a.m. – 4:00 p.m. (EST)
After hours, please leave a message



Submit:
On-Line Form
www.nrc.gov
Click on Inspector General
Click on OIG Hotline



Write:
U.S. Nuclear Regulatory Commission
Office of the Inspector General
Hotline Program, MS O5 E13
11555 Rockville Pike
Rockville, MD 20852-2738