



***Inspector General's Assessment of the Most Serious
Management and Performance Challenges Facing the
Nuclear Regulatory Commission in Fiscal Year 2021***

OIG-21-A-01

October 16, 2020



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WHY WE DID THIS REPORT The *Reports Consolidation Act of 2001* (Public Law 106-531) requires us to annually update our assessment of the NRC's most serious management and performance challenges facing the agency and the agency's progress in addressing those challenges.

WHAT WE FOUND The Nuclear Regulatory Commission (NRC) is viewed as the world leader among nuclear regulatory bodies as it licenses and regulates the nation's civilian use of radioactive materials to provide reasonable assurance of adequate protection of public health and safety, to promote the common defense and security, and to protect the environment. The NRC's proposed FY 2021 budget is \$863.4 million, including 2,868 full-time equivalents (FTE), most of whom work in five primary locations in the United States. Beyond its nuclear safety and security mission, as a federal agency, the NRC must be a responsible steward of taxpayer dollars and expend its budgeted funds properly.

This year we are continuing the approach developed in 2019 for the structure and content of the management challenges report, in which we use a single-page format to identify each challenge, actions taken by the agency, and work left to do by the agency. Based on feedback from the agency and our desire to ensure that each challenge is specific and clear, we have identified the following 8 actionable challenges that require the NRC's continued attention.

1. Strengthening Risk Informed Regulation¹
2. Regulatory Oversight of Decommissioning Trust Funds (DTF)
3. Management of the NRC Response to the COVID-19 Pandemic
4. Readiness for New Technologies for Reactor Design and Operation
5. Continuous Improvement Opportunities for Information Technology (IT), Internal IT Security and Information Management
6. Strategic Workforce Planning
7. NRC and Agreement State Coordination on Oversight of Materials and Waste
8. Management and Transparency of Financial and Acquisitions Operations

By responding to these challenges, the NRC will strengthen progress towards the effective and efficient execution of its mission as well as achievement of its strategic goals and the highest level of accountability over taxpayer dollars.

AGENCY RESPONSE TO MANAGEMENT CHALLENGES FOR FY 2020 The NRC has worked to respond to OIG report recommendations throughout the year. The agency is engaging in transformation initiatives to examine many aspects of its operations as it seeks to prepare for the immediate, near term and future regulatory landscape and to become a more "Modern, Risk Informed Regulator". The NRC leadership's input to the OIG for management challenges has noted its own assessment of key challenges for the agency.

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¹ The NRC regulates the Nation's civilian commercial, industrial, academic and medical uses of nuclear materials via regulations and guidance, licensing and certification, research, inspection and enforcement, and incident response.

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Introduction

From the Inspector General: I am pleased to present our assessment of the most significant management and performance challenges facing the NRC in Fiscal Year (FY) 2021.

The *Reports Consolidation Act of 2001* requires us to annually update our assessment of the NRC's "... most serious management and performance challenges facing the agency ... and the agency's progress in addressing those challenges." In this report, we summarize what we consider to be the most critical management and performance challenges to the NRC, and we assess the agency's progress in addressing those challenges.

The NRC leads the world as an innovative agency dedicated to effective regulation of nuclear materials while ensuring public health and safety and protection of the environment. Beyond its nuclear safety and security mission, as a federal agency, the NRC must be a responsible steward of taxpayer dollars and expend its budgeted funds properly.

About the Inspector General:

In accordance with the 1988 amendment to the *Inspector General Act of 1978*, the NRC's Office of the Inspector General (OIG) was established on April 15, 1989, as an independent and objective unit to conduct and supervise audits and conduct investigations relating to the NRC's programs and operations. The purpose of the OIG's audits and investigations is to prevent and detect fraud, waste, abuse, and mismanagement, and promote economy, efficiency, and effectiveness in NRC programs and operations. In addition, the OIG reviews existing and proposed regulations, legislation, and directives, and provides comments, as appropriate, regarding any significant concerns. The Inspector General serves under the general supervision of the NRC Chairman but operates with personnel, contracting, and budget authority independent of the NRC. The Inspector General keeps the Chairman and the Congress fully and currently informed about problems, recommends corrective actions, and monitors the NRC's progress in implementing such actions.

About the NRC:

The NRC's mission is to license and regulate the nation's civilian use of radioactive materials to protect public health and safety, promote the common defense and security, and protect the environment. The NRC's vision is to carry out the mission as a trusted, independent, transparent, and effective nuclear regulator, consistent with the NRC Principles of Good Regulation. The NRC's two strategic goals, safety and security, are to ensure the safe and secure use of radioactive materials.

The NRC is headed by a group of up to five Commissioners appointed by the President and confirmed by the Senate for five-year terms. One of them is designated by the President to be the Chairman and official spokesperson of the Commission. The Commission formulates policies and regulations governing nuclear reactor and materials safety, issues orders to licensees, and adjudicates legal matters brought before it. The Executive Director for Operations (EDO) carries out the policies and decisions of the Commission and directs the activities of the program offices. The offices reporting to

the EDO strive to ensure the commercial use of nuclear materials in the United States is safely conducted. As part of the regulatory process, the four regional offices conduct inspection, enforcement, and emergency response programs for licensees within their regions.

The NRC's FY 2018–2022 Strategic Plan describes the agency's mission, vision, and principles of good regulation, along with strategic goals, objectives, and strategies. The safety strategic goal is to ensure the safe use of radioactive materials. The security strategic goal is to ensure the secure use of radioactive materials.

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, consisting of the Operating Reactors and New Reactors business lines; and, Nuclear Materials and Waste Safety, consisting of the Fuel Facilities, Nuclear Materials Users, Decommissioning and Low-Level Waste, Spent Fuel Storage and Transportation, and High-Level Waste business lines. The agency accomplishes its mission to provide reasonable assurance of adequate protection for public health and safety through regulatory activities that include licensing, oversight, and rulemaking. The NRC's incident response activities prepare for and respond to emergencies involving radioactive materials. The following narrative highlights the agency's progress during FY 2020 in achieving its safety and security goals.

The NRC has continued to advance its mission and make progress toward the agency goal of becoming a modern risk informed regulator. Some examples are listed below.

- SA-109, Interim Guidance "Reviewing the Non-Common Performance Indicator, Low-Level Radioactive Waste Disposal Program" was issued. This document describes the procedure for conducting reviews of an Agreement State radiation control program for the Non-Common Performance Indicator "Low-Level Radioactive Waste Disposal Program".
- Agreement State and NRC Materials Program performance, as measured by the Integrated Materials Performance Evaluation Program (IMPEP), has continued to be consistently strong.
- The NRC is switching from using Skype, which is at its end-of-life, to using Microsoft Teams. This move is anticipated to provide better, cloud-based integration with Microsoft Office 365.
- On February 14, 2020, the NRC released its Advanced Reactors Program Status paper, which updated the Commission on the NRC's progress and a path forward regarding advanced reactors licensing.

The NRC has also made significant progress during FY 2020 in several other areas. For example,

- The NRC has developed, maintained, and implemented a structured multi-phased approach for dealing with COVID-19 related issues. This approach continues to be in line with Office of Personnel Management (OPM) guidance, with a focus on workforce safety.
- The NRC's Reactor Oversight Process (ROP) Enhancement Project that began in October 2018 has subsequently led to the creation of a lessons learned document on the enhancement project process as well as the acceptance of several recommendations from stakeholders to

enhance the ROP throughout the process. The results of the ROP Enhancement project are documented in SECY-19-0067, Recommendations for Enhancing the Reactor Oversight Process.

- The NRC created Draft Management Directive (MD) 9.26, “Organization and Functions, Office of Nuclear Material Safety and Safeguards (NMSS),” which outlines the functions, organizational structure, and reporting requirements for a major NRC program office. If finalized, this management directive would replace the prior version which has been in place for 30 years and will re-integrate a previously separate program office back into NMSS.

During FY 2020, the NRC had several noteworthy activities in the area of licensing reviews, regulatory reports, inspections, public interaction and COVID-19 pandemic actions:

- In December 2019, the NRC staff completed all 21 chapters of the Final Safety Evaluation Report (FSER), a Safety Evaluation Report with No Open Items, for the NuScale small modular reactor design certification application review and issued these chapters to the Advisory Committee on Reactor Safeguards (ACRS). Following the ACRS review, the FSER was issued to NuScale Power, LLC on 8/28/20.
- The NRC issued an early site permit to the Tennessee Valley Authority for one or more small modular reactors at the Clinch River site in Tennessee.
- The staff recently completed the technical acceptance review of a custom combined license application for the Aurora micro-reactor, submitted by Oklo Inc. The staff is currently engaged in review activities of the Aurora combined license application. Oklo Power LLC, a wholly owned subsidiary of Oklo, Inc., is a privately funded, U.S. based company focused on commercializing advanced fission power.
- The NRC staff also completed its review and approved a renewed license for the Honeywell Uranium Conversion Facility’s operating license.
- The first ever subsequent license renewals were issued for Turkey Point Units 3 and 4. In March 2020, the NRC staff completed its review and issued subsequent license renewals for Peach Bottom Units 2 and 3.
- The agency submitted four reports to Congress, as required by the Nuclear Energy Innovation and Modernization Act, describing the licensing process for research and test reactors, the status of the licensing process for accident tolerant fuel, the best practices for establishment and operation of local community advisory boards for decommissioning activities at nuclear power plants, and the uranium recovery flat fee pilot initiative.
- From October 2019 to March 2020, the NRC staff conducted 56 security inspections at commercial nuclear power plants and Category I fuel cycle facilities, including five force-on-force inspections involving simulated attacks on the facilities to test the effectiveness of the licensee’s physical protection program. When NRC inspectors identify a security finding during an inspection, they confirm that the licensee implements appropriate compensatory measures to correct the situation.
- From October 2019 through March 2020, the agency conducted just over 300 public meetings in the Washington, D.C. area and in states with NRC-licensed or proposed facilities to address a range of NRC issues.
- On January 31, 2020, the U.S. Department of Health and Human Services declared a public health emergency (PHE) for the United States to aid the nation’s healthcare community in responding to the Coronavirus Disease 2019 (COVID-19). On March 11, 2020, the COVID-19 outbreak was characterized as a pandemic by the World Health Organization. The NRC began taking precautionary measures in response to COVID-19 to ensure the health and safety of its

workforce in accordance with guidance provided by the federal government, including the Centers for Disease Control and Prevention, as well as State and local authorities. The NRC reported minimal impacts to NRC licensing activities and regulatory duties during this reporting period.

- In particular, the agency's preparatory activities included notification in a March 28, 2020, letter by the Director of the Office of Nuclear Reactor Regulation to the industry explaining the process by which the NRC will be prepared to grant, upon request from individual licensees, exemptions from the work hour controls specified in 10 CFR 26.205(d)(1)-(d)(7) in accordance with the NRC's regulations in 10 CFR 26.9, "Specific exemptions." This process included the conduct of teleconference meetings with industry and other stakeholders to discuss the NRC's approach, expectations for information required to consider exemptions and License Amendment Requests from the industry and to provide a forum for questions and answers to clarify and address concerns brought forward.

NRC Management and Performance Challenges for FY 2021

This year, we have identified eight areas representing challenges the NRC must address to better accomplish its mission. We have compiled this list based on our audit, evaluation and investigative work; general knowledge of the agency's operations; and evaluative reports of others, including the U.S. Government Accountability Office (GAO) and input from NRC management. We identify management challenges as those that meet at least one of the following criteria:

1. The issue involves an operation that is critical to the NRC Mission or an NRC Strategic Goal.
2. There is a risk of fraud, waste, or abuse of NRC or other Government assets.
3. The issue involves strategic alliances with other agencies, the Office of Management and Budget, the Administration, Congress, or the public.
4. The issue involves risk of a legal or regulatory requirement not being met.

The following list of 8 critical management and performance challenges for the NRC in FY 2021 is followed by a more detailed discussion of each challenge in the new single page format.

1. Strengthening Risk Informed Regulation
2. Regulatory Oversight of Decommissioning Trust Funds (DTF)
3. Management of the NRC response to the COVID-19 Pandemic
4. Readiness for New Technologies for Reactor design and Operation
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Challenge 1: *Strengthening Risk Informed Regulation*

Why is this a serious management and performance challenge?

The NRC's increasing emphasis on risk informed regulation necessitates guidance changes, as well as efforts to raise staff awareness of these changes and ensure regulatory consistency. The NRC must also engage external stakeholders to ensure transparency of resulting changes to its licensing and oversight processes.

It has been NRC policy since 1995 to inform regulatory activities with risk insights, thereby balancing deterministic engineering judgment with quantitative analysis based on operating experience. The agency has placed increasing emphasis on this policy in recent years as risk analysis models have become more sophisticated, and as nuclear power licensees have increasingly used probabilistic safety risk assessments to support changes to their license conditions.

Nevertheless, the NRC and the nuclear industry have methodological differences in their respective approaches to probabilistic risk assessment, and agency staff sometimes disagree on the use of risk analysis in regulatory actions such as license amendments and inspection findings. In light of these challenges, agency management has prioritized updates to existing guidance and procedures, as well as staff training on risk informed decision-making in the regulatory environment.

Completed Actions

- The NRC implemented web-based staff training regarding risk-informed completion time technical specifications for nuclear power plants.
- The NRC's Office of Nuclear Reactor Regulation revised staff guidance for integrating risk-informed decision making in reactor licensing reviews and for improving risk determinations for inspection findings for Operating Reactors and the AP1000 units under construction.
- The NRC revised materials inspection program guidance (IMC 2800) to further risk-inform the program.

Ongoing Actions

- The NRC is engaged in rulemaking to establish a risk-informed, technology inclusive regulatory framework for advanced reactors.
- Office of Nuclear Material Safety and Safeguards staff are updating program guidance in accordance with recommendations from the Building a Smarter Fuel Cycle Inspection Program Working Group.
- The NRC continues developing guidance and training for its "Be Risk-Smart" initiative to support risk-informed decision making across different functional areas such as technical, legal, and corporate.



Looking Ahead: The OIG will continue to monitor developments in this area through the course of the year, to inform its audit planning work.

Challenge 2: *Regulatory Oversight of Decommissioning Trust Funds (DTF)*

Why is this a serious management and performance challenge?

NRC staff perform an independent analysis of Decommissioning Funding Status reports, provided by licensees for power reactors to determine whether licensees have provided reasonable assurance that sufficient funding for radiological decommissioning of the reactor and site will remain available until license termination.

The NRC must obtain reasonable assurances from nuclear reactor licensees that funds will be available for the decommissioning process before operations begin. As a means of oversight of licensees' decommissioning funding assurance (DFA), licensees are required to provide a DFA status report to the NRC biennially. Five years prior to permanent cessation of operations, licensees are required to provide the DFA status reports annually. Prior to, or within two years after permanent cessation of operations, licensees are required to submit a Post Shut-Down Decommissioning Activity Report that includes a description and schedule for the planned decommissioning activities and a site-specific cost estimate. There are 21 power reactors currently undergoing decommissioning with a total combined trust fund balance of approximately \$10.3 billion as of December 31, 2018.

In addition, for permanently shut down plants, NRC inspection procedures require inspectors to assess licensee cost management information and determine whether licensee-docketed decommissioning cost estimates and projections reasonably correlate to actual costs and whether funds from decommissioning funding assurance requirements described in 10 CFR 50.75 are being used for decommissioning activities. Moreover, inspectors are required to verify whether licensee decommissioning costs are within the schedular and expenditure requirements of 10 CFR 50.82.

Key decommissioning trust fund challenges include the following:

- Managing oversight of DTF shortfalls in both operating and decommissioning reactors
- Oversight of licensee use of DTF's in accordance with 10 CFR 50.82
- Maintaining reasonable assurance that operating reactors will have sufficient funds to decommission safely
- Improving decommissioning guidance

Completed Actions

- NRC staff completed the 2018 annual review of decommissioning funding status reports for plants in decommissioning.

Ongoing Actions

- The NRC is conducting power reactor decommissioning rulemaking to clarify regulations
- The NRC is revising Regulatory Guide 1.184 to clarify decommissioning guidance



Looking Ahead: The OIG is continuing efforts to analyze the agency's decommissioning program. An Audit of NRC's Oversight of Licensee Use of Decommissioning Trust Funds commenced in Q4, FY 2020.

Challenge 3: *Management of The NRC Response to the COVID-19 Pandemic*

Why is this a serious management and performance challenge?

The NRC's ability to continue to perform its vital oversight, licensing and regulatory mission to protect public health and safety and the environment while also protecting its workforce is undergoing a major challenge, requiring innovation and flexibility.

On March 13, 2020, the President of the United States declared a national emergency associated with the novel coronavirus (COVID-19) outbreak. Soon thereafter, the Office of Management and Budget issued updated guidance for agencies regarding steps to take in minimizing the risks of spread and exposure to the Coronavirus and agencies were directed to "immediately adjust operations and services to minimize face-to-face interactions" and, further, "non-mission critical functions that cannot be performed remotely or that require in-person interactions may be postponed or significantly curtailed." The NRC subsequently directed most employees to work from home with recently issued agency laptops, minimizing safety-based leave claims or other disruptions to agency business. Nevertheless, NRC offices remained open to support work that could not be performed remotely, such as intelligence analysis and processing of classified and safeguards information. Additionally, NRC inspectors continued their oversight work at nuclear power plants, while using information technology to minimize face-to-face interaction with licensee personnel. The NRC also held public meetings with external stakeholders using teleconference applications including Webinar, Skype or other leading technologies to discuss regulatory actions.

Completed Actions

- The NRC issued guidance for nuclear power licensees needing regulatory exemptions or approvals to deviate temporarily from specific requirements. The NRC required licensees to justify their regulatory relief requests, and to implement compensatory measures where appropriate.
- The NRC deferred fee billing from April-June to mitigate financial impacts and economic disruptions.
- The NRC issued guidance for safe conduct of inspections and operator licensing examinations at Operating Plants in the COVID environment, use of existing technologies to conduct remote inspections, and adjusted inspection targets accordingly.

Ongoing Actions

- The NRC continues to oversee activities using information technology to protect worker safety and has adjusted some inspection schedules in accordance with local health conditions.
- The NRC has adopted enhanced policies for building access and sanitation, while supporting employee telework and enabling regional office managers to adjust their respective policies and procedures in accordance with local health conditions.



Looking Ahead: OIG will continue to monitor developments in this area through the course of the year, to inform its audit planning work.

Challenge 4: *Readiness for New Technologies for Reactor Design and Operation*

Why is this a serious management and performance challenge?

Industry development of new technologies to extend the life of existing reactors, combined with Congressional support for development of new reactor and fuel technologies, will require the NRC to adapt existing licensing processes and capabilities.

Unfavorable electric power market conditions have slowed construction of new commercial nuclear power plants in the United States and led to plant closures in recent years. Nevertheless, some domestic utilities have expressed interest in alternative reactor designs, which could produce electricity at lower cost with greater scalability than current operating reactors. Domestic utilities are developing technologies that can extend the operating lifetimes of existing reactors, and Congress has passed legislation designed to facilitate research, development, and licensing of new reactor technologies. The technical complexity of these initiatives, combined with their experimental nature, has challenged the NRC to adapt its regulatory processes to accommodate technologies that cannot be readily assessed using existing approaches.

Completed Actions

- The NRC held public meetings and issued internal technical guidance pertaining to accident tolerant fuels, digital instrumentation and controls, and advanced reactor designs.
- In August 2020, the NRC completed the final phase of the Design Certification Application (DCA) review for the small modular reactor (SMR) by issuing the Final Safety Evaluation Report (FSER). The FSER represents completion of the technical review and approval of the NuScale SMR design.

Ongoing Actions

- The NRC is conducting a rulemaking to create new emergency preparedness regulations and requirements for small modular reactors and other new technologies such as non-light water reactors.
- The NRC is preparing for a Generic Environmental Impact Statement that will apply to advanced reactors with low power outputs.
- The NRC continues licensing and inspection activities of two AP1000 reactors under construction at Vogtle units 3 and 4 and is revising baseline inspection procedures for AP1000 reactors to better reflect the AP1000's unique design and potentially lower risk profile.
- The NRC is working with utilities and DOE to determine the best path forward to use innovative technologies to monitor key plant parameters remotely and are taking steps that could one day lead to use of artificial intelligence and machine learning to improve performance awareness.



Looking Ahead: The OIG will continue to monitor developments in this area through the course of the year, to inform its audit planning work.

Challenge 5: *Continuous Improvement Opportunities for Information Technology (IT), Internal IT Security and Information Management*

Why is this a serious management and performance challenge?

Technology continues to advance rapidly. The challenge is supporting a future-ready workforce equipped with modern tools, technologies, skills, and knowledge necessary to meet both current and future mission needs.

The NRC must continue to meet the regulatory and statutory federal mandates for Information Technology/ Information Management (IT/IM). The responsibility of the NRC's IT/IM program is to maintain and enhance services and infrastructure to enable the agency's mission. The NRC must continue to use robust, proactive measures to protect its buildings, personnel, and information from both internal and external threats. The NRC faces evolving cyber threats and challenges with oversight of the protection of operating and decommissioning facilities, use of nuclear materials, sharing of sensitive information, emergency preparedness and incident response.

The NRC requested supplemental appropriations under the Coronavirus Aid, Relief, and Economic Security Act to support remote access, expanded teleworking, and operational and security activities related to coronavirus prevention, preparation, and response. Licensing funds were requested to support increases in mobile and collaborative licensing and telecommunications services. Commodity IT funds were requested to optimize staff productivity (e.g., audio headsets) and availability of replacement parts. Contractor support funds were requested to support increased operational and security activities (e.g., patch management). Re-engineering systems and work processes funds were requested to expand the use of optimized electronic process solutions. Key internal security oversight challenges for the NRC include:

- Patch management in the face of increasing demand for bandwidth
- Increasing numbers, types, and sophistication of cyber threats highlight the need to reinforce IT security
- Directing agency-wide information resource planning to help the agency select and manage IT, information management, and IT security resources to provide maximum value
- Executing the insider threat prevention and detection program to protect classified and safeguards information
- Managing risk-based information security strategies to protect against sophisticated cyber-attacks
- Executing the Federal Information Security Modernization Act of 2014, to strengthen computer network security

Completed Actions

- The NRC transitioned to a Microsoft cloud-based solution so agency-managed IT end-points could directly download applications, patches and updates.
- The NRC developed an automated process and online web form to streamline the submission and processing of COVID-19 related exemption requests.

Ongoing Actions

- Staff is investing in HR IT systems and tools to modernize the Agency's core HR business processes and enhance the delivery of critical HR services.
- The NRC is expanding Virtual Private Network Availability.



Looking Ahead: The OIG will continue to monitor the NRC's actions to ensure technology is proactively upgraded in the remote work environment and to effectively manage procurement processes for timely installation of needed technology that functions properly.

Challenge 6: *Strategic Workforce Planning*

Why is this a serious management and performance challenge?

Strategic workforce planning is critical to the NRC because it will help maintain focus on longer-term workforce development and organizational goals.

The NRC's enhanced Strategic Workforce Planning (SWP) is a structured, data-driven process. The SWP process develops short- and long-term strategies and action plans that enable the NRC to recruit, retain, and develop a skilled and diverse workforce with the competencies and agility to address emerging needs and workload fluctuations. Office and regional directors, with their management and in partnership with the Office of the Executive Director for Operations (OEDO) and the Office of Chief Human Capital Officer, implement the SWP process and execute the strategies generated. The SWP process takes place on an annual cycle to develop strategies to address workforce needs in budget execution year +5.

The NRC's proposed FY 2021 budget is \$863.4 million, including 2,868 FTE. The FY 2021 budget has been modified from previous years in order to reflect the changes directed by Public Law 115-439, "Nuclear Energy Innovation and Modernization Act" (NEIMA). Section 102(a)(3)(A) of the NEIMA dictates that the agency has limitations on corporate support costs to the maximum extent practicable.

The NRC faces the challenges of fulfilling the agency mission with mandates on limiting corporate costs and further reductions in staff. These challenges make it clear that effective future workforce planning is even more important.

Completed Actions

- The NRC has completed two of the three recommendations from GAO-17-233, Strategic Human Capital Management: "NRC Could Better Manage its Size and Composition of its Workforce by Further Incorporating Leading Practices". The GAO report addresses strategic human capital management, which is based on the strategic workforce plan.
- The NRC has completed actions to close out all recommendations contained in OIG-19-A-04, Audit of NRC's Early Out/Buyout Program. This audit recommendation involves a solution to the reduction in budget and staffing stemming from Project AIM.

Ongoing Actions

- The NRC is currently working with GAO to resolve actions on the remaining recommendation from GAO-17-233. Although the NRC's SWP process is used to forecast the anticipated workload and associated skill sets needed to perform this work 5 years in the future, it does not establish specific targets. NRC staff continue to be concerned with the ability of SWP to project the workforce size in five-years with a sufficient level of accuracy.



Looking Ahead: The OIG will conduct the audit of NRC's Knowledge Management Program in FY 2021.

Challenge 7: *NRC and Agreement State Coordination on Oversight of Materials and Waste*

Why is this a serious management and performance challenge?

This challenge involves sustained, high level coordination between the NRC and 39 Agreement States to ensure a consistent understanding and implementation of regulations associated with the oversight of materials and waste.

The NRC is responsible for maintaining an established regulatory framework for the safe and secure use of nuclear materials; medical, industrial, and academic applications; uranium recovery activities; and high-level and low-level radioactive waste. Part of the NRC's regulatory framework includes Agreement States. These are states that have entered into an agreement with the NRC to regulate certain radioactive materials and limited quantities of special nuclear material.

The State must demonstrate that its regulatory program is adequate to protect public health and safety, and the environment, and is compatible with the NRC's program. Currently, with the 2019 addition of Vermont, there are 39 Agreement States. Together, the broad collective effort of the NRC and Agreement States to carry out their respective regulatory programs is called the National Materials Program (NMP).

Recently, the OIG completed an audit focused on the Integrated Materials Performance Evaluation Program (IMPEP). IMPEP ensures uniform nationwide regulation by reviewing the regulatory performance of both the NRC and Agreement States using a common set of performance criteria. The objective was to assess and evaluate the IMPEP program, determine if the program is meeting its stated objectives, and to identify any areas for improvement. The audit identified opportunities for improvement with the development and implementation of detailed guidance relating to how an NRC consolidated IMPEP will function.

Completed NRC Actions

- The NRC completed a revision to procedure SA-600, "Training Selection Process and Criteria for Agreement State Personnel", to more accurately reflect the training selection process and the roles and responsibilities of the parties involved.
- The NRC completed an Agreement State survey on their per diem rate(s) and whether States have a policy that prohibits their staff from receiving travel reimbursement at any rate other than the prescribed State per diem rate, and a cost-benefit analysis of establishing travel expense reimbursements contracts with Agreement States.

Ongoing NRC Actions

- NRC Staff is finalizing existing IMPEP guidance that addresses the organization, structure, and procedures to consistently implement the NRC's consolidated IMPEP Program.

Looking Ahead: The OIG will continue to monitor developments in this area through the course of the year, to inform its audit planning work.

Challenge 8: *Management and Transparency of Financial and Acquisitions Operations*

Why is this a serious management and performance challenge?

Sound financial management is vital for federal agencies to accomplish their missions in an effective and efficient manner. Moreover, strong acquisition management increases the likelihood that the agency awards contracts to the right contractors and contracting actions are being monitored in accordance with regulations.

The NRC is required by the Omnibus Budget Reconciliation Act of 1990 to collect fees totaling approximately 90 percent of its annual budget authority. The NRC is required to establish a schedule of charges that fairly and equitably assesses the fees to license holders and license applicants. Because of the COVID-19 pandemic, the NRC deferred fee billing from April 2020 through June 2020 to mitigate financial impacts on licensees. To improve efficiency, the NRC has initiated projects to improve its fee calculation process and fee billing structure.

The agency requested supplemental funds in accordance with the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and to maintain transparency, the NRC must continue to implement solid internal controls over financial management and reporting. Sound acquisitions practices are also an important aspect of NRC operations. The agency has continued to promote sound acquisition award practices, improvements in the management of contracts and timely closeout of contracting actions. In addition, the agency must continue to administer their grants program in accordance with the prescribed federal regulations.

Key financial and acquisition challenges include the following:

- Developing and implementing the agency's budget in accordance with federal laws, regulations, and guidelines
- Maintaining a fee structure in accordance with laws and regulations that is fair to agency licensees
- Improving controls over license fee billing
- Reporting to the Pandemic Response Accountability Committee on CARES Act funds
- Maintaining effective controls over financial reporting, contracts, and grants
- Continuing to explore ways to improve the award, management and timely closeout of acquisition actions

Completed Actions

- The NRC implemented a new fee billing validation process.
- The NRC completed corrective actions related to previous OIG audits affecting the agency's grants program.

Ongoing Actions

- The NRC is addressing non-compliance and false compliance with the New Fee Billing Validation Process.
- The NRC is continuing to pursue various internal control efforts in accordance with federal internal control guidelines that involve agency management and promote sound financial management.



Looking ahead: The OIG is continuing efforts to analyze the agency's financial and budgeting information, as well as the agency's contract administration and grants award actions.

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COMMENTS AND SUGGESTIONS

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