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**OFFICE OF  
THE INSPECTOR GENERAL**

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**U.S. NUCLEAR  
REGULATORY COMMISSION**

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Headquarters Action Needed on Issues  
Identified from Regional Audits

OIG-03-A-10 February 26, 2003

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**AUDIT REPORT**

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NRC's website at:

<http://www.nrc.gov/reading-rm/doc-collections/insp-gen/>

February 26, 2003

MEMORANDUM TO: William D. Travers  
Executive Director for Operations

FROM: Stephen D. Dingbaum/**RA**/  
Assistant Inspector General for Audits

SUBJECT: HEADQUARTERS ACTION NEEDED ON ISSUES IDENTIFIED  
FROM REGIONAL AUDITS (OIG-03-A-10)

Attached is the Office of the Inspector General's audit report titled, *Headquarters Action Needed on Issues Identified From Regional Audits*.

This report identifies regional issues that need headquarters' action. This level of perspective is important because the OEDO manages the regions, and should provide direction regarding OEDO's expectations for meeting the agency's needs and goals.

Headquarters action is needed to improve the (1) the consistency, validity and reliability of the metrics and reported results, and (2) management controls related to transferring headquarters' functions to an alternate site and improved security measures to adequately protect classified and unclassified safeguards information processed on regional standalone computer systems .

Regional best practices were identified for the significance determination process (SDP) appeals panels, customer satisfaction with the help desk, and purchase order processing.

As a part of each regional review, OIG conducted interviews with reactor site-based inspectors and region-based inspectors and technical staff. The purpose of the interviews was to gain information for evaluating regional management's support for the full range of regional activities. Overall, the inspectors and technical staff indicated they are able to perform their responsibilities and are generally satisfied with regional office management support. However, the inspectors and technical staff raised specific issues concerning NRC operations. Although OIG made no recommendations on these issues, many will be included in future audits.

On January 27, 2003, the Deputy Executive Director for Reactor Programs provided a response to the four regional reports and this report. The Deputy Executive Director generally agreed with OIG's observations and recommendations and made specific comments where he believed the reports needed clarification. His response is included as Appendix C. We have incorporated the Deputy Executive Director's comments, as appropriate, in the report

If you have any questions, please contact Anthony Lipuma at 415-5910 or me at 415-5915.

Attachment: As stated

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## EXECUTIVE SUMMARY

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### BACKGROUND

The U.S. Nuclear Regulatory Commission (NRC) regulates the nation's civilian use of byproduct, source, and special nuclear materials to (1) ensure adequate protection of public health and safety, (2) promote the common defense and security, and (3) protect the environment.

NRC has four regional offices that constitute the agency's front line in carrying out its mission and implementing established agency policies and programs nationwide. NRC regulates 104 nuclear power plants licensed to operate that supply about 20 percent of the nation's electricity needs. The agency also regulates about 4,900 licenses that use radioactive materials for industrial, medical, and academic purposes. NRC regional offices regulate about 4,700 of these licenses. For FY 2002, NRC's regional offices had 784 full-time equivalent (FTE) positions and \$104.4 million to support regional operations.

To monitor performance, regions use their operating plans that identify specific performance measures, or metrics, which the regions strive to accomplish. The regions report their metric data to headquarters in quarterly updates to their operating plans.

From March through June 2002, the Office of the Inspector General (OIG) reviewed the full range of operations at each regional office. Prior to initiating the regional reviews, the Office of the Executive Director for Operations (OEDO) staff advised that they use regional operating plans (including the performance metrics contained therein) as *one* of the primary tools to evaluate regional performance. Therefore, in conducting this work we primarily used operating plans and performance metrics to assess regional performance. The agency also has other assessment tools to evaluate how it meets its mission-related goals. These other tools include the Reactor Oversight Process (ROP), and headquarters' reviews of specific regional activities, such as the allegation program and the operator licensing program. OIG did not examine how the agency uses these tools. However, OIG's Annual Plan for fiscal year 2003 includes an audit of the ROP. We plan to initiate that audit later this year.

In addition to reviewing and evaluating metrics to assess the regions, the regional reviews also examined selected processes (primarily administrative) for which no metrics were established. The results of each regional review is reported in a separate report.

## **PURPOSE**

The purpose of this report is to identify regional issues that need headquarters' action. This level of perspective is important because the OEDO manages the regions, and should provide direction regarding OEDO's expectations for meeting the agency's needs and goals.

## **RESULTS IN BRIEF**

### **Operating Plan Metrics**

The operating plan metrics and results reported against those metrics were not consistently valid or reliable.<sup>1</sup> The consistency and quality of data varies widely from region to region. As a result, the usefulness of this information for decision making at the regional or headquarters levels is limited, and comparison among regions is often not possible. Because operating plans are continuing to evolve and administrative (internal operating metrics) are a recent addition, quality control and assurance has not been built into the process of developing, compiling, reviewing, and reporting regional metrics. Additionally, the agency's emphasis to date has been on the public health and safety metrics, and as a result, the regions' administrative metrics have received limited review by headquarters officials. By exercising only limited oversight of the regions' administrative metrics, headquarters is missing an opportunity to improve performance assessment for the regions' management and support functions.

### **Management Controls**

In the event of an emergency, the agency needs improved processes and procedures for transferring headquarters' functions to an alternate site. Without such measures, the agency does not know with certainty that the entire range of duties can be effectively transferred from headquarters to the designated site.

Each of the four regions needs improved security measures to adequately protect sensitive information processed on its standalone systems. The absence of security controls over systems used to process classified and unclassified safeguards information increases the risk of loss, misuse, or unauthorized access to information resources. Emphasis and focus from the Executive Director for Operations on this issue will ensure that security is and remains a primary concern for agency managers.

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<sup>1</sup> *Reliability* pertains to the quality of the data, i.e., that the information is complete, accurate, consistently collected, and verifiable. *Validity* pertains to whether the metric is appropriate for the performance measure, i.e., that the metric is measuring what it is intended to measure.

### **Best Practices**

Regional best practices were identified for:

- The significance determination process (SDP) appeals panels. One region ensured the independence of an SDP appeals panel by selecting an entire panel of persons who were not employees of the region and who had no prior involvement with the issue under review;
- Customer satisfaction with the help desk. One region measures customer satisfaction with the help desk (which provides information technology support services) using a semi-annual survey;
- Purchase order processing. One region used an Excel spreadsheet to track the processing time. Use of the spreadsheet increases data reliability by eliminating errors that occur during manual processing.

Each of these areas should be considered for adoption by other regions.

### **Regional Inspectors and Technical Staff**

As a part of each regional review, OIG conducted interviews with reactor site-based inspectors and region-based inspectors and technical staff. The purpose of the interviews was to gain information for evaluating regional management's support for the full range of regional activities. Overall, the inspectors and technical staff indicated they are able to perform their responsibilities and are generally satisfied with regional office management support. However, the inspectors and technical staff raised questions pertaining to training and technical issues. Some of these issues were beyond the scope of this report and will be addressed in future audits. Consequently, no recommendations were made regarding the issues raised by these interviewees.

### **Agency Comments**

On January 27, 2003, the Deputy Executive Director for Reactor Programs provided a response to the four regional reports and this report. The Deputy Executive Director generally agreed with OIG's observations and recommendations and made specific comments where he believed the reports needed clarification. His response is included as Appendix C. We have incorporated the Deputy Executive Director's comments, as appropriate, in the report.

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## **ABBREVIATIONS AND ACRONYMS**

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ADAMS	Agencywide Documents Access and Management System
Continuity Plan	Continuity of Operations Plan
DNMS	Division of Nuclear Materials Safety
DRMA	Division of Resource Management and Administration
DRP	Division of Reactor Projects
DRS	Division of Reactor Safety
EDO	Executive Director for Operations
FTE	Full-time Equivalent
FY	Fiscal Year
IT	Information Technology
NRC	U.S. Nuclear Regulatory Commission
OEDO	Office of the Executive Director for Operations
OIG	Office of the Inspector General
ROP	Reactor Oversight Process
SDP	Significance Determination Process



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## I. BACKGROUND

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The U.S. Nuclear Regulatory Commission (NRC) regulates the nation's civilian use of byproduct, source, and special nuclear materials to (1) ensure adequate protection of public health and safety, (2) promote the common defense and security, and (3) protect the environment.

NRC has four regional offices that constitute the agency's front line in carrying out its mission and implementing established agency policies and programs nationwide. NRC regulates 104 nuclear power plants licensed to operate that supply about 20 percent of the nation's electricity needs. The agency also regulates about 4,900 licenses that use radioactive materials for industrial, medical, and academic purposes. NRC regional offices regulate about 4,700 of these licenses. For FY 2002, NRC's regional offices had 784 full-time equivalent (FTE) positions and \$104.4 million to support regional operations.

Each region has three divisions covering the public health and safety areas: the Divisions of Reactor Safety (DRS), Nuclear Materials Safety (DNMS), and Reactor Projects (DRP). These divisions conduct inspection, enforcement, licensing, and emergency response activities for nuclear power plants, fuel facilities, and materials licensees. The Division of Resource Management and Administration (DRMA) conducts internal operating support activities including time and labor coordination, financial management, facilities management, travel, procurement, information technology and human resources functions.

In 1997, the Executive Director for Operations (EDO) announced a new planning framework that represented *a fundamental change in the way the agency manages its planning, budgeting, operating and assessment processes. Operating plans are a critical component of this framework and can be a useful tool in managing program and office activities.*

The EDO's announcement included *Operating Plan Guidance* that stated:

*Operating plans in their simplest sense are a list of activities that are planned to achieve some objective or commitment. They serve to communicate between staff and managers at different levels and parts of the organization what is expected to be accomplished.*

*Each Office will be responsible for developing an operating plan. While the content of operating plans would likely differ depending on Office size and function, all operating plans should have a common structure, be maintained as living documents, and contain interim performance measures. Interim performance measures enable program managers to monitor progress, promptly identify problems and make the necessary mid-course corrections.*

*The living nature of operating plans allows updated information to be communicated regarding such things as program effectiveness, shifting resource needs, and internal and external environmental changes so that operational changes can be made during the fiscal year.*

*Each office which plays a lead or significant support role in the execution of a program will be required to articulate in its operating plan the activities it plans to conduct to support the program and the performance milestones by which the effectiveness of these activities can be measured.*

To monitor performance, regions use their operating plans that identify specific performance measures, or metrics, which the regions strive to accomplish. Regions report their metric data to headquarters in quarterly updates to their operating plans and headquarters uses certain metric data to monitor and assess regional performance.

The regions have several years of experience tracking accomplishments in the public health and safety areas against performance metrics established jointly by headquarters and regional managers. On their own initiative, the regions recently began using metrics as performance indicators for their administrative areas.

From March through June 2002, the Office of the Inspector General (OIG) reviewed the full range of operations at each regional office. Prior to initiating the regional reviews, the Office of the Executive Director for Operations (OEDO) advised that they use regional operating plans (including the performance metrics contained therein) as *one* of the primary tools to evaluate regional performance. Therefore, in conducting this work, we primarily used operating plans and performance metrics to assess the regions. The regional reviews also examined selected processes (primarily administrative) for which no metrics were established. OIG also obtained the views of resident and region-based inspectors and technical staff on regional operations. The results of each regional review is reported in a separate report.

## **II. PURPOSE**

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The purpose of this report is to identify regional issues that need headquarters' action. This level of perspective is important because the OEDO manages the regions, and should provide direction regarding OEDO's expectations for meeting the agency's needs and goals. Appendix A provides additional information on the scope and methodology used to develop this report.

### III. FINDINGS

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Based on limited reviews of the functions that did not have metrics, these functions are generally operating effectively. The functions include: proper authorizations and approvals for payroll, personnel, travel, and procurement (including purchase cards); accountability for government property; and physical security for regional facilities. However, the regional reviews also disclosed that management controls need improvement in some support functions, including an alternate site for operations and security for systems processing safeguards information.

This report identifies regional best practices and offers them for consideration by other regions. Best practice areas include the significance determination process appeals panels, customer satisfaction with the information technology help desk, and purchase order processing.

The operating plan metrics and results reported against those metrics were not consistently valid or reliable. As a result, the usefulness of this information for decision making at the regional or headquarters levels is limited. There is a wide variation between the validity and reliability of the public health and safety metrics and the administrative metrics: the former metrics and results were generally found to be valid and reliable, while the latter were not. However, the process for developing all metrics and compiling, reviewing, and reporting metric results needs improvement. Regardless of whether the information is used only at the regional level or the agency level (e.g., OEDO, Office of Nuclear Reactor Regulation, Office of Nuclear Material Safety and Safeguards), the data reported must be sufficiently credible to permit agency managers to make informed assessments and decisions about programs under their purview.

#### A. OPERATING PLAN METRICS

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The operating plan metrics and results reported against those metrics were not consistently valid or reliable.<sup>2</sup> The consistency and quality of data varies widely from region to region. As a result, the usefulness of this information for decision making at the regional or headquarters levels is limited, and comparison among regions is often not possible. Because operating plans are continuing to evolve and administrative metrics are a recent addition, quality control and assurance has not yet been built into the process of developing, compiling, reviewing, and reporting regional metrics. Additionally, the agency's emphasis to date has been on the public health and safety metrics and as a result, the regions' administrative metrics have received limited review by headquarters officials.

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<sup>2</sup> *Reliability* pertains to the quality of the data, i.e., that the information is complete, accurate, consistently collected, and verifiable. *Validity* pertains to whether the metric is appropriate for the performance measure, i.e., that the metric is measuring what it is intended to measure.

Because OEDO staff advised that the regions' operating plan metrics are one of the primary tools used to evaluate regional performance, OIG used the same tool. The OEDO staff also advised that they issue guidance for preparing operating plans. However, this guidance addresses operating plans and metrics from a high-level perspective and generally does not discuss detailed processes or controls by which results data should be compiled, reviewed, or reported. It may have been assumed that each region would have a consistent understanding of the metrics common to each region and the processes and controls used to develop and report results. However, the regional reviews disclosed inconsistencies in how results are compiled, reviewed, and reported. Consequently, the results reported for seemingly identical metrics in different regions would have different interpretations.

One significant area where the regions lack a common understanding of metric reporting is the OEDO requirement that quarterly data be presented cumulatively.<sup>3</sup> This requirement is emphasized in the FY 2001 operating plan guidance. The difference between cumulative and quarter-by-quarter reporting is that cumulative data averages the fiscal year-to-date by quarter, whereas quarterly reporting reports the data for a specific three month period. While cumulative reporting was clearly the OEDO's expectation, it was not done consistently by all regions. Unless quarterly performance closely mirrors cumulative performance, there can be no meaningful performance comparison between a region that reports cumulatively and one that reports for each discrete quarter.

Because of the wide variation between the validity and reliability of the public health and safety metrics and administrative metrics, each is discussed separately to provide a proper perspective on agency operations.

<b>Summary of Metrics Reviewed<sup>4</sup></b>					
Type of Performance Goal	Number of Metrics in the Operating Plans	Number of Metrics Reviewed	Problems Identified		
			Not Reliable	Not Valid	Not Valid and Not Reliable
Public Health and Safety	297	96	9	0	2
Administrative	64	54	31	1	2
<b>Totals</b>	<b>361</b>	<b>150</b>	<b>40</b>	<b>1</b>	<b>4</b>

<sup>3</sup> OEDO memorandum dated September 22, 2000, *2001 Operating Plan Guidance*, page 5.

<sup>4</sup> The metrics in this table include all metrics (some of which are similar or identical) examined at all regional offices.

### **Public Health and Safety Metrics**

The public health and safety metrics are the core metrics linked to NRC's mission. Although there is some variation, these metrics are generally consistent from region to region. While they represent one tool for assessing how well NRC meets its mission, these metrics are not the only tool. The agency also has other assessment tools to evaluate its performance in meeting its mission-related goals. These other tools include the Reactor Oversight Process (ROP), and headquarters' reviews of specific regional activities such as the allegation program and the operator licensing program. OIG did not examine how the agency uses these tools. However, OIG's Annual Plan for fiscal year 2003 includes an audit of the ROP. We plan to initiate that audit later this year.

The regional reviews disclosed few validity and reliability issues with public health and safety metrics. However, these issues nevertheless present management challenges for interpreting reported results within a region or across regional boundaries: the source data used to report results may differ among regions. At the regional level this difference may not be a cause for concern: at the agency level it may be a cause for concern if the reported results are used to compare regional performance. Headquarters management might evaluate the same metric among two or more regions, without the knowledge that the underlying data was different, and not understand that the reported results are not comparable.

This issue is illustrated by the metric concerning the issuance of routine reactor inspection reports within 30 days and team inspection reports within 45 days. First, in at least two regions, some of the inspections reports that should have been included within each category were excluded, and other reports were included that should have been excluded. This situation existed because the regions do not have a consistent understanding of the activities (reviews and inspections) that should be reported. Second, the regions do not consistently use the same data fields from the Inspection Report Tracking System to develop results and report timeliness. Because the regional reviews involved limited sampling, the full extent of these differences on the data reported was not determined.

This metric also presented another challenge for NRC management at two regions: compliance is measured by a single data point for both types of inspection reports. However, one type of report may be in compliance with the target, while the other is not. Management is likely to assume that the reported results include both types of inspection reports.

Another challenge for NRC staff and management is reporting on completing the baseline inspection program for each region. NRC's inspection manual describes the baseline inspection program as the *minimum* inspection oversight that should be conducted at each plant. Each region established a target to complete 100 percent of this program. Two regions reported they had completed the baseline inspection program when they had not, and the other two reported 99 and 99.9 percent compliance based solely on an estimate, not an actual calculation of the procedures completed. Reports on achieving metric goals must be based on empirical data and not vague estimates.



Regional managers stated that they have received limited guidance on the definition of terms, results presentation, procedures for data collection and computations, and expectations for quality control. For example, while the operating plans require that each region report on the extent of completion of the baseline inspection program, the conditions for completion are not clear. Even though NRC's inspection manual provides guidance for procedure completion, one region assesses completion based on inspection hours, while another region assesses completion based on a sample of procedures to be completed. Regional managers expressed confusion about which of these attributes to apply, and some believe it is a combination of the two.

### **Administrative Metrics**

Unlike the public health and safety metrics, the results reported for the regions' administrative metrics were consistently unreliable and a few were not valid as well.<sup>5</sup> These metrics generally lack sound management controls to compile, review and report metric results. Support data was either inaccurate or absent entirely for over 60 percent of the metrics reviewed. Therefore, neither regional management nor headquarters officials should rely on this information to make assessments or decisions about regional operations in these areas. Because the data used to report metric results is consistently unreliable, the time and resources used to prepare this information is not productive.

These metrics are a relatively recent addition to regional operating plans and are included at each region's discretion. Regional management advised that administrative metrics are intended primarily for internal assessment and evaluation purposes. At headquarters, senior management is primarily interested in the public health and safety metrics. Discussions with senior headquarters officials disclosed that administrative portions of the regions' operating plan metrics receive limited review. Further, they believe the regions should have the discretion to include or exclude administrative metrics, as each region deems appropriate. One region had as few as seven administrative metrics while another had 34.

While the regions have the autonomy to include or exclude administrative metrics in their operating plans, the information presented should nonetheless be reliable and valid. When internal assessment data is included with data reviewed at the agency level, there must be an expectation that some agency manager might use the information to make assessments or draw conclusions about the particular program. Therefore, any data reported must be sufficiently reliable for that purpose, and to meet that goal, the process for compiling, reviewing and reporting the data must have adequate management controls.

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<sup>5</sup> Examples of validity and reliability issues with administrative metrics are contained in OIG's regional reports:[ listing of final reports and numbers].

As stated in the EDO's guidance issued for the first operating plans, *Each office will be responsible for developing an operating plan. While the content of operating plans would likely differ depending on Office size and function, all operating plans should have a common structure....* The regions may differ in size, but they all have the same general administrative functions. With the exception of some region specific functions, regional operating plans and the metrics reported should be consistent to aid decision making and assess performance.

The regions' management and support functions are vital to the success of regional operations. These functions include: hiring staff and processing benefits actions, providing travel support, supporting regional information technology needs, processing procurement actions, and a host of other functions that no region can do without. By focusing primarily on the regions' public health and safety metrics, headquarters management may be missing an opportunity to *monitor progress, promptly identify problems and make the necessary mid-course corrections*, as stated in OEDO's operating plan guidance. Likewise, they are unable to assess the performance of the various regional administrative staffs.

The President's Management Agenda Fiscal Year 2002 emphasizes the need for increased accountability and correlation between cost and performance. The Agenda states that *Over time, agencies will be expected to identify high quality outcome measures, accurately monitor the performance of programs, and begin integrating this presentation with associated cost. Using this information, high performing programs will be reinforced and non-performing activities reformed or terminated.* More effective headquarters oversight of regional administrative programs would foster accountability and aid in ensuring that programs deliver results commensurate with their costs.

### **Summary**

The public health and safety performance information contained in regional operating plans is clearly more reliable than is the administrative data. Overall, however, agency managers lack a common understanding about what some metrics are designed to capture and measure, and the process for compiling, reviewing and reporting metric data. Agency staff have stated that regional operating plans and metrics are *one* of the primary tools for evaluating regional performance. For these tools to be effective, all parties must share a common view of what is being measured and of the requirements for valid and reliable data.

Within the realm of administrative metrics, the regions have the autonomy to include or exclude these metrics from their operating plans. The performance data reported in the regions' FY 2001 operating plans were generally found to be unreliable. However, until the regional reviews were conducted, agency management at the regional and headquarters levels were not aware that the information was unreliable, and headquarters' management provided limited

oversight of this information. By exercising only limited oversight, headquarters may be missing an opportunity to (1) provide guidance and leadership for the regions' management and support functions, and (2) assess the performance of regional managers.

#### RECOMMENDATIONS

OIG recommends that the Executive Director for Operations:

1. Develop a standard procedure to ensure each region has a consistent understanding of the nature, purpose and data needed to support each metric reported in the regional operating plans.
2. Determine which administrative metrics should be included in the regional operating plans.

### **B. MANAGEMENT CONTROLS**

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Based on our limited reviews of the functions without metrics, these processes are generally operating effectively. These functions include: proper authorizations and approvals for payroll, personnel, travel, and procurement (including purchase cards); accountability for government property; and physical security for regional facilities. However, headquarters needs to ensure the preparedness of its alternate site (continuity planning) to assume headquarters' role should an incident occur, and the regions need to strengthen protection over unclassified systems.

#### **Continuity Planning**

There are no formal measures in place to ensure that headquarters' alternate site can carry out the duties as assigned by the Continuity of Operations Plan (Continuity Plan). Without such measures, the agency does not know with certainty that the entire range of duties can be effectively transferred from headquarters to the designated site.

NRC's Continuity Plan was developed in response to a Presidential directive to have a comprehensive and effective program to ensure survival and continuity of essential Federal functions under all circumstances. In the event of an emergency, the Continuity Plan requires NRC to react promptly to preserve its operational capabilities. The plan provides for relocating the minimum essential functions to an alternate site. After September 11, 2001, the Continuity Plan took on a more significant role for NRC.

Transition of duties from headquarters to the alternate site must be planned and executed without flaw. The alternate site is aware of the significance of its role and has planned changes, such as modifying infrastructure and hiring two duty officers. However, a "lessons learned" review is needed to assess how effectively the duties

will transfer from headquarters. Drills are planned and these results need to be captured to ensure a smooth and quick transition of operations. In addition, the alternate site needs to maintain a list of information technology (IT) systems and equipment, as required in the Continuity Plan.

The alternate site's effectiveness as a headquarters backup cannot be substantiated without a documented learning tool including recommendations for improvement. Also, without a detailed list of IT systems and equipment, the alternate site may not be able to initiate the communication system backup if an incident occurs.

### **Systems Processing Safeguards Information**

Each region needs improved security measures to adequately protect sensitive information processed on its standalone systems. *NRC Management Directive 12.5, NRC Automated Information Systems Security*, requires the assignment of a System Security Officer and the preparation of a System Security Plan for systems that process classified information, unclassified safeguards information, and sensitive unclassified information. The regions have not assigned a System Security Officer or prepared a System Security Plan for the security of its standalone systems: the staff believed that established security procedures, such as storage of the units inside an approved security container, were sufficient. Some regional offices have established computer security policy, however, none realized that their systems were subject to the policy stated in the *Management Directive 12.5*. Lack of effective communication with headquarters and misinterpretation of policy were contributing factors to this condition.

The absence of security controls over systems used to process classified and unclassified safeguards information increases the risk of loss, misuse, or unauthorized access to information resources. Emphasis and focus from the EDO on this issue will ensure security is and remains a primary concern for agency managers.

### **RECOMMENDATIONS**

OIG recommends that the Executive Director for Operations:

3. Conduct a lessons-learned review to assess how effectively the Continuity of Operations Plan duties transition from headquarters to the alternate site.
4. Maintain a list of information technology systems and equipment as required by the Continuity of Operations Plan.
5. Remind all NRC employees to comply with NRC policies and procedures to protect sensitive data on standalone computer systems.

### **C. BEST PRACTICES**

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Regional best practices were identified in the areas of the significance determination process (SDP) appeals panels, customer satisfaction with the IT help desk, and purchase order processing. Each of these areas is discussed below and should be considered for adoption by the other regions.

#### SDP Appeals Panels

One region ensured the independence of an SDP appeals panel by selecting an entire panel of persons who were not employees of the region and who had no prior involvement with the issue under review. While Inspection Manual Chapter 0609.02 requires that at least one panel member will not have had prior involvement with the significance determination under appeal, the aforementioned regional practice further promotes independence and serves to foster NRC's performance goal to increase public confidence.

#### Customer Satisfaction with the Help Desk

One region measures customer satisfaction with the help desk (which provides IT support services) using a semi-annual survey. The survey results are published on the regional web site. Responses from employees who work at the regional office are shown separately from the responses provided by employees who work at resident inspector sites. An analysis of the responses can identify help desk services needing improvement.

#### Purchase Order Processing

The regions had a goal to process 95 percent of the purchase orders within 30 days of receipt. Methods used by each region to track progress in this area varied. One region used an Excel spreadsheet to track the processing time. The spreadsheet logic is set up with a formula to determine if the processing time exceeded the 30-day goal. Another formula calculates the total number of transactions processed, the number of transactions that met the goal and the percent of compliance. Use of the spreadsheet increases the reliability of the data by eliminating errors that occur during manual processing.

### **D. INTERVIEWS WITH REGIONAL INSPECTORS AND TECHNICAL STAFF**

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As part of the regional audits, OIG conducted 142 interviews with 62 region-based inspectors and technical staff, and 80 reactor site-based inspectors. Reactor site-based employees were resident inspectors and senior resident inspectors, while region-based employees were reactor inspectors, project engineers, operations engineers, and health physicists. The purpose of the interviews was to gain information for evaluating regional management's support for the full range of regional activities. Overall, the inspectors indicated they are able to perform their responsibilities and are generally satisfied with regional office management

support. However, the inspectors and technical staff raised questions pertaining to training and technical issues. Some of these issues were beyond the scope of this report and will be addressed in future audits. Consequently, no recommendations were made regarding the issues raised by these interviewees. The issues discussed included:

### **Training**

- Regional management is supportive of training for inspectors.
- The regions could provide additional support in ensuring that required training is obtained. Specifically, the regions could notify inspectors of upcoming training requirements and assist in scheduling classes.

### **Technical**

- The regions provide quick responses to technical issues.
- Headquarters is slow to respond to technical issues.
- Inspectors should have more flexibility in the inspection process.

### **Administrative**

- Many inspectors are under time pressure due to resource constraints.
- Additional secretarial support is needed.
- STARFIRE is very time consuming.
- ADAMS is difficult to use and it is difficult to locate information in ADAMS.

### **Licensee Management**

- The working relationship with licensee management is good to excellent, given the position NRC must maintain as a regulator.

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## **IV. CONSOLIDATED LIST OF RECOMMENDATIONS**

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OIG recommends that the EDO:

1. Develop a standard procedure to ensure each region has a consistent understanding of the nature, purpose and data needed to support each metric reported in the regional operating plans.
2. Determine which administrative metrics should be included in the regional operating plans.
3. Conduct a lessons-learned review to assess how effectively the Continuity of Operations Plan duties transition from headquarters to the alternate site.
4. Maintain a list of information technology systems and equipment as required by the Continuity of Operations Plan.
5. Remind all NRC employees to comply with NRC policies and procedures to protect sensitive data on standalone computer systems.



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## **V. OIG RESPONSE TO AGENCY COMMENTS**

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On January 27, 2003, the Deputy Executive Director for Reactor Programs provided a response to the four regional reports and this report. The Deputy Executive Director generally agreed with OIG's observations and recommendations and made specific comments where he believed the reports needed clarification. His response is included as Appendix C. We have incorporated the Deputy Executive Director's comments, as appropriate, in the report.

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## **SCOPE AND METHODOLOGY**

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The purpose of this report is to identify regional issues that need headquarters' action. OIG also identified regional best practices and included them in this report for consideration by other regions.

In conducting our review of the full range of operations at each regional office, we: (1) assessed whether performance goals and objectives are being met as measured by the performance metrics, (2) assessed whether internal management controls have been instituted to ensure quality of performance, and (3) obtained the views of resident and region-based inspectors and technical staff on regional operations. In addition to reviewing and evaluating metrics to assess regional performance, the regional reviews also examined selected processes (primarily administrative) for which no metrics were established. The results of each regional review is presented in a separate report.

During each regional review, the OIG audit team was aware of the possibility of fraud, waste, or misuse in regional programs. OIG conducted the regional audits from March through June 2002, in accordance with Generally Accepted Government Auditing Standards.

The major contributors to this report were Cathy Colleli, Shyrl Coker, David Ditto Vicki Foster, Judy Gordon, Russ Irish, Corenthis Kelley, Debra Lipkey, Anthony Lipuma, William McDowell, Sherri Miotla, Bob Moody, Yvette Russell, and Beth Serepca.

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## REGIONAL INSPECTOR INTERVIEW RESULTS

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### BACKGROUND

As part of the regional audits, OIG conducted 142 interviews with 62 region-based inspectors and technical staff, and 80 reactor site-based inspectors. Reactor site-based employees were resident inspectors and senior resident inspectors, while region-based employees were reactor inspectors, project engineers, operations engineers, and health physicists. The purpose of the interviews was to gain information for evaluating regional management's support for the full range of regional activities. Overall, OIG believes that the inspectors indicated they are able to perform their responsibilities and are generally satisfied with regional office management support. However, the inspectors and technical staff raised questions pertaining to training and technical issues. Some of these issues were beyond the scope of this report and will be addressed in future audits. Consequently, no recommendations were made regarding the issues raised by these interviewees.

### DESCRIPTION

OIG developed this appendix from information obtained during the regional interviews. Of the 28 questions asked, 25 had *yes*, *no*, or *not applicable* as possible answers. A *not applicable* response is not included with the results shown for each question, except for question 15.

OIG allowed those interviewed to provide explanations for their answers and/or caveats for clarifying their responses. From these 28 questions, OIG performed analysis of the responses. The questions were also divided into categories: training (1-5), technical (6-10), administrative (11-23, 28), and licensee management (24-27). The answers were first categorized based on location, region- or reactor site-based. OIG did this because it was believed that residents and region-based inspectors might have different perspectives. OIG then separated the answers into three categories: positive (denoted by green in the chart), negative (denoted by red), and conditional (denoted by yellow). Conditional responses contained positive and negative aspects, with additional explanations provided by the inspectors. A positive response could be measured with *yes* or *no* answers, depending on the nature of the question. This also applied to negative responses.

The horizontal bars in the charts always appear in the following order from top to bottom: green (positive responses), yellow (conditional responses) and red (negative responses).

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## **AGENCY COMMENTS**

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**January 27, 2003**

MEMORANDUM TO: Stephen D. Dingbaum  
Assistant Inspector General for Audits

FROM: William F. Kane **/RA/**  
Deputy Executive Director for Reactor Programs

SUBJECT: DRAFT OFFICE OF THE INSPECTOR GENERAL REPORTS ON  
MANAGEMENT AUDITS OF NRC'S REGIONAL OFFICES

This memorandum provides the staff's written comments on the subject draft reports, in accordance with your email transmittal dated December 17, 2002. We appreciate the opportunity to comment on these reports.

In general, we agree with many of your observations and recommendations and have already implemented various improvements and are planning others. We have a number of comments on areas in the reports that we feel require revision or further clarification. Specific comments on individual reports are provided in the attachment to this memorandum.

We are available to answer any questions you may have about our comments and to work with your staff to provide additional clarification, as appropriate. Please contact Melinda Malloy at (301) 415-1785 for assistance.

Attachment: As stated



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## **STAFF COMMENTS ON OIG'S DRAFT REPORTS ON MANAGEMENT AUDITS OF NRC'S REGIONAL OFFICES**

### **General**

1. NRC managers assess their management controls consistent with Management Directive and Handbook 4.4, "Management Controls," and the General Accounting Offices's "Standards for Internal Controls." Is the basis for the OIG's discussions on management controls in the audit reports consistent with the direction and guidance in Management Directive and Handbook 4.4?

### **Draft Audit Report, "Headquarters Action Needed On Issues Identified From the Office of the Inspector General's Management Audits of Regional Offices"**

1. Page iii, Results in Brief, Operating Plan Metrics.  
We believe that the last sentence before the section on Management Controls overstates the problem, and suggest that it be revised to read as follows:

"By exercising only limited oversight of the regions' administrative metrics, headquarters is missing an opportunity to **strengthen** ~~provide~~ **guidance, leadership, and performance assessment** **guidance** for the regions' management and support functions."

2. Page 1, Section I, Background.  
The 3<sup>rd</sup> sentence of paragraph 3 identifies the regions' Division of Resource Management and Administration (DRMA) activities to include payroll. Regional DRMA activities include Time and Labor, but not full payroll duties. In addition, DRMA is responsible for several other functions. Therefore, we recommend that this sentence be revised as follows:

"The Division of Resource Management and Administration (DRMA) conducts internal operating support activities including **time and labor coordination, financial management**, facilities management, travel, ~~payroll~~, **procurement, information technology**, and human resource functions."

It should be noted that there is a similar statement on pages 1 or 2 in Section I of the individual regions' reports, and the statements are inconsistent among reports. We recommend that they be revised to ensure consistency with the summary report and among the individual regions' reports.

3. Page 8, Section III.A, Operating Plan Metrics, Public Health and Safety Metrics.  
The 3<sup>rd</sup> sentence of the 1<sup>st</sup> full paragraph states that NRC's inspection manual discusses completion of the baseline inspection program as the estimated number of inspection hours to be expended and/or a minimum sample of items or occurrences to be inspected. This statement is not factually correct. NRC's Inspection Manual Chapter 2515 states that the estimate of inspection hours included in each inspection procedure

(IP) is for resource planning only. These hours refer to the estimated average times to complete the inspections for cornerstone areas at dual-unit sites, and are not goals, standards, or limitations. They are included in the IPs to assist in planning resource allocations and are revised periodically, based on experience. Inspectors should inspect the number of samples specified by the baseline IPs because the baseline program provides the insights necessary to assess performance, with performance indicators, in each cornerstone of safety.

Since initial implementation of the inspection program, the program office has emphasized that an IP is completed when all inspection requirements stated in the procedure have been performed, i.e., the minimum number of samples have been inspected. We recognize that this might not have been fully understood and, therefore, have reemphasized this information in a memorandum dated July 16, 2002, from Bruce Boger, NRR to Deputy Regional Administrators (see ML0201920501).

We recommend that this paragraph of the report be clarified by revising it as follows:

“Regional managers stated that they have received limited guidance on definition of terms, results presentation, procedures for data collection and computations, and expectations for quality control. For example, while the operating plans requires that each region report on the extent of completion of the baseline inspection program, ~~headquarters does not define “completion”~~ **the conditions for completion of a procedure may not have been completely understood. Even though NRC’s inspection manual and individual procedures provide guidance for determining procedure** ~~discusses completion, as the estimated number of inspection hours to be expended and/or a minimum sample of items or occurrences to be inspected~~ **one** region assesses completion based on hours, while another region assesses completion based on sample size. Regional managers expressed confusion about which of these two attributes to apply, and some believe it is a combination of the two.”

4. Page 10, Section III.A, Operating Plan Metrics, Public Health and Safety Metrics. In the 1<sup>st</sup> full paragraph before the section on Summary, the 3<sup>rd</sup>, 4<sup>th</sup>, and 5<sup>th</sup> sentences give the impression that all senior managers in headquarters have little or no interest or involvement in regional management and support activities, which is not the case. In fact, the OIG found several administrative areas to be operating effectively with the current level of oversight. (See page 11, discussion at the beginning of section III.B on Management Controls.) We think it would be more appropriate to replace these sentences with the following:

“There is wide variance among the regions in the use of operating metrics for administrative activities.”

**Draft Audit Report, “Management Audit of Region I”**

1. Page 1, Section I, Background.  
The last sentence of the 3<sup>rd</sup> paragraph, which describes the functions performed by the region’s Division of Resource Management, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Headquarters Action Needed On Issues Identified From the Office of the Inspector General’s Management Audits of Regional Offices.”

**Draft Audit Report, “Management Audit of Region II”**

1. Page i, Executive Summary, Background and Page 1, Section I, Background.  
The 1<sup>st</sup> paragraph on page i indicates that the Region II office operates and covers a 9 State area. A similar statement appears in the 2<sup>nd</sup> paragraph of page 1. The Region II office actually covers a 10 State area. Part of the confusion may be in the fact that Region IV has regulatory oversight for the Grand Gulf nuclear power plant, which is in the State of Mississippi, but the Region II office maintains regulatory oversight for all other uses of radioactive materials and of the Agreement State program for the State of Mississippi. These sections should be revised accordingly to reflect this information.
2. Page 1, Section I, Background.  
The 3<sup>rd</sup> paragraph, which describes the structure of the region’s strategic and performance goals consistent with the NRC’s mission, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Management Audit of Region III.”
3. Page 2, Section I, Background.  
The sentence beginning on line 2, which describes the functions performed by the region’s Division of Resource Management and Administration, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, “Headquarters Action Needed On Issues Identified From the Office of the Inspector General’s Management Audits of Regional Offices.”
4. Page 5, Section III.A, Operating Plan Metrics, Inaccurate Data  
The last two sentences of the 1<sup>st</sup> bullet state:

“Moreover, OIG’s review identified two additional inspection procedures that were not completed at one of the sampled plants. The region was not aware these procedures were not completed.”

During the region’s review of the draft report findings, it was determined that these sentences do not appear to be correct. The two inspection procedures (IPs) identified to the region by the OIG audit team (IPs 71122.01 and 71130.04 at Oconee) were not required to be completed. Both are biennial procedures and were not required to be completed for the inspection cycle ending March 31, 2001. For the next cycle, ending December 31, 2001, they were chosen as part of the procedures to not complete, which was allowed by the program office requirement of completing only 60 to 80 percent of

the procedures. Subsequent to the OIG audit, the cognizant regional Branch Chief indicated he was aware that these procedures were not completed, however, he was not available during the OIG audit of this area. We request that the report be revised to reflect this new information.

5. Page 9, Section III.B, Management Controls, Management Controls Over Information Management.  
The last sentence in the section on Systems Processing Classified and Unclassified Safeguards Information indicates that as a result of not specifically assigning a System Security Officer or preparing a specific System Security Plan, there is an absence of security controls over Region II's systems. While we agree with the report's conclusions and recommendations that the controls should be enhanced (e.g., there is not a specific security officer for the standalone systems processing and not a specific security plan for the standalone systems), it is incorrect to state that there are no controls over Region II's systems. Region II does have a Security Officer assigned for processing classified information and a Regional Office Security Plan, which covers processing of classified and unclassified safeguards information, including by the use of standalone systems.

#### **Draft Audit Report, "Management Audit of Region III"**

1. Page 1, Section I, Background.  
The 4<sup>th</sup> sentence of the 2<sup>nd</sup> paragraph incorrectly lists the number of resident inspectors assigned to Region III as 34. Region III has 35 resident inspectors—32 at power reactor facilities and 3 at the gaseous diffusion plants. We recommend that this sentence be revised to read as follows:

“When fully staffed, there are 35 ~~34~~ resident inspectors working at 16 nuclear power plants and two gaseous diffusion plants under the region's jurisdiction.”

2. Page 1, Section I, Background.  
The 3<sup>rd</sup> paragraph, 3<sup>rd</sup> sentence identifies corporate management strategies as a fourth area, which appears to indicate that this area is unique to the region and outside of the Strategic Plan. For clarification, we recommend that this sentence be revised as follows:

“Consistent with the NRC Strategic Plan, the region also ~~uses~~ ~~has~~ a fourth area ~~called~~, the corporate management strategies, to accomplish strategic and performance goals.”

It should be noted that there is a similar statement on page 1 Section I of the reports for Regions II and IV. We recommend that these statements also be revised.

3. Page 2, Section I, Background.  
The sentence beginning on line 2, which describes the functions performed by the region's Division of Resource Management, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, "Headquarters Action Needed On Issues Identified From the Office of the Inspector General's Management Audits of Regional Offices."
  
4. Page 5, Section III.A, Operating Plan Metrics, and Page 29, Appendix B, Region IV Metrics. The sections on Inaccurate Data (page 5) and Metric 3: Baseline Inspection Metric Reported Inaccurately (page 29) have the same wording to describe an error with the region's inspection procedure completion records. The current writeup would lead one to believe that the inspection procedure (IP) was not completed at the time of the audit, which is not correct. The IP was completed on June 30, 2001, after the end of the inspection cycle (i.e., March 31, 2001) at the Davis-Besse facility (reference Inspection Report 50-346/01-10). Consequently, we recommend changing the last three sentences of both of these sections to read as follows:  
  
"Auditors reviewed baseline inspection records pertaining to 3 of the region's 16 nuclear power plants and identified one case where a required ~~and planned~~ inspection procedure was not completed **as planned before the end of the inspection cycle**. Regional staff were unaware that the inspection procedure in question was not completed **until June 30, 2001**. By not completing just one inspection procedure **before the end of the inspection cycle**, Region III missed its target for completing the *minimum* NRC inspection oversight requirement; however, the region reported that it met its ~~annual~~ goal of conducting 100 percent of its baseline inspections **during the inspection cycle ending March 31, 2001**."
  
5. Page 13, Section III.C, Interviews with Region III Inspectors and Technical Staff. The 1<sup>st</sup> sentence of the 1<sup>st</sup> paragraph identifies that the OIG interviewed 19 of 32 resident or senior resident inspectors and 15 of 33 region-based inspectors and technical staff. These numbers appear to be inconsistent with Region III's staffing plan. Region III currently has 35 resident inspectors assigned to its sites as noted in item 2. Additionally, the region has over 90 region-based inspectors and technical staff (current count is 94 plus 8 interns). This includes the technical staff in Division of Reactor Safety (DRS), Division of Reactor Projects (DRP), Division of Nuclear Materials Safety (DNMS), and the Enforcement and Investigation Coordination Staff. Therefore, we recommend that the first sentence of Section III.C be revised to either account for the total population of region-based inspectors and technical staff or better define the population of 33 as a subset of the total population.

**Draft Audit Report, "Management Audit of Region IV"**

1. Page 1, Section I, Background.  
The 3<sup>rd</sup> paragraph, which describes the structure of the region's strategic and performance goals consistent with the NRC's mission, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, "Management Audit of Region III."

2. Page 2, Section I, Background.  
The last sentence of the 3<sup>rd</sup> paragraph, which describes the functions performed by the region's Division of Resource Management and Administration, should be revised as discussed in item 2 in the specific comments on Draft Audit Report, "Headquarters Action Needed On Issues Identified From the Office of the Inspector General's Management Audits of Regional Offices."