



U. S. Nuclear Regulatory Commission

Office of Inspector General
FY 2008 Performance Report

November 2008

NRC OIG PERFORMANCE REPORT

Fiscal Year 2008

INTRODUCTION

Congress passed the Government Performance and Results Act (GPRA) in 1993 amid continued concerns of waste and inefficiency in Government management. GPRA forces Federal agencies to shift their focus away from traditional concerns such as staffing and activities to a single overriding issue: results. GPRA requires each agency to provide an annual performance report concerning actual performance in achieving the goals as stated in the agency's strategic plan and associated performance budget. Accomplishments are reported to the President and Congress on an annual basis. This report satisfies that requirement for the Nuclear Regulatory Commission (NRC), Office of the Inspector General (OIG). The data presented is based on OIG's FY 2003-FY 2008 Strategic Plan. The NRC OIG updated its strategic plan that addressed new agency challenges and activities from FY 2008 through FY 2013 and will be presented in the FY 2009 performance report.

MISSION AND FUNCTIONS

The Atomic Energy Act of 1954, as amended, and the Energy Reorganization Act of 1974, as amended, established NRC's basic regulatory mission. 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.

In accordance with the 1988 amendment to the IG Act of 1978, NRC's OIG was established as a statutory entity on April 15, 1989. The NRC OIG 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. In addition, OIG reviews existing and proposed regulations, legislation and directives and provides comments, as appropriate, regarding any significant concern.

The Inspector General also keeps the NRC Chairman and Members of Congress fully and currently informed about problems, makes recommendations to the agency for corrective actions, and monitors NRC's progress in implementing such actions. In fulfilling this mission, OIG assists the NRC to accomplish its mission by ensuring integrity, efficiency and accountability in the agency's programs.

PROGRAM ACTIVITIES

OIG accomplishes its mission through the conduct of its audit, investigative, and management and operational support programs, as well as its legislative and regulatory review activities.

To fulfill its audit mission, OIG conducts performance, financial, and contract audits. Performance audits focus on NRC administrative and program operations and evaluate the effectiveness and efficiency with which managerial responsibilities are carried out and whether the programs achieve intended results. Financial audits attest to the reasonableness of NRC's financial statements and evaluate financial programs. Contract audits evaluate the cost of goods and services procured by NRC from commercial enterprises. In addition, the audit staff prepares special evaluation reports that present OIG perspectives or information on specific topics.

OIG's investigative staff carries out its mission by performing investigations relating to the integrity of NRC's programs and operations. Most OIG investigations focus on allegations of fraud, waste, and abuse and violations of law or misconduct by NRC employees and contractors. Additionally, OIG investigates allegations of irregularities or abuses in NRC programs and operations with special emphasis on those NRC activities that could adversely impact public health and safety. Periodically, investigative staff issue Event Inquiry Reports that document OIG's examination of events or agency regulatory actions and identify staff actions that may have contributed to the occurrence of an event. OIG also issues Special Inquiry Reports that document instances where inadequacies in NRC regulatory oversight may have resulted in a potential adverse impact on public health and safety.

Further, as part of OIG's mission to prevent and detect fraud, waste and abuse and to promote economy and efficiency, OIG conducts regulatory reviews of existing and proposed legislation, regulations, directives, and policy initiatives that affect NRC's programs and operations. Significant concerns are documented by the OIG in regulatory commentaries and provided to the agency. The intent of these reviews is to assist the agency in prospectively identifying and preventing potential problems.

The management and operational support program performs myriad activities. These include formulating and executing the OIG budget, administering an independent personnel program, providing information technology support, preparing the OIG's *Semiannual Report to Congress*, and managing OIG's training, and strategic planning activities. Executive management, legal counsel, and secretarial support activities are also included in this arena.

GOALS AND STRATEGIES

The strategic goals presented in this report comprise the essential elements necessary to effectively realize the OIG's principal mission. They also reflect the vision statement adopted by the OIG: "*We are agents of positive change striving for continuous improvement in our agency's management and program operations and in our own office.*"

The OIG's Strategic Plan for FY 2003-FY 2008 includes three strategic goals and six general goals with a number of supporting strategies and actions that describe planned accomplishments over the strategic planning period. Through associated annual planning activities, audit and investigative resources focus on assessing NRC's safety, security, and corporate management programs involving the major challenges and risk areas facing the NRC in the given budget year.

The work of OIG auditors and investigators support and complement each other in the pursuit of these objectives.

Following is a discussion of how the three strategic goals and six general goals of the OIG Strategic Plan link with the FY 2008 Performance Budget. This includes a tie-in between the level of activity by the OIG in its audit and investigation functions and the strategies and actions related to the strategic and general goals.

STRATEGIC GOAL 1: Advance NRC's Efforts to Enhance Safety and Protect the Environment.
General Goals 1. 80% of OIG products and activities undertaken to accomplish Strategic Goal 1 will identify risk areas or management challenges related to enhancing safety. 2. 70% of OIG products and activities undertaken to accomplish Strategic Goal 1 will have a high impact on improving safety.

Discussion: NRC faces many safety challenges and an associated increasing workload concerning nuclear reactor oversight, the regulation of nuclear materials, and the handling of high-level waste.

A significant focus for NRC is ensuring the safe operation of the Nation's operating nuclear power plants through an established oversight process developed to ensure that licensees identify and resolve safety issues before they affect safe plant operation.

In addition, NRC needs to address an increasing number of license amendment requests to increase the power generating capacity of specific commercial reactors; license renewal requests to extend reactor operations beyond originally set expiration dates; the introduction of new technology such as new and advanced reactor designs; and the construction of new nuclear power plants.

In fulfilling its responsibilities to regulate nuclear materials, NRC must ensure that its regulatory activities regarding nuclear fuel cycle facilities and nuclear materials adequately protect public health and safety. NRC is especially reliant on the effectiveness of the Agreement States program in meeting these responsibilities. Additionally, NRC's regulatory activities concerning nuclear materials must protect against radiological sabotage and theft or diversion of the materials. Licensing of new facilities (e.g., uranium enrichment and mixed oxide [MOX] fuel fabrication) pose additional challenges.

In the high-level waste area, NRC will face significant issues involving the licensing of the Yucca Mountain repository and the transportation of designated high-level waste from plants and facilities. Additional high-level waste issues include the interim storage of spent nuclear fuel both at and away from reactor sites, certification of storage and transport casks, and the oversight of the decommissioning of reactors and other nuclear sites. Further, DOE and the industry will need contingency plans if the repository is not licensed or not available for an extended period and NRC will need to be able to respond to those plans.

In response to these agency challenges, OIG implemented the following strategies and actions over the strategic planning period:

Strategy 1-1: Identify risk areas associated with NRC efforts to implement the Reactor Oversight Program and make recommendations, as warranted, for addressing them.

Actions:

- a. Assess the adequacy of NRC's implementation of licensing and other oversight activities with regard to the safe operation of existing nuclear reactors.
- b. Assess the extent to which NRC has integrated into the reactor oversight process its emergency preparedness and incident response obligations associated with a potential significant nuclear event or incident.
- c. Assess NRC's implementation of its risk-informed inspection process.
- d. Assess the impact that an increase in license renewal requests would have on the licensing process.
- e. Assess the effectiveness of NRC regulatory process and related enforcement actions.
- f. Assess NRC's actions to address the potential risks associated with aging facilities and the introduction of new technology.
- g. Monitor NRC activities and gather stakeholder information to identify potential gaps in NRC regulatory oversight. Conduct, as appropriate, Event Inquiries when gaps are identified.

Strategy 1-2: Identify risk areas facing the materials program and make recommendations, as warranted, for addressing them.

Actions:

- a. Assess NRC's implementation of programs for controlling, accounting for, tracking, and inspecting nuclear materials.
- b. Assess the extent to which NRC has integrated into the materials program its emergency preparedness and incident response obligations associated with a potential significant nuclear event or incident.
- c. Assess NRC activities concerning the licensing and oversight of fuel cycle facilities, including MOX fuel fabrication and the potential oversight of DOE non-weapons laboratories.
- d. Assess NRC's handling of low-level waste issues, including security, disposal, and coordination with Agreement States.
- e. Assess impact of Agreement States program on the safety and security of materials and on NRC funding and regulatory activities.
- f. Review NRC and licensee reports and engage interested stakeholders to identify issues of concern in NRC oversight of nuclear material held by NRC licensees.
- g. Assess NRC's oversight of the nuclear waste issues associated with the decommissioning and cleanup of nuclear reactor sites and other facilities.

Strategy 1-3: Identify risk areas associated with the prospective licensing of the high-level waste repository and make recommendations, as warranted, for addressing them.

Actions:

- a. Assess NRC’s regulatory activities involving the interim storage of high-level waste and spent fuel both at and away from reactor sites.
- b. Assess issues involving the review of a Yucca Mountain repository application, if received by NRC, and the transportation of designated high-level waste from plants and facilities.
- c. Assess the consequences of Yucca Mountain not being licensed or not being available as planned, including NRC’s ability to respond to DOE and industry contingency plans.
- d. Closely monitor the Yucca Mountain license review process to ensure that there are no indications of process deviations and that the review is being conducted in a thorough and impartial manner.

STRATEGIC GOAL 2: Enhance NRC’s Efforts to Increase Security in Response to the Current Threat Environment.
<u>General Goals</u> 1. 85% of OIG products and activities undertaken to accomplish Strategic Goal 2 will identify risk areas or management challenges related to security. 2. 70% of OIG products and activities undertaken to accomplish Strategic Goal 2 will have a high impact on improving security.

Discussion: Terrorist attacks have resulted in a sharpened focus on the security and protection of operating nuclear power plants and nuclear materials. NRC, in concert with other agencies, must continuously assess the risks faced by licensed activities, review existing security measures, and identify vulnerabilities. Similarly, continuous risk and vulnerability assessments must be conducted on NRC office facilities. Given this increased security focus, it is anticipated that NRC will expend considerable effort in developing responsive security plans and enhanced security capabilities.

NRC also faces new challenges in supporting U.S. international interests in the safe and secure use of nuclear materials and in nuclear nonproliferation. These challenges include improving controls on the export of nuclear materials and equipment and NRC’s successful exercising of its international commitments.

In response to these agency challenges, OIG implemented the following strategies and actions over the strategic planning period:

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

Actions:

- a. Assess the extent to which NRC has developed a comprehensive threat assessment with regard to nuclear power plants and nuclear materials and a process for keeping it up to date.

- b. Assess the adequacy of the process for developing existing regulations to respond to an evolving threat environment and the extent to which NRC is making appropriate regulatory adjustments.
- c. Assess NRC's coordination with other agencies.
- d. Assess NRC's acquisition of resources and expertise to meet its security responsibilities.
- e. Monitor the development of NRC requirements intended to enhance nuclear plant security.

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

Actions:

- a. Assess NRC's efforts to improve controls on the export of nuclear materials or equipment.
- b. Assess NRC's responsibilities linked to established statutes, international treaties, conventions, and agreements of cooperation.

Strategy 2-3: Identify threats to NRC security and make recommendations, as warranted, for addressing them.

Actions:

- a. Assess the extent to which NRC has developed a comprehensive threat assessment for its facilities and personnel and a process for keeping it up to date.
- b. Assess the extent to which NRC has implemented physical and information security controls and procedures.
- c. Assess the effectiveness of NRC approaches for balancing physical and information security and public openness.
- d. Assess NRC steps in ensuring continuity of its operations in the event that a significant incident occurs.
- e. Assess other issues involving NRC security, including regional vulnerabilities and temporary facilities needed for Yucca Mountain hearings.
- f. Through proactive initiatives and reactive investigations, assist NRC's Office of Information Services and NRC systems administrators in the protection of NRC information technology infrastructure against internal and external computer intrusions.

STRATEGIC GOAL 3: Improve the Economy, Efficiency, and Effectiveness of NRC Corporate Management.
<p><u>General Goals</u></p> <p>1. 65% of OIG products and activities undertaken to accomplish Strategic Goal 3 will identify critical risk areas or management challenges related to corporate management.</p> <p>2. 70% of OIG products and activities undertaken to accomplish Strategic Goal 3 will have a high impact on corporate management.</p>

Discussion: NRC faces significant challenges to efficiently, effectively, and economically manage its resources. In the IG's assessment of the most serious management challenges facing the NRC, the IG identified three specific challenges that have the potential for a perennial

weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals. The IG identified:

- Implementation of information resources,
- Administration of all aspects of financial management, and
- Managing human capital.

These management challenges dovetail with the President's Management Agenda, which NRC is striving to implement. The President's Management Agenda is an aggressive strategy for improving the management and performance of the Federal Government. It focuses on apparent deficiencies where the Government could make improvements and the most progress in the areas of:

- Strategic management of human capital,
- Competitive sourcing,
- Improved financial performance,
- Expanded electronic government, and
- Budget and performance integration.

In response to these agency challenges, OIG implemented the following strategies and actions over the strategic planning period.

Strategy 3-1: Assess progress made in implementing the President's Management Agenda.

Actions:

- a. Assess NRC strategies for addressing loss of knowledge, skills, and abilities through retirement and turnover and the impact of a diminishing "academic pipeline."
- b. Assess NRC efforts to comply with OMB competitive sourcing requirements.
- c. Assess steps taken by NRC to improve its financial management practices, including the overall process and steps undertaken to implement cost accounting capabilities and integrate financial systems.
- d. Assess NRC efforts to embrace e-Government initiatives.
- e. Assess NRC progress in integrating budget and performance.

Strategy 3-2: Identify other areas of corporate management risk within NRC and make recommendations, as warranted, for addressing them.

Actions:

- a. Assess NRC property accountability and controls.
- b. Assess NRC facilities management operations.
- c. Assess NRC actions taken to address issues cited in the NRC safety culture and climate survey.
- d. Assess NRC IT issues, including the return-on-investment obtained from IT initiatives, integration of NRC technology and systems, and NRC procedures for IT life cycle management.
- e. Assess NRC acquisition and contracting controls and processes.

- f. Coordinate with NRC's Office of the Chief Financial Officer and the Office of Information Services to identify any instances of misuse of NRC equipment and resources, such as computers, and travel and procurement credit cards.
- g. Reduce instances of employee criminal and administrative misconduct through investigations and proactive initiatives.
- h. Use proactive initiatives, in support of improved financial performance, to identify and investigate any instances of fraudulent payments associated with NRC programs.

PERFORMANCE DATA

The following tables include the strategic goals, measures, and targets for FY 2005-FY 2008. They also provide actual performance data for FY 2004-FY 2008.

PERFORMANCE MEASURES

Strategic Goal 1: Advance NRC Efforts to Enhance Safety and Protect the Environment					
	Baseline 2004	2005	2006	2007	2008
Measure 1. Percent of OIG products/activities¹ undertaken to identify risk areas or management challenges² relating to the improvement of NRC's safety programs.					
Target		80%	80%	80%	80%
Actual	100%	100%	100%	100%	100%
Measure 2. Percent of OIG products/activities that have a high impact³ on improving NRC's safety program.					
Target		70%	70%	70%	70%
Actual	100%	100%	100%	100%	100%
Measure 3. Number of audit recommendations agreed to by agency.					
Target		90%	90%	90%	90%
Actual	100%	100%	81% ⁴	100%	93.3%
Measure 4. Final agency action within 1 year on audit recommendations.					
Target		50%	50%	50%	50%
Actual	7%	35% ⁵	63%	36% ⁶	47.4% ⁷
Measure 5. Agency action in response to investigative reports.					
Target		90%	90%	90%	90%
Actual	100%	100%	100%	100%	100%

Strategic Goal 2: Enhance NRC's Efforts to Increase Security in Response to the Current Threat Environment					
	Baseline 2004	2005	2006	2007	2008
Measure 1. Percent of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's security programs.					
Target		85%	85%	85%	85%
Actual	100%	100%	100%	100%	100%
Measure 2. Percent of OIG products/activities that have a high impact on improving NRC's security program.					
Target		70%	70%	70%	70%
Actual	100%	100%	100%	100%	100%
Measure 3. Number of audit recommendations agreed to by agency.					
Target		90%	90%	90%	90%
Actual	100%	100%	100%	100%	100%
Measure 4. Final agency action within 1 year on audit recommendations.					
Target		65%	65%	65%	65%
Actual	89%	60% ⁸	25% ⁹	61% ¹⁰	69.6%
Measure 5. Agency action in response to investigative reports.					
Target		90%	90%	90%	90%
Actual	100%	100%	100%	100%	100%

Strategic Goal 3: Improve the Economy, Efficiency, and Effectiveness of NRC Corporate Management					
	Baseline 2004	2005	2006	2007	2008
Measure 1. Percent of OIG products/activities undertaken to identify risk areas or management challenges relating to the improvement of NRC's corporate management program.					
Target		65%	65%	65%	65%
Actual	98%	100%	99%	100%	100%
Measure 2. Percent of OIG products/activities that have a high impact on improving NRC's corporate management program.					
Target		70%	70%	70%	70%
Actual	89%	85.7%	96%	100%	100%
Measure 3. Number of audit recommendations agreed to by agency.					
Target		90%	90%	90%	90%
Actual	100%	100%	100%	100%	100%
Measure 4. Final agency action within 1 year on audit recommendations.					
Target		65%	65%	65%	65%
Actual	81%	85%	60% ¹¹	85%	44.4% ¹²
Measure 5. Agency action in response to investigative reports.					
Target		90%	90%	90%	90%
Actual	100%	100%	100%	100%	100%
Measure 6. Acceptance by NRC's Office of the General Counsel of OIG-referred Program Fraud and Civil Remedies Act cases.					
Target		70%	70%	70%	70%
Actual	No Cases Referred	100%	100%	No Cases Referred	No Cases Referred

FY 2008 BUDGET RESOURCES

The following table depicts the relationship of the Inspector General program and associated FY 2008 budget resources to the OIG's strategic and general goals.

Program Links to Strategic and General Goals (\$K)	OIG Strategic and General Goals		
	Advance NRC's Safety Efforts (\$K)	Enhance NRC's Security Efforts (\$K)	Improve NRC's Corporate Management (\$K)
FY 2008 Programs (\$8,744; 51 FTE)			
Audits (\$5,142; 29 FTE)	\$2,458 14.0 FTE	\$1,142 6.5 FTE	\$1,542 8.5 FTE
Investigations (\$3,602; 22 FTE)	\$1,483 9.0 FTE	\$484 3.0 FTE	\$1,635 10 FTE

DATA VERIFICATION AND VALIDATION

OIG implemented a Management Information System (MIS) to better integrate and improve the efficiency of its operations. The audit component of the system became operational in January 2004 and the investigative component was implemented in April 2005. Beginning with FY 2006, both the audit and investigative program statistics were fully integrated into the new system and it was used to compile its statistical performance data. All system data is deemed reliable.

CROSS-CUTTING FUNCTIONS WITH OTHER GOVERNMENT AGENCIES

NRC OIG has cross-cutting functions with other law enforcement agencies. For example, OIG provides investigatory case referrals to the Department of Justice (DOJ). It also coordinates investigative activities with U.S. Attorneys' offices, as well as with other agencies as required.

PROGRAM EVALUATIONS

Program evaluations as defined in Office and Management and Budget Circular No. A-11 were not performed during FY 2008. However, a PCIE audit peer review performed in FY 2006 found OIG's audit program in compliance with government accounting standards. Independent quality assurance reviews were undertaken in FY 2007 and FY 2008 which determined that the audit program was compliant with PCIE policies and standards. In addition, a PCIE investigative peer review was conducted in FY 2007 of the OIG investigative program. The program was found to be in compliance with PCIE and DOJ investigative standards.

CONCLUSIONS

NRC OIG successfully met its audit and investigative program goals for FY 2008. In fact, OIG exceeded 87 percent of its established goals. While there were some deviations from target levels, these deviations had no effect on the overall program effectiveness since most concerned the timeliness of agency's final action on audit recommendations. Program complexity can also have a major bearing on whether or not the agency takes final action on an audit recommendation within one year. During FY 2008, OIG reviewed all performance measures during the revision to its Strategic Plan to determine their relevancy in successfully accomplishing program effectiveness, and whether performance measures were set at appropriate target levels. OIG will also ensure that its goals and work strategies continue to add value to the NRC in carrying out its important safety and security mission.

ENDNOTES

1. OIG products are issued OIG reports. For the audit unit, these are audit reports and evaluations. For the investigative unit, these are investigations, Event Inquiries, and special inquiries. Activities are the OIG hotline or proactive investigative reports.
2. Congress left the determination and threshold of what constitutes a most serious challenge to the discretion of the Inspectors General. As a result, OIG applied the following definition: Serious management challenges are mission-critical areas or programs that have a potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals.
3. High impact is the effect of an issued report or activity undertaken that results in: a) confirming risk areas or management challenges that caused the agency to take corrective action, b) real dollar savings or reduced regulatory burden, c) identifying significant wrongdoing by individuals that results in criminal or administrative action, d) clearing an individual wrongly accused, and e) identifying regulatory actions or oversight that may have contributed to the occurrence of a specific event or incident or resulted in a potential adverse impact on public health or safety.
4. Three (3) recommendations involving byproduct materials have not been agreed to by the agency and are working their way through the impasse resolution process.
5. The agency has extended the time required to complete final action on identified deficiencies in its incident response program.
6. Five (5) recommendations involving three (3) separate audit reports on byproduct materials licensing, Probabilistic Risk Assessment (PRA) and the National Source Tracking System have taken longer for the agency to implement.

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7. The agency is taking longer to complete final action on recommendations related to placing documents in the ADAMS public and non-public libraries.
 8. The agency is taking longer to complete final action on FISMA recommendations.
 9. Majority of these audit recommendations deal with FISMA and a specific computer-based security program that will take a lengthy time to complete final actions. For example, the agency will not be able to complete its certification and accreditation efforts before 2009.
 10. Eleven (11) recommendations involving three (3) separate audit reports on baseline security, Nuclear Security and Incident Response (NSIR) and Integrative Personnel Security System (IPPS) have taken longer for the agency to implement.
 11. Final action on recommendations in the Financial Statements audit took 16 months to complete.
 12. The agency is taking longer to complete final action on NRC's Technical Training Center recommendations.