



Office of the Inspector General

U. S. Nuclear Regulatory Commission

Annual Plan

Fiscal Year 2006

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FOREWORD

I am pleased to present the Office of the Inspector General's (OIG) fiscal year (FY) 2006 Annual Plan. The Annual Plan provides the audit and investigative strategies and associated summaries of the specific work planned for the coming year. It sets forth OIG's formal strategy for identifying priority issues and managing its workload and resources for FY 2006.

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

To that end, the OIG Strategic Plan for FYs 2003 – 2008 is based, in part, on an assessment of the strategic challenges facing the NRC. The plan identifies the priorities of the OIG and sets out a shared set of expectations regarding the goals we expect to achieve and the strategies that we will employ over that time frame. The Strategic Plan is the foundation on which our Annual Plan is based. In addition, we sought input from several sources, including the Commission, NRC senior managers, Congress, and the nuclear industry.

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

Hubert T. Bell/**RA**
Inspector General

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MISSION AND AUTHORITY

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

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

Serious management challenges are mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals. In the latest annual assessment (October 2004), the IG identified the following as the most serious management challenges facing NRC:¹

1. Protection of nuclear material used for civilian purposes.
2. Protection of information.
3. Development and implementation of a risk-informed and performance-based regulatory oversight approach.
4. Ability to modify regulatory processes to meet changing external demands.
5. Implementation of information resources.
6. Administration of all aspects of financial management.
7. Communication with external stakeholders throughout NRC regulatory activities.

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

8. Intra-agency communication (up, down, and across organizational lines).
9. Managing human capital.

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

AUDIT AND INVESTIGATION UNIVERSE

The NRC budget request for FY 2006 is \$701.7 million with a staffing level of 3,154 personnel. The agency's mission is to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment from potential hazards involved in the civilian use of nuclear materials. The agency also has a role in combating the proliferation of nuclear materials worldwide.

NRC is headquartered in Rockville, Maryland; has four regional offices located throughout the United States; and operates a technical training center located in Chattanooga, Tennessee.

The agency carries out its mission through various licensing, inspection, research, and enforcement programs. Currently, NRC responsibilities include regulating 104 commercial nuclear power reactors that are licensed to operate in 31 states; 35 research and test reactors; 18 fuel fabrication and production facilities; 14 uranium recovery facilities; 2 gaseous diffusion uranium enrichment facilities; and approximately 4,400 licenses issued for medical, academic, and industrial uses of nuclear material. The agency is also going through the licensing process for the high-level waste depository at Yucca Mountain and overseeing the decommissioning of 20 commercial nuclear power plants. The audit and investigation oversight responsibilities are therefore derived from the agency's wide array of programs, functions, and support activities established to implement NRC's mission.

PLANNING STRATEGY

The 2006 Annual Plan is linked with OIG's Strategic Plan for fiscal years 2003 - 2008. The Strategic Plan identifies the major challenges and risk areas facing the NRC so that OIG resources may be directed in these areas in an optimum fashion.

The Strategic Plan recognizes the mission and functional areas of the agency and the major challenges the agency faces in successfully implementing its regulatory program. The plan presents strategies for reviewing and evaluating NRC programs under the strategic goals that OIG established. The OIG strategic goals are to (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*, and (3) *Improve the economy, efficiency, and effectiveness of NRC corporate management*. To ensure that each review and evaluation carried out by OIG aligns with the strategic plan, program areas selected for review and evaluation will be cross-walked from the Annual Plan to the Strategic Plan. (Appendices A, B, and C.)

AUDIT STRATEGY

Effective audit planning requires current knowledge about the agency's mission and the programs and activities used to carry out that mission. Accordingly, OIG continually monitors specific issue areas to strengthen our internal coordination and overall planning process. Under our 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. Appendix E contains a listing of our IAMs and issue areas for which they are responsible.

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

INVESTIGATION STRATEGY

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

Misconduct by high-ranking NRC officials and other NRC officials, such as managers and inspectors, whose positions directly impact the public health and safety.

Failure by NRC management to ensure that health and safety matters are appropriately addressed.

Failure by the NRC to appropriately transact nuclear regulation publicly and candidly and to openly seek and consider the public's input during the regulatory process.

Conflict of interest by NRC employees with NRC contractors and licensees.

The OIG will also implement initiatives designed to monitor specific high-risk areas within the corporate management strategic goal that are most vulnerable to fraud, waste and abuse. A primary focus will be on the possibility of electronic-related fraud in the rapidly developing E-Government processes within the NRC.

The 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 will focus on determining if instances of procurement fraud, theft of property, Government credit card abuse and fraud in the Federal Employees Compensation Act program are evident.

As part of this proactive initiative, the OIG will be meeting with its stakeholders to make them aware of our expertise and willingness to work with them in these areas. This style of approach provides a meaningful, systematic means to remove barriers, identify any vulnerability and provide an opportunity to inform and improve the performance of the agency, if warranted.

With respect to the strategic goals of safety and security, OIG routinely interacts with public interest groups, individual citizens, industry workers, and NRC staff to identify possible lapses in NRC regulatory oversight that could impact public health and safety. OIG also conducts proactive initiatives and reviews into areas of current or future regulatory safety or security interest to identify emerging issues or to address ongoing concerns regarding the quality of NRC's regulatory

oversight. Finally, OIG conducts event and special inquiries into specific events that indicate an apparent shortcoming in NRC's regulatory oversight of the nuclear industry's safety and security programs to determine the appropriateness of the staff's actions to protect public health and safety.

Appendix D provides investigation objectives and initiatives for FY 2006. Specific investigations are not included in the plan because investigations are primarily responsive to reported violations of law and misconduct by NRC employees and contractors, as well as allegations of irregularities or abuse in NRC programs and operations.

PERFORMANCE GOALS

For FY 2006, we will continue to use a number of key performance indicators and targets for gauging the relevancy and impact of our audit and investigative work. These are:

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

The OIG Performance Report with actual statistics for FY 2005 will be submitted to the Office of Management and Budget and to Congress in November.

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

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

OPERATIONAL PROCESSES

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

AUDITS

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

The OIG performs the following types of audits:

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

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

Contracts – Based on a Memorandum of Understanding between the OIG and NRC's Office of Administration Division of Contracts, OIG provides oversight of work performed by the Defense Contract Audit Agency (DCAA) or outside independent public audit firms that perform contract audits. Pre-award audits of contract proposals in excess of \$550,000 are a priority for the agency. At this time, OIG estimates that three pre-award audits will be needed in FY 2006. Post award audits are divided into two categories: incurred cost audits of active contracts and closeout audits of completed contracts. For incurred cost audits, contracts over \$10 million will be audited at least every 3 years, contracts over \$5 million but under \$10 million will be audited at least once during the life of the contract, and contracts under \$5 million will be periodically selected on a judgmental basis. For FY 2006, OIG plans to select 10 active contracts for audit and to have DCAA perform some contract audits, with others performed by outside, independent audit firms.

The key elements in the audit process are as follows:

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

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

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

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

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

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

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

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

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

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

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

Audit Follow-up and Closure – This process ensures that recommendations made to management are implemented.

INVESTIGATIONS

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

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

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

When an investigation is opened, it is assigned to a special agent who prepares a plan of investigation. This planning process includes a review of the criminal and civil statutes, program regulations, and agency policies that may be involved. The special agent then conducts the investigation, which may require interviewing witnesses and subjects, reviewing and analyzing records, obtaining physical evidence, and conducting surveillance and/or undercover operations. In those cases when the special agent determines that a crime may have been committed, he or she will discuss the investigation with a Federal and/or local prosecutor to determine if prosecution will be pursued. Upon completion of the investigation, the special agent prepares an investigative report summarizing the facts disclosed during the investigation.

The investigative report is distributed to officials who have an official interest in the results of the investigation. In those cases where a prosecuting attorney decides to proceed with a criminal or civil prosecution, the special agent assists the attorney in any preparation for court proceedings that may be required. This assistance may include serving subpoenas, locating witnesses, preparing exhibits, executing arrest/search warrants, and testifying before a grand jury or during trial.

At the conclusion of any court action, OIG advises the agency of the court results. For those investigations that do not result in a trial but are handled administratively by the agency, OIG monitors any corrective or disciplinary action that may be taken. OIG collects data summarizing the judicial and administrative results of its investigations and includes this data in its semiannual report to Congress.

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

HOTLINE

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

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

U.S. Nuclear Regulatory Commission
Office of the Inspector General
Hotline Program
Mail Stop T-5 D28
11545 Rockville Pike
Rockville, MD 20852-2738

DISTRIBUTION OF OIG RESOURCES

For FY 2006, the OIG requested an appropriation of \$8.3 million and a total authorized 49 full-time equivalent (FTE) staff. This request, if granted, will provide the resources necessary to carry out the mission of the audit and investigative functions for FY 2006.

**NUCLEAR SAFETY AUDITS
PLANNED FOR FY 2006**

Audit of NRC's Oversight of Byproduct Materials and Sealed Sources

DESCRIPTION AND JUSTIFICATION:

Byproduct and sealed sources are used for medical, industrial and academic purposes. Medical uses include medical procedures, medical research, and other diagnostic tests. Industrial uses of nuclear materials include industrial radiography, irradiators, well-logging, gauging devices, other measuring systems, and research and development. Additionally, universities, colleges, high schools, and other academic institutions use byproduct and sealed source nuclear materials in classroom demonstrations, laboratory experiments and research. NRC (or the responsible Agreement State) has regulatory authority over the possession and use of byproduct, source, or special nuclear material. In the post-September 11, 2001, environment, Congress continues to maintain interest in oversight of nuclear materials. For example, the recently passed Energy Policy Act of 2005 requires NRC to issue regulations that establish a radioactive source tracking system.

OBJECTIVE:

The objective of this audit will be to determine whether NRC's oversight of byproduct and sealed source materials provides reasonable assurance that licensees are using the materials safely and account for and control materials.

SCHEDULE:

Initiated in the 2nd quarter of FY 2005; scheduled to be completed in the 1st quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

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

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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.

Audit of NRC's Regulation of Nuclear Fuel Cycle Facilities

DESCRIPTION AND JUSTIFICATION:

NRC licenses, certifies, and inspects commercial facilities that convert uranium ore into fuel used in nuclear power plants. These facilities include gaseous diffusion plants, highly enriched uranium fuel fabrication facilities, low enriched uranium fuel fabrication facilities, and one uranium hexafluoride production facility. Each facility possesses large quantities of materials that could pose a significant threat to the public and the environment. In September 1999, an apparent criticality accident occurred at a fuel conversion plant in Tokaimura, Japan, exposing workers at the plant and members of the public to radiation. Families in the surrounding area were evacuated while others were advised to take shelter. In December 2003, there was an accidental release of uranium hexafluoride gas at a U.S. plant. The incident caused four people to be hospitalized.

The agency's regulation of nuclear fuel cycle facilities seeks to ensure that licensees adequately protect public health and safety, worker safety, the environment and promote the common defense and security when source or special nuclear material is used during the nuclear fuel production cycle.

OIG has not previously evaluated this program, which has been undergoing change in recent years to make it more risk-informed and performance-based.

OBJECTIVE:

The objective of this audit is to determine whether NRC's regulation of nuclear fuel cycle facilities is effective and efficient.

SCHEDULE:

Initiate in the 1st quarter of FY 2006

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

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

Audit of the Use of Probabilistic Risk Assessment (PRA)

DESCRIPTION AND JUSTIFICATION:

NRC's PRA policy statement reflects a commitment to increasing the use of PRA technology in all regulatory matters to the extent supported by the state-of-the-art in PRA methods and data, and in a manner that complements the NRC's deterministic approach and supports the NRC's traditional defense-in-depth philosophy. Implementation of this policy was expected to improve regulation in three ways: (1) by incorporating PRA insights in regulatory decisions, (2) by conserving agency resources, and (3) by reducing unnecessary regulatory burden on licensees.

OBJECTIVES:

The objectives of the audit are to determine whether NRC is (1) using PRA appropriately in its regulation of licensees given the current state-of-the art in the technology and (2) achieving the objectives of its PRA policy statement.

SCHEDULE:

Initiate in the 1st quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

- Strategy 1-1:** Identify risk areas associated with NRC efforts to implement the Reactor Oversight Program and make recommendations, as warranted, for addressing them.
- Strategy 1-2:** Identify risk areas facing the materials program and make recommendations, as warranted, for addressing them.
- 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.

Audit of the Nuclear Power Plant License Renewal Program

DESCRIPTION AND JUSTIFICATION:

The Atomic Energy Act provides for a license period of 40 years for commercial nuclear power plants, but includes provisions for extending the license beyond this initial period. This original 40-year term for reactor licenses was based on economic and antitrust considerations--not on limitations of nuclear technology. Due to this selected time period, however, some structures and components may have been engineered on the basis of an expected 40-year service life. The maximum renewal period of licenses is for an additional 20 years. The first operating license will expire in the year 2006; approximately 10 percent will expire by the end of the year 2010 and more than 40 percent will expire by the year 2015. At this time there are approximately 14 completed applications, 8 applications under review and 23 letters of intent to seek license renewal.

The agency has an accumulated experience with the license renewal process, and the expectation is that a large number of applications will be reviewed over the next decade. The reactors currently in operation are the first generation of power reactors. Operation of these plants beyond 40 years and upwards to 60 years introduces the potential that new aging phenomena could be observed in the next two decades.

OBJECTIVE:

The objective of this audit will be to determine the effectiveness of license renewal reviews using standards existing in various agency documents and regulations. The degree to which these agency documents and regulations have been retained current as operating experience has been accumulated will be included within this effectiveness review. OIG will also review scheduling and resource management.

SCHEDULE:

Initiate in the 1st quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

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

Audit of the Technical Review Process for DOE's License Application for the Yucca Mountain Repository

DESCRIPTION AND JUSTIFICATION:

NRC is responsible for the licensing of a high level waste (HLW) storage and disposal facility under the Nuclear Waste Policy Act of 1982, the Nuclear Waste Policy Amendments Act of 1987, and the Energy Policy Act of 1992. DOE is responsible for the construction, operation, and permanent closing of this facility. Yucca Mountain has been selected to be the repository site and DOE is currently projecting a schedule to submit its license application in March 2006.

NMSS manages the agency's HLW program, and recently reorganized to establish the Division of High Level Waste Repository Safety. The Advisory Committee on Nuclear Waste was established to report to and advise NRC on nuclear waste management. Additionally, NRC established the Center for Nuclear Waste Regulatory Analyses, a Federally-funded research and development center, to provide technical assistance and conduct research for the HLW program.

OBJECTIVE:

The objective of this audit will be to assess NRC's preparedness to perform the technical review of DOE's license application to construct and operate the Yucca Mountain HLW repository.

SCHEDULE:

Initiate in the 3rd quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

- 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

Audit of the Safety and Security of a High-Level Waste Interim Private Fuel Storage Facility

DESCRIPTION AND JUSTIFICATION:

NRC's authority to regulate a high-level waste repository comes from the Atomic Energy Act of 1954, as amended; the Energy Reorganization Act of 1974, as amended; and the Nuclear Waste Policy Act of 1982, as amended. Given the Federal Government's unmet commitment to nuclear utilities to begin accepting their wastes in 1998 and the current delays associated with opening the Yucca Mountain repository site, a consortium of nuclear power companies called Private Fuel Storage (PFS) has proposed an interim waste storage facility. The site would be designed to accept and store up to 40,000 tons of commercial reactor fuel and defense waste for up to 40 years inside specially designed casks that would be stored outdoors on concrete pads.

NRC is currently considering approval of the PFS application to build and operate the interim waste storage facility. However, a variety of public interest groups and elected government representatives cite health, safety, environmental, and national security concerns with the site and with the transportation of wastes to the site.

OBJECTIVE:

The objective of this audit will be to examine NRC's oversight of PFS licensing to determine the extent to which the agency is considering all relevant safety and security concerns associated with the transportation and storage of wastes.

SCHEDULE:

Initiate in the 3rd quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

- 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.

Audit of the Integration of Research into the Agency's Regulatory Framework

DESCRIPTION AND JUSTIFICATION:

The NRC regulatory research program addresses issues in three areas: nuclear reactors, nuclear materials, and radioactive waste. The research program is designed to improve the agency's knowledge where uncertainty exists, where safety margins are not well characterized, and where regulatory decisions need to be confirmed in existing or new designs and technologies.

OBJECTIVE:

The objective of this audit will be to determine the effectiveness of NRC's research program by assessing how research projects are proposed, initiated, implemented and ultimately incorporated into NRC's regulatory framework.

SCHEDULE:

Initiate in the 3rd quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

- Strategy 1-1:** Identify risk areas associated with NRC efforts to implement the Reactor Oversight Program and make recommendations, as warranted, for addressing them.
- Strategy 1-2:** Identify risk areas facing the materials programs and make recommendations, as warranted, for addressing them.
- 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.

Audit of NRC's Allegation Program

DESCRIPTION AND JUSTIFICATION:

All individuals should feel free to communicate to the NRC any safety or wrongdoing concerns. It is the policy of the NRC to encourage workers at regulated nuclear facilities to take technical safety concerns to their own management first. However, workers can bring safety concerns directly to the NRC at any time. It is the agency's responsibility to respond to those concerns in a timely manner and to protect the identity of the individual to the greatest degree possible. The agency therefore has an allegation program to manage safety concerns brought to the agency's attention.

OBJECTIVES:

The objectives of this audit will be to assess how effectively NRC manages allegations brought to it for resolution, and how the agency protects the identity of alleged.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

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

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

Audit of NRC's Enforcement Program

DESCRIPTION AND JUSTIFICATION:

The NRC's enforcement jurisdiction is drawn from the Atomic Energy Act (AEA) of 1954, as amended, and the Energy Reorganization Act (ERA) 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.

OBJECTIVES:

The objectives are to determine how NRC assesses the significance of violations and determines the level of enforcement action to take.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

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

**SECURITY AUDITS
PLANNED FOR FY 2006**

Audit of the Integrated Personnel Security System (IPSS)

DESCRIPTION AND JUSTIFICATION:

The Division of Facilities and Security, Office of Administration, plans, develops, establishes, and administers policies, standards, regulations, and procedures for the overall NRC security program. The Personnel Security program is a significant part of the overall security program and strategy. The Atomic Energy Act of 1954 requires that all NRC employees have a security clearance. NRC's personnel security program retains personnel security and database files on more than 15,000 persons (active and retired). NRC intended to develop, deploy, and support an efficient, accurate system to replace the Personnel Security System. The Integrated Personnel Security System (IPSS) provides NRC with an integrated system that meets the specified capabilities through the use of a web-enabled system that allows authorized users access through the NRC Intranet. The IPSS should:

- § track all personnel security processing activities related to the approval or denial of an employment clearance and access authorization.
- § track unescorted contractor access to NRC facilities.
- § track due process procedures.
- § track drug testing activities.
- § provide random selection and tracking of drug program participants.
- § provide multiple drug testing reports.
- § provide for data consistency, confidentiality, integrity, and authentication.

OBJECTIVES:

The objectives of this audit will be to determine if the system meets its required operational capabilities and provides for the security of the system data.

SCHEDULE:

Initiated in the 4th quarter of FY 2005; scheduled to be completed in the 1st quarter of FY 2006.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

Audit of the Baseline Security Inspection Program

DESCRIPTION AND JUSTIFICATION

The baseline inspection program is an integral part of NRCs reactor oversight process. The program, which provides the routine level of inspection conducted at all power reactor facilities regardless of licensee performance, is designed to detect indications of declining safety performance in key areas. One component of the baseline inspection program focuses on security. However, baseline security inspections were on hold during FY 2003 while the agency verified compliance with April 2003 orders limiting security force working hours, requiring additional security officer training and qualification, and improving protective plant strategies. In January 2004, the agency completed training for a new baseline security and safeguards inspection program and in February, the agency began conducting inspections under the program.

In April 2004, NRC issued its fourth annual self assessment of the ROP (Reactor Oversight Process Self-Assessment for Calendar Year 2003). According to the document, the agency continued to face resource challenges during 2003 regarding the implementation of the ROP. To address potential budget shortfalls and avoid inspection resource challenges in the future, staff reevaluated the inspection resource needs in each of NRCs four regions. As a result, the annual regional budget for operating reactor inspection activities for FY 2004-2006 was increased by approximately 15 full-time equivalent positions over the FY 2003 budget.

OBJECTIVE:

The objective of the audit is to assess the effectiveness of the baseline security and safeguards inspection program, including whether the program has adequate resources to achieve its goals and ensure the physical protection of the Nations nuclear power reactor facilities.

SCHEDULE:

Initiate in the 1st quarter of FY 2006

STRATEGIC GOAL 2:

Enhance NRCs efforts to increase security in response to the current threat environment.

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

Audit of Computer Security at Regions and TTC

DESCRIPTION AND JUSTIFICATION

NRC depends heavily on information systems security measures to avoid data tampering fraud, inappropriate access and disclosure of sensitive information, and disruptions in critical operations. It is NRC's policy to maintain an automated information systems security program to provide appropriate administrative, technical, and physical security measures for the protection of the information resources.

OBJECTIVES:

The objectives of this audit are to evaluate (1) the adequacy of NRC's information security programs and practices in the regions and the TTC and (2) the effectiveness of the regions' and TTC's security control techniques.

SCHEDULE:

Initiate in the 2nd quarter of FY 2006

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

Audit of the Design Basis Threat

DESCRIPTION AND JUSTIFICATION:

NRC has approved changes to the design basis threat (DBT) process and has issued orders for nuclear power plants to further enhance security. Under NRC regulations, power plant reactor licensees must ensure that the physical protection for each site is designed and implemented to provide high assurance in defending against the DBT to ensure adequate protection of public health and safety and common defense and security.

Currently, the DBT represents the largest reasonable threat against which a regulated private guard force should be expected to defend under existing law. The new DBT strengthening security at power plants was not issued until April 29, 2003. Implementation mainly consists of a review of the requested documentation from licensees. The new Energy Policy Act of 2005 requires NRC to conduct security evaluations, including force on force exercises, at least once every three years at facilities designated by NRC. It also requires the NRC to initiate a notice-and-comment rulemaking to revise the DBT.

OBJECTIVE:

The objective of this audit will be to assess the effectiveness of the process by which NRC reviews and updates its DBT statements and ensures that plants maintain a force that can defend the plant against security threats.

SCHEDULE:

Initiate in the 2nd quarter of FY 2006.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

Audit of the Badge Access System

DESCRIPTION AND JUSTIFICATION:

The photo-identification/key card badge is an integral part of NRC's physical security program. In addition to containing personal identification information, the badge is a programmable key card for controlling building/area access at headquarters, each of the regional offices, and the Technical Training Center (TTC). All badge manufacturing is done at headquarters, and specific access rights are assigned to each badge via headquarters, regional, and TTC access control systems. Based on the level of rights assigned, employees and contractors place their key cards against card readers to gain entry to various parts of the buildings and, in some cases, during specific times of day. NRC currently uses barium ferrite cards and readers, but plans to transition to a newer technology within the next several years because of Homeland Security Presidential Directive-12 requirements. The Office of Management and Budget recommended that NRC upgrade to the new card requirements in early FY 2008.

OBJECTIVE:

The objective of this audit will be to determine if the card access system meets its required operational capabilities and provides for the security, availability, and integrity of the system data.

SCHEDULE:

Initiate in the 3rd quarter of FY 2006.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

Evaluation of NRC's Information Security Practices

DESCRIPTION AND JUSTIFICATION:

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

OBJECTIVES:

The objectives of this evaluation will be to evaluate (1) the adequacy of NRCs information security programs and practices for NRC major applications and general support systems of record for FY 2005, (2) the effectiveness of agency information security control techniques, and (3) the implementation of the NRCs corrective action plan created as a result of the 2004 FISMA program review.

SCHEDULE:

Initiate in the 3rd quarter of FY 2006.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

Audit of the Emergency Preparedness Program

DESCRIPTION AND JUSTIFICATION:

Emergency Preparedness (EP) measures are designed to address a wide range of event scenarios. Following the events of 9/11, the NRC evaluated the EP planning basis, issued orders requiring compensatory measures for nuclear security and safety, and observed license performance during security-based EP drills and exercises and security force on force exercise evaluations. Based on the information obtained through the drills and exercises, the staff determined that the EP basis remains valid but recognized that security events differ from accident-initiated events.

In order to obtain needed current information, NRC issued Bulletin 2005 on July 18, 2005 for all holders of operating licenses for nuclear power reactors. The purpose of the bulletin is to obtain information regarding changes licensees have made or plan to make concerning security-based emergency preparedness program capabilities and to evaluate how consistently such changes have been implemented.

OBJECTIVE:

The objective of this audit will be to assess the effectiveness of the EP program since it has been incorporated into the Office of Nuclear Security and Incident Response.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

Audit of the NRC's Oversight of the Security Guard Program at Nuclear Power Plants

DESCRIPTION AND JUSTIFICATION

NRC has a fitness-for-duty requirement to provide assurance that security guards at nuclear power plants are trustworthy and reliable. The fitness-for-duty programs include:

- A drug testing program for security guards;
- Limiting the number of work hours for some guards to no more than 16 hours in a 24-hour period, 26 hours in a 48-hour period and 72 hours in a week, excluding shift turnover time; and
- Establishing minimum individual breaks for some guards of at least 10 hours between shifts, a 24-hour break each week and a 48-hour break every two weeks.

NRC is currently proposing to codify the fitness for duty program through the rulemaking process. The new rule represents the resolution of NRC's activities in response to petitions for rulemaking regarding work hour limits and certain inspections of fitness-for-duty programs. The rule would also, in part, replace and expand on an Order the NRC issued on April 29, 2003, setting work hour limits for security personnel, as well as codify a Commission policy statement on fatigue issued in 1982.

OBJECTIVE:

The objective of this audit will be to assess the effectiveness of NRC's oversight of the security guard program at nuclear power plants.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

Audit of Security at NRC Headquarters

DESCRIPTION AND JUSTIFICATION:

NRC buildings contain many security features and the agency has increasingly hardened its protection against access to its headquarters (HQ). NRC HQ meets the U.S. Department of Justice's recommended minimum physical security standards for Federal buildings. However, an August 15, 2002, OIG report found that NRC needed to further enhance HQ physical security and emergency response capability to improve its ability to prevent unauthorized individuals from accessing NRC space, protect the facility from physical attack, and mitigate the impact of an attack. Improvements were needed with regard to vehicle access control, building access control and emergency preparedness.

OBJECTIVE:

The objective of this audit is to assess the adequacy of physical security measures at NRC Headquarters for three main areas: physical security, emergency preparedness, and written procedures.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 2:

Enhance NRC's efforts to increase security in response to the current threat environment.

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

**CORPORATE MANAGEMENT AUDITS
PLANNED FOR FY 2006**

Follow-up Audit of NRC's Decommissioning Fund Program

DESCRIPTION AND JUSTIFICATION:

Under Title 10 Code of Federal Regulations Part 50, NRC must receive reasonable assurances from nuclear reactor licensees that funds will be available for the decommissioning process. In OIG's Review of NRC's Decommissioning Fund Program, issued February 2000, OIG reported weaknesses in the management controls over NRC's decommissioning process. Among the weaknesses identified were lack of consistency in reported data and the need to determine the best method of assessing decommissioning costs at plant sites. OIG reported that NRC's decommissioning formulas were developed in 1986 and could be outdated. The report noted that significant differences exist between the two methods used to calculate estimates for decommissioning costs. In response to OIG's finding, no immediate action was taken by the Deputy Executive Director for Reactor Programs. Instead implementation was delayed until a future time when more cost data would be available.

OBJECTIVES:

The objectives of this audit are to evaluate the management controls associated with NRC's verification of nuclear reactor licensees' financial assurance regarding the availability of decommissioning funds, and determine the current status of agency efforts to implement the audit recommendations.

SCHEDULE:

Initiated in the 2nd quarter of FY 2005; scheduled to be completed in the 1st quarter of FY 2006.

STRATEGIC GOAL 1:

Advance NRC's efforts to enhance safety and protect the environment.

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

Audit of NRC's FY 2005 Financial Statements

DESCRIPTION AND JUSTIFICATION:

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. OIG will measure the agency's improvements by assessing corrective action taken on prior audit findings. The report on the audit of the agency's financial statements is due on November 15, 2005. In addition, the OIG will issue reports on:

- Special Purpose Financial Statements,
- Agreed-Upon Procedures on the Closing Package for Intragovernmental Activity and Balances, and
- Implementation of the Federal Managers' Financial Integrity Act.

OBJECTIVES:

The objective of this audit are to:

- express opinions on the agency's financial statements and internal controls,
- review compliance with applicable laws and regulations,
- review the performance measures included in the agency's Performance and Accountability Report as required by Office of Management and Budget guidance, and
- review the controls in the NRC's computer systems that are significant to the financial statements.

SCHEDULE:

Initiated in the 2nd quarter of FY 2005; scheduled to be completed in the 1st quarter of FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

Survey of NRC's Safety Culture and Climate

DESCRIPTION AND JUSTIFICATION:

In 2002, OIG engaged an independent contractor, International Survey Research (ISR), to (1) assist in completing an assessment of the agency's safety culture and climate, (2) compare the results against *NRC's 1998 Safety Culture and Climate Survey*, and (3) compare the results to Government and national benchmarks.

The 2002 survey showed that NRC had made substantial progress in improving its safety culture and climate since the 1998 survey. The survey identified areas for improvement and recommended that NRC senior management focus on improvement in these areas. In response to the results of the survey, the Chairman tasked the Executive Director for Operations (EDO) to conduct an assessment of the key areas for improvement and establish priorities for NRC attention. With Commission approval, the EDO established a task group to evaluate the key areas identified in the OIG's report and to develop recommendations for improvement strategies. On July 25, 2003, the task group issued its report containing a recommendation that the agency focus its improvement efforts on four major areas.

Throughout this survey, OIG will evaluate the agency's progress in addressing the areas in need of improvement identified in the *FY 2002 Safety Culture and Climate Survey*. Additionally, this information will help the OIG program its available resources to perform the most beneficial work for the agency.

OBJECTIVES:

The objective of this survey will be to: (1) assess the agency's safety culture and climate, (2) compare the results against *NRC's 1998 and 2002 Safety Culture and Climate Surveys*, and (3) compare the results to Government and national benchmarks.

SCHEDULE:

Initiated in the 3rd quarter of FY 2005; scheduled to be completed in the 2nd quarter FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

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

Audit of NRC's Technical Training Center

DESCRIPTION AND JUSTIFICATION:

The NRC's Office of Human Resources manages training programs conducted at the TTC in Chattanooga, Tennessee. TTC, with a budget of \$3.6 million and 27 FTE, conducts training programs related to the regulation of nuclear materials and facilities including: nuclear power plant technology, radiation protection, risk assessment, and regulatory skills. Agreement State students, in addition to agency employees, attend courses at TTC.

OIG will perform an audit of TTC's operations to include such areas as: strategic planning, coordination with customers/stakeholders, management information and analysis, human capital management, process management, and performance results.

OBJECTIVES:

The objective of this audit will be to identify opportunities to improve the economy, efficiency, and/or effectiveness of TTC's operations in consonance with the President's Management Agenda.

SCHEDULE:

Initiated in the 4th quarter of FY 2005; scheduled to be completed in the 2nd quarter of FY 2006.

STRATEGIC GOALS:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

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

Audit of the High-Level Waste Meta System

DESCRIPTION AND JUSTIFICATION

Over the last 3 years, NRC has been working to integrate and enhance several major agency applications (ADAMS, Electronic Information Exchange, Electronic Hearing Docket, Digital Data Management System, and the Licensing Support Network) and business processes to support the review of the Department of Energy's License Application and associated hearings for a proposed nuclear waste repository at Yucca Mountain, Nevada.

In order to make a decision on the license application, within the 3-year statutory timeframe, NRC launched new information systems and leveraged much of the existing information technology by enhancing computer applications, upgrading computer infrastructure, and by improving business processes. This collection of business processes, computer applications, and information technology infrastructure components is referred to as the High-Level Waste Meta System.

OBJECTIVE:

The objective of this audit is to determine if the meta system meets its required operational capabilities and provides for security of the data.

SCHEDULE:

Initiate in the 1st quarter of FY 2006

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC's corporate management.

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

Audit of NRC's Contract Award Process

DESCRIPTION AND JUSTIFICATION:

OIG's audit of the contract award process will focus on new contract awards only. (Due to limitations in the available data, the number and value of new contracts are not readily available.) The Division of Contracts completed 1,469 procurement actions valued at \$101.2 million and 1,089 procurement actions valued at \$70.7 million during FY 2004 and fiscal year-to-date (October 1, 2004 through July 26, 2005), respectively. These figures include new contract awards, contract modifications, purchase orders, delivery orders and task orders. Grants and interagency agreements are not included.

NRC Management Directive 11.1, "NRC Acquisition of Supplies and Services," states, "It is the policy of the U.S. Nuclear Regulatory Commission that the NRC's acquisition of supplies and services support the agency's mission; are planned, awarded, and administered efficiently and effectively; and are accomplished in accordance with applicable Federal statutes and procurement regulations." NRC acquisitions must adhere to the Federal Acquisition Regulation and the NRC Acquisition Regulation.

OBJECTIVE:

The objective of this audit is to determine the efficiency and effectiveness of the contract award process.

SCHEDULE:

Initiate in the 2nd quarter of FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

Audit of NRC's AID-Funded Activities

DESCRIPTION AND JUSTIFICATION:

NRC receives Freedom Support Act (FSA) funds from the U.S. Agency for International Development (USAID) to support provisions of nuclear regulatory safety and security assistance to the regulatory authorities of Russia, Ukraine, Kazakhstan and Armenia. 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 \$49.4 million in FSA funds from FY 1992 through FY 2005. Of this amount, \$7.95 million (the amounts received in FY 2002 through FY 2004) is currently available for use. NRC is in the process of establishing an interagency agreement with USAID for the FY 2005 funds (\$2.0 million).

The Office of International Programs has lead responsibility for NRC's use of FSA funds. This responsibility includes internal NRC coordination, coordinating with other U.S. Governmental agencies involved with assistance activities, and coordinating with other international donors.

OBJECTIVES:

The objective of this audit is to determine:

- If the assistance programs are managed efficiently;
- If the management controls over the use of AID funds are adequate; and
- If NRC's corrective actions resulting from OIG's recommendations in Audit Report OIG-02-A-04, dated December 3, 2001, are being adequately implemented.

SCHEDULE:

Initiate in the 2nd quarter of FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

Audit of NRC's FY 2006 Financial Statements

DESCRIPTION AND JUSTIFICATION:

Under the Chief Financial Officers Act and the Government Management and Reform Act, the OIG is required to audit the financial statements of the NRC. OIG will measure the agency's improvements by assessing corrective action taken on prior audit findings. The report on the audit of the agency's financial statements is due on November 15, 2006. In addition, the OIG will issue reports on:

- Special Purpose Financial Statements,
- Agreed-Upon Procedures on the Closing Package for Intragovernmental Activity and Balances, and
- Implementation of the Federal Managers' Financial Integrity Act.

OBJECTIVES:

The objective of this audit will be to:

- express opinions on the agency's financial statements and internal controls,
- review compliance with applicable laws and regulations,
- review the performance measures included in the agency's Performance and Accountability Report as required by OMB guidance, and
- review the controls in the NRC's computer systems that are significant to the financial statements.

SCHEDULE:

Initiate in the 2nd quarter of FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

External Quality Assurance Review of the Audit Function of the U.S. Railroad Retirement Board Office of Inspector General

DESCRIPTION AND JUSTIFICATION:

In January 1986, the President's Council on Integrity and Efficiency (PCIE) adopted and published Quality Standards for Federal Offices of Inspector General. These standards covered the entire OIG organization of the Federal Government and were considered advisory in nature. In October 2003, the PCIE and the Executive Council on Integrity and Efficiency updated and adopted these quality standards for the management, operation, and conduct of the Federal Offices of Inspector General. Beginning with the 1988 edition, Government Auditing Standards required government audit organizations to have an appropriate internal quality control system in place and undergo an external quality assurance review. The 1988 amendments to the Inspector General Act of 1978 require that these external quality assurance reviews be performed exclusively by an audit entity of the Federal Government, including the Government Accountability Office or another OIG, every 3 years. The PCIE assigned the OIG at NRC the responsibility for performing an external quality assurance review of the audit function of the U.S. Railroad Retirement Board OIG in FY 2006.

OBJECTIVE:

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

This audit is shown in the FY 2006 Annual Plan because it will impact OIG resources at NRC.

SCHEDULE:

Initiate in 4th quarter of FY 2006.

STRATEGIC GOAL:

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

Special Evaluation of NRC's Most Serious Management Challenges

DESCRIPTION AND JUSTIFICATION:

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

OBJECTIVES:

The objective of this audit will be to:

- (1) assess the agency's efforts to address the management challenges, and
- (2) identify any related agency programs that have had questionable success in achieving results.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

- Strategy 3-1:** Assess progress made in implementing the President's Management Agenda.
- Strategy 3-2:** Identify other areas of Corporate Management Risk within NRC and make recommendations, as warranted, for addressing them.

Audit of Non-Capitalized Property

DESCRIPTION AND JUSTIFICATION:

During FY 2001, OIG evaluated policies governing the accountability and control of NRC's non-capitalized IT property. The review found that property management policies for this equipment adhered to applicable laws and regulations; however, management controls to implement these policies were inadequate or lacking. In addition, the Property and Supply System (PASS), an online interactive computer system that functions as the official database for the agency's property transactions, contained inaccurate information. During FYs 2004 and 2005, NRC developed PASS-2, a new property and supply system designed to replace the old system. PASS-2 became operational on December 13, 2004, and final acceptance of the system by the Office of Administration took place in June 2005.

NRC policy requires the effective and efficient management of property including sufficient controls to deter or prevent loss through fraud, waste, or misuse. This policy not only applies to property in the agency's possession, but also to property physically maintained by NRC's contractors. As of July 30, 2005, PASS-2 accounts for approximately 17,680 pieces of non-capitalized property with an acquisition cost of approximately \$30.4 million. This includes 1,343 laptops and 643 personal digital assistants with an acquisition value of approximately \$3.6 million.

OBJECTIVE:

The objective of this audit will be to determine whether NRC has established and implemented an effective system of management controls for maintaining accountability and control of non-capitalized property.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

Audit of the Management Directives System

DESCRIPTION AND JUSTIFICATION:

The Office of Administration/Division of Administrative Services (DAS) develops and administers the NRC Management Directives System, including the issuance of policies and procedures. DAS approves management directives for publication or revision; reviews new or revised management directives for adherence to the policies and procedures contained in Management Directive 1.1, (*NRC Management Directive System*) and ensures that management directives receive proper review. Recently, the Office of Administration launched a new management directive website that provides staff with the tools for writing and revising management directives. An interoffice working group has been formed to examine long-term solutions for improving the management directive process.

NRC policy requires that employees be informed of the basic policies, requirements, and procedures necessary for the agency to comply with executive orders, pertinent laws, regulations, and the circulars and directives of other federal agencies. NRC prepares and issues directives and handbooks, as well as revisions to these documents, to meet the requirement that all federal agencies have an internal management directives system. The management directives must effectively communicate NRC's policies, objectives, responsibilities, authorities, requirements and guidance. In addition, the management directives must reflect the decisions of the Commission and the Executive Director for Operations.

NRC's management directives are continually being revised. The management directives system is divided by major functional areas into 14 volumes. There are 177 management directives as of August 2005.

OBJECTIVE:

The objective of this audit is to evaluate the efficiency and effectiveness of the management directives system with an emphasis on timeliness.

SCHEDULE:

Initiate in the 4th quarter of FY 2006.

STRATEGIC GOAL 3:

Improve the economy, efficiency, and effectiveness of NRC corporate management.

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

**INVESTIGATIONS
PRIORITIES, OBJECTIVES,
AND INITIATIVES FOR FY 2006**

INTRODUCTION

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

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

This investigative plan was developed to focus OIG investigative priorities and use available resources most effectively. It provides strategies and planned investigative work for FY 2006 in conjunction with the OIG Strategic Plan and the President's Management Agenda for Improving Government Performance. The most serious management challenges facing the NRC as identified by the Inspector General were also considered in the development of this plan.

PRIORITIES

The OIG will conduct approximately 80 investigations and event/special inquiries in FY 2006. As in the past, reactive investigations into allegations of criminal and other wrongdoing will continue to claim priority on OIG's use of available resources. Because the NRC's mission is to protect the health and safety of the public, Investigations' main concentration of effort and resources will involve investigations of alleged NRC staff misconduct that could adversely impact on health and safety related matters.

OBJECTIVES

To facilitate the most effective and efficient use of limited resources, Investigations has established specific objectives aimed at preventing and detecting fraud, waste and abuse as well as optimizing NRC effectiveness and efficiency. Investigations will focus its investigative efforts in 6 broad-based areas, as follows, which include possible violations of criminal statutes relating to NRC programs and operations and allegations of misconduct by NRC employees.

Safety and Security

Investigate situations where NRC employees improperly disclosed alleged' (mainly licensee employees) identities and allegations, NRC employees improperly handled alleged concerns, and NRC failed to properly address retaliation issues involving licensee employees who raised health and safety concerns at nuclear power plants.

Examine instances where the NRC has not maintained an appropriate "arms length" distance from licensees, particularly in the inspection process.

Investigate instances where NRC employees released predecisional, proprietary, or official-use-only information to the nuclear industry that could have had an impact on nuclear power plant operations or interfered with litigation involving agency decisions.

Investigate instances where NRC employees had improper personal relationships with NRC licensees and where NRC employees violated Government-wide ethics regulations concerning the solicitation of employment with NRC licensees.

Interact with public interest groups, individual alleged, and industry workers to identify indications of lapses on NRC regulatory oversight that could create safety and security problems.

Maintain close relationships with members of NRC technical staff to facilitate the flow of information and concerns regarding possible nuclear safety and security issues.

Conduct event and special inquiries into matters of current regulatory safety and security concerns to identify shortcomings in NRC's regulatory oversight.

Pro-actively review and become knowledgeable of areas of NRC staff regulatory emphasis to identify emerging issues that may require future OIG involvement. Also provide real time OIG assessment of the appropriateness of NRC staff's handling of contentious regulatory activities related to nuclear safety and security matters.

Corporate Management

Attempt to detect possible wrongdoing perpetrated against NRC's procurement and contracting program by maintaining a close working relationship with the Division of Contracts (DC), Office of Administration. This will include periodic meetings between OIG and DC management

officials and a fraud awareness presentation by OIG special agents to DC contract specialists, NRC project managers, NRC project officers, and other identified employees.

Pursue aggressively investigations appropriate for Program Fraud Civil Remedies Act action, including abuses involving false reimbursement claims and false statements by contractors.

Attempt to detect possible instances of NRC employees improperly receiving Federal Employees' Compensation Act benefits. This will include periodic meetings between OIG and Office of Human Resources management officials and the periodic examination of agency and Department of Labor records pertaining to this program.

Coordinate with NRC property custodians and the Division of Facilities and Security (DFS), Office of Administration, in instances involving theft of computers and other agency equipment.

Coordinate with DFS regarding accountability issues surrounding property purchased with NRC funds by a contractor or property furnished by the NRC to a contractor.

Coordinate with the Office of the Chief Financial Officer in instances involving abuse of individual credit cards issued to agency employees as well as credit cards issued for the procurement of supplies and equipment.

Coordinate with the OIG Audit Issue Area Monitors in an effort to identify areas or programs with indicators of possible fraud, waste, and abuse.

Conduct fraud awareness and information presentations regarding the role of the NRC OIG to NRC employees.

OIG Hotline

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

FOIA/Privacy Act

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

NRC Support

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

Liaison Program

Maintain close relationships with other law enforcement bodies, public interest groups, and the Congress. This will be accomplished through periodic meetings with AIGs, pertinent congressional staff, public interest groups, and appropriate law enforcement organizations.

Take an aggressive stand to protect NRC infrastructure against both internal and external computer intrusions by working in close coordination with the Office of the Chief Information Officer and NRC systems administrators. This will include developing and disseminating criminal intelligence to assist in protecting NRC computer systems, aggressively pursuing suspected cyber fraud cases and training a second OIG criminal investigator as a Seized Computer Evidence Recovery Specialist.

Maintain a viable regional liaison program to foster a closer working relationship with NRC regional offices.

Establish and maintain NRC OIG active participation in OIG community fraud working groups, multi-agency fraud task forces, and multi-agency undercover operations where a nexus to NRC programs and operations has clearly been established.

INITIATIVES

OIG Investigations established the following initiatives to increase productivity and improve the effectiveness and efficiency of the OIG investigations program:

1. **Case Management and Information Systems** – In FY 2005 Investigations implemented a commercial-off-the-shelf software application to support its business processes. The new application provides secure, easy-to-use access to investigative data for staff and managers.
2. **Health Improvement Program (HIP)** – The OIG HIP is a mandatory program for all employees in the 1811 series. Other OIG employees are eligible to participate in the HIP if they meet the medical standards and fitness levels required for participation. HIP objectives are to (1) improve and maintain the fitness level of special agents and other OIG employees and (2) encourage lifestyle changes to increase productivity and decrease disability within the workforce.

ALLOCATION OF RESOURCES

Investigations will undertake proactive initiatives where resources allow. Of the resources available for direct investigative activities, it is anticipated that approximately 75 percent will be spent on reactive investigations. The balance of investigative time will be allocated to proactive investigative efforts such as: reviews of NRC contract files; examinations of NRC information technology systems to identify weaknesses or misuse by agency employees; participation in interagency task forces and working groups; reviews of delinquent Government credit card accounts; and, other initiatives.

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

ISSUE AREAS AND DESIGNATED ISSUE AREA MONITORS

NUCLEAR SAFETY

NUCLEAR REACTOR SAFETY

Anthony Lipuma
Michael Cash
Catherine Colleli

NUCLEAR MATERIALS SAFETY AND SAFEGUARDS

Sherrí Miotla
Yvette Russell

NUCLEAR WASTE SAFETY

Debra Lipkey
RK Wild

SECURITY AND INFORMATION TECHNOLOGY

INFORMATION MANAGEMENT AND SECURITY

Beth Serepca
Judy Gordon
Rebecca Underhill
Erica Horn

NUCLEAR SECURITY

Beth Serepca
Shyrl Coker
David Ditto

CORPORATE MANAGEMENT

FINANCIAL AND ADMINISTRATIVE

Steven Zane
Kathleen Stetson
Steven Shea
Michael Steinberg

CONTRACT AND PROCUREMENT

Steven Zane
Kathleen Stetson

HUMAN RESOURCES

Terri Cooper

INTERNATIONAL PROGRAMS

Steven Shea

**LISTING OF ABBREVIATIONS
AND ACRONYMS**

ABBREVIATIONS AND ACRONYMS

AIGI	Assistant Inspector General for Investigations
DBT	design basis threat
DCAA	Defense Contract Audit Agency
DC	Division of Contracts
DFS	Division of Facilities and Securities
DOE	Department of Energy
DOJ	Department of Justice
FISMA	Federal Information Security Management Act
FTE	full-time equivalent
FY	fiscal year
HIP	health improvement program
HLW	High-Level Waste
IAM	Issue Area Monitor
IG	Inspector General
IPSS	Integrated Personnel Security System
NMMSS	Nuclear Materials Management and Safeguards System
NRC	U.S. Nuclear Regulatory Commission
NSIR	Office of Nuclear Security and Incident Response
OCIO	Office of the Chief Information Officer
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PASS	Property and Supply System
PI	performance indicator
ROP	Reactor Oversight Program
RPS	Reactor Program System
TTC	Technical Training Center