

**OFFICE OF THE INSPECTOR GENERAL**  
**U.S. NUCLEAR REGULATORY COMMISSION**  
**DEFENSE NUCLEAR FACILITIES SAFETY BOARD**



**SEMIANNUAL REPORT TO CONGRESS**

*April 1, 2015–September 30, 2015*



## **OIG VISION**

OIG will identify the most critical risks and vulnerabilities in agency operations in a timely manner to allow the agency to take any necessary corrective action and to prevent and detect fraud, waste, and abuse.

## **OIG MISSION**

The NRC OIG's mission is to independently and objectively audit and investigate programs and operations to promote effectiveness and efficiency, and to prevent and detect fraud, waste, and abuse.

## **COVER PHOTOS:**

From left to right:

NRC inspector at construction site.

Spent fuel pool.

Construction at Vogtle Unit 4.

(Photo courtesy: Southern Company).

Reloading spent fuel pool.

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# A MESSAGE FROM THE INSPECTOR GENERAL



I am pleased to present this *Semiannual Report to Congress* on the activities and accomplishments of the Nuclear Regulatory Commission (NRC) Office of the Inspector General (OIG) from April 1, 2015, to September 30, 2015.

Our work reflects the legislative mandate of the Inspector General Act of 1978, as amended, which is to identify and prevent fraud, waste, and abuse through the conduct of audits and investigations relating to NRC programs and operations. In addition, the Consolidated Appropriations Act, 2014, provided that notwithstanding any other provision of law, the Inspector General of the Nuclear Regulatory Commission is authorized in 2014 and subsequent years to exercise the same authorities with respect to the Defense Nuclear Facilities Safety Board (DNFSB), as determined by the Inspector General of the Nuclear Regulatory Commission, as the Inspector General exercises under the Inspector General Act of 1978 (5 U.S.C. App.) with respect to the Nuclear Regulatory Commission.

NRC OIG carries out its mission through its Audits and Investigations Programs. The audits and investigations highlighted in this report demonstrate our commitment to ensuring integrity and efficiency in NRC's and DNFSB's programs and operations.

It was an active 6 months for my office in furtherance of its obligation to timely identify the most critical risks and vulnerabilities in NRC and DNFSB programs and operations to allow NRC and the DNFSB to take any necessary corrective action. The work highlighted in this report includes audits of NRC's construction reactor oversight process, regulatory analysis process, reactor business lines' compliance with agency non-financial internal control guidance, and oversight of low-level radioactive waste. In addition, this report includes a survey of DNFSB's current culture and climate and an audit of their travel card and travel program.

During this semiannual reporting period, OIG issued 9 NRC and 2 DNFSB audit reports. As a result of this work, OIG identified vulnerabilities in, and made a number of recommendations to improve the effective and efficient operation of, NRC's safety, security, and corporate management programs and those of the DNFSB. OIG also opened 22 investigations, and completed 30 cases. Three of the open cases were referred to the Department of Justice, and 22 allegations were referred to NRC management for action.

NRC OIG remains committed to the integrity, efficiency, and effectiveness of NRC and DNFSB programs and operations, and our audits, investigations, and other activities highlighted in this report demonstrate this ongoing commitment. My staff continuously strives to maintain the highest possible standards of professionalism and quality in its audits and investigations. I would like to acknowledge our auditors, investigators, and support staff for their superior work and ongoing commitment to the mission of this office.

Finally, NRC OIG's success would not be possible without the collaborative efforts between my staff and those of the NRC and DNFSB to address OIG findings and to timely implement recommended corrective actions. I wish to thank them for their dedication and support, and I look forward to their continued cooperation as we work together to ensure the integrity and efficiency of NRC and DNFSB operations.

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

Hubert T. Bell  
Inspector General



*Backfill on Vogtle Unit 3. Photo courtesy of Southern Company*

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*Spent fuel pool*

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# HIGHLIGHTS

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

## *NRC Audits*

- The U.S. Nuclear Regulatory Commission (NRC) has a transit subsidy benefits program that makes transit subsidies available to employees. About 26 percent of NRC employees participated in NRC's transit subsidy benefits program during FY 2015. Among the four NRC regions and headquarters, the highest level of program participation occurred in Region II, with 50 percent of Region II employees receiving a transit subsidy in FY 2015. During FY 2015, a Region II internal review identified some issues related to Region II's management of its Metropolitan Atlanta Rapid Transit Authority (MARTA) transit subsidy program. Region II subsequently asked the Office of the Inspector General (OIG) to complete a more in-depth review. The audit objectives were to (1) evaluate Region II's MARTA transit subsidy program and administration, as well as (2) determine the adequacy of internal controls and safeguarding of agency assets.
- Low-level radioactive waste (LLRW) includes items that have become contaminated with radioactive materials or have become radioactive through exposure to neutron radiation. Storage of LLRW requires an NRC license. There is no limit as to how long a nuclear power plant can store LLRW onsite at its facility; however, licensees must store waste in accordance with NRC regulations. LLRW is typically stored onsite by licensees until amounts are large enough for shipment to a low-level waste disposal facility. The audit objective was to determine whether the NRC has the requisite processes in place for oversight of LLRW at operating nuclear power plants.
- In just the past 5 years, NRC has undertaken several significant change initiatives. Change management research and best practices demonstrate that many change initiatives fail because managers often skip steps needed to implement change or they make critical mistakes while implementing change. While there is no one-size-fits-all process or absolute guarantee that change occurs as intended, an orderly approach to managing change increases the likely success of the intended change. The audit objective was to assess the efficiency and effectiveness of NRC's management of change.
- On June 23, 2015, the U.S. Senate Committee on Homeland Security and Governmental Affairs advised OIG that it is conducting oversight of how Executive Branch departments and agencies respond to Freedom of Information Act (FOIA) requests, in part, to ensure that Government officials do not interfere with the FOIA process to inhibit transparency. In response to the Committee's request, the OIG evaluation objective was to analyze non-career officials' (political appointees) involvement in the FOIA response process at the agency, if any, for the period of January 1, 2007, to the present, and analyze whether any such involvement resulted in any undue delay or the withholding of any document or portion of any document that would have not occurred if they were not involved.

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- Deployed in 2012, NRC's Web-Based Licensing System (WBL) serves as an up-to-date repository of all NRC materials licenses, and as a Web-based license tool for NRC to manage the license process and information on NRC licensees. WBL supports the entry of licensing information and license images, allowing NRC to manage the licensing life cycle from initial application through license issuance, amendment, reporting, and termination. The incorporation of additional modules, such as for inspection and reciprocity tracking, ties various NRC oversight activities to the most up-to-date license information. The audit objective was to determine whether WBL meets its required operational capabilities and provides for the security, availability, and integrity of the system data.
  - NRC has organized all agency programs, functions, and major activities into internal control areas referred to as business lines to provide a consistent framework for assessing internal control. A business line is a subdivision or component part of an agency program or administrative function that can be assessed for risks and allow for meaningful evaluation of internal control. The audit objective was to determine the extent to which NRC has developed effective reactor safety business line internal control processes for non-financial, programmatic activities.
  - NRC uses regulatory analyses to evaluate proposed rulemaking actions to protect public health and safety. NRC does not have a statutory mandate to conduct regulatory analyses, but voluntarily began performing them in 1976 to help ensure that its decisions to impose regulatory burdens on licensees are based on adequate information. NRC's Office of Nuclear Reactor Regulation develops regulatory analyses for the operating reactors and new reactors rulemakings, while the Office of Nuclear Material Safety and Safeguards develops regulatory analysis for nuclear material, fuel facility, spent fuel storage and transportation, decommissioning, and low-level waste rulemakings. The audit objective was to determine the adequacy of NRC's regulatory analysis process.
  - NRC uses the Construction Reactor Oversight Process (cROP) to evaluate the quality of construction currently at four nuclear reactors being built in Georgia and South Carolina. The cROP also includes inspections of ongoing construction by inspectors who verify whether licensees are building the new reactors according to NRC approved designs by sampling licensee Inspections, Tests, Analyses, and Acceptance Criteria. The audit objective was to assess the efficiency and effectiveness of cROP.

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- The objective of emergency preparedness (EP) is to ensure that nuclear power plant operators are capable of implementing measures to protect public health and safety during a radiological emergency. Nuclear power plant operators must develop and maintain EP plans that meet NRC EP regulatory requirements. Following the September 11, 2001, terrorist attacks on the United States, NRC required modifications to nuclear power plant EP programs by issuing a Commission security order in 2002. In 2005, NRC also endorsed certain protective measures that licensees could take voluntarily. Finally, in 2011, NRC issued an EP rule that codified elements of both the Commission security order and the voluntary protective measures. The audit objectives were to (1) assess NRC's coordination with external stakeholders to support implementation of new EP requirements codified by recent changes to Title 10, Code of Federal Regulations, Parts 50 and 52, and (2) assess NRC's plans for managing issues that may hinder implementation of the new requirements.

### *Defense Nuclear Facilities Safety Board Audits*

- In the spring of 2015, Towers Watson assisted OIG in assessing the Defense Nuclear Facilities Safety Board's (DNFSB) culture and climate. OIG commissioned Towers Watson to conduct a survey to evaluate the current culture and climate of DNFSB and facilitate identification of the organization's strengths and opportunities for improvement, as it continues to experience significant challenges.
- DNFSB employees travel extensively to the various Department of Energy defense nuclear facilities located throughout the United States to conduct first-hand assessments of operations. Employees also travel for training purposes and for public hearings and meetings at or near Department of Energy sites. The audit objective was to determine whether internal controls are in place and operating effectively to maintain compliance with applicable travel card and travel program laws, regulations, and DNFSB policies.

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## *NRC Investigations*

- OIG conducted an investigation based on information that a Department of Energy foreign national laboratory contract employee working at NRC had been given access to an NRC office's group network drive that contained information on the contractor's competitors, bid proposals, and other potentially proprietary information.
- OIG conducted an investigation based on information that NRC employees from a former NRC Chairman's staff instructed Commission personnel to go through the former Chairman's files and remove and destroy all records containing staff recommendations. With the requirement for individual Commissioners' office material to be maintained as a separate category of agency records, there was a concern that agency record retention rules were not being followed.
- OIG conducted an investigation based on information that an NRC's Advisory Committee on Reactor Safeguards member owned securities in a utility company that has an NRC nuclear reactor license and is listed on the prohibited securities listing.
- OIG conducted an investigation into allegations that NRC contractors responsible for providing technical assistance in the development and interpretation of NRC policies supporting NRC cyber security inspections were advertising training that suggested the information being conveyed was representative of NRC's policy and position.
- OIG completed an investigation into an allegation that a regional inspector experienced a chilled work environment and was pressured to downplay inspection findings. Additionally, there were claims of retaliatory measures being taken against the same employee while this individual was on a rotational assignment.

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# OVERVIEW OF NRC AND OIG

## *NRC's Mission*

NRC was formed in 1975, in accordance with the *Energy Reorganization Act of 1974*, to regulate the various commercial and institutional uses of nuclear materials. The agency succeeded the Atomic Energy Commission, which previously had responsibility for both developing and regulating nuclear activities.

NRC's mission is to regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. NRC's regulatory mission covers three main areas:

- **Reactors**—Commercial reactors that generate electric power and research and test reactors used for research, testing, and training.
- **Materials**—Uses of nuclear materials in medical, industrial, and academic settings and facilities that produce nuclear fuel.
- **Waste**—Transportation, storage, and disposal of nuclear materials and waste, and decommissioning of nuclear facilities from service.



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

NRC maintains a current Web site and a public document room at its headquarters in Rockville, MD; holds public hearings and public meetings in local areas and at NRC offices; and engages in discussions with individuals and organizations.

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## *OIG History, Mission, and Goals*

### **OIG History**

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

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

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

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## OIG Mission and Goals

NRC's OIG was established as a statutory entity on April 15, 1989, in accordance with the 1988 amendment to the IG Act. NRC OIG's mission is to (1) independently and objectively conduct and supervise audits and investigations relating to NRC programs and operations; (2) prevent and detect fraud, waste, and abuse; and (3) promote economy, efficiency, and effectiveness in NRC programs and operations.

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

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

- 1. Strengthen NRC's efforts to protect public health and safety and the environment.**
- 2. Enhance NRC's efforts to increase security in response to an evolving threat environment.**
- 3. Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.**



*Inspection to construction at V.C. Summer nuclear power station.*

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# NRC OIG PROGRAMS AND ACTIVITIES

## *Audit Program*

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

- **Survey phase**—An initial phase of the audit process is used to gather information, without detailed verification, on the areas and activities to be audited. An assessment of vulnerable areas determines whether further review is needed.
- **Verification phase**—Detailed information is obtained to verify findings and support conclusions and recommendations.
- **Reporting phase**—The auditors present the information, findings, conclusions, and recommendations that are supported by the evidence gathered during the survey and verification phases. Exit conferences are held with management officials to obtain their views on issues in the draft audit report. Comments from the exit conferences are presented in the published audit report, as appropriate. Formal written comments are included in their entirety as an appendix in the published audit report.
- **Resolution phase**—Positive change results from the resolution process in which management takes action to improve operations based on the recommendations in the published audit report. Management actions are monitored until final action is taken on all recommendations. When management and OIG cannot agree on the actions needed to correct a problem identified in an audit report, the issue can be taken to the NRC Chairman for resolution.

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

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## *Investigative Program*

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

Because NRC's mission is to protect the health and safety of the public, OIG's Investigative Program directs much of its resources and attention to investigating allegations of NRC staff conduct that could adversely impact matters related to health and safety. These investigations may address allegations of the following:

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

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

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## OIG General Counsel Regulatory Review

### Regulatory Review

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

Regulatory review is intended to provide assistance and guidance to the agency prior to the concurrence process so as to avoid formal implementation of potentially flawed documents. OIG neither concurs nor objects to the agency actions reflected in the regulatory documents but, rather, offers comments.

Comments provided in regulatory review reflect an objective analysis of the language of proposed agency statutes, directives, regulations, and policies resulting from OIG insights from audits, investigations, and historical data and experience with agency programs. OIG review is structured so as to identify vulnerabilities and offer additional or alternative choices.

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

From April 1, 2015, through September 30, 2015, OIG reviewed a variety of agency documents including Commission papers (SECYs), Staff Requirements Memoranda, Federal Register Notices, Management Directives, regulatory actions, and statutes.

Comments provided on the most significant matters addressed during this period are described below:

- Management Directive (MD) and Directive Handbook (DH) 2.X, *Integrated Information Technology/Information Management (IT/IM) Governance Framework*, expanded and replaced MD 2.8, *Project Management Methodology*, for IT/IM investments. This revision is intended to establish a single integrated framework to ensure efficient and effective governance of IT/IM investments. OIG commented that the revised draft MD generally provided comprehensive guidance, but noted that, in accordance with the Office of Management and Budget (OMB) guidance of June 10, 2015, this guidance needed to be implemented in a manner that does not impact the IG's independence and the IG's authorities over OIG's personnel, performance, procurement, and budget under the IG Act. To assure compliance, comments suggested inclusion of specific language from the OMB guidance on OIG authority in appropriate sections of both the MD and DH sections of the draft.

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- MD and DH 4.5, *Contingency Plan for Periods of Lapsed Appropriations*, provides guidance to establish and implement a contingency plan for periods of lapsed appropriations and guidance and instructions for suspending non-excepted agency activities should Congress fail to appropriate funds for normal agency operations. Here too, OIG found the draft adequate, but needing additional detail on the independent authority of the IG over OIG operations and functions. To this end, comments suggested additional direction specifying IG authority in maintaining its inherent functions, including the OIG Hotline, administrative functions, and legal assistance to support excepted activities, as well as to provide support for ongoing trials, undercover operations, or other law enforcement and criminal investigative operations relating to the preservation of life or property. The commentary also noted that the IG is a Presidential appointee and is excepted from furlough.
  - MD and DH 8.8, *Management of Allegations*, describes NRC's policies and procedures for handling allegations associated with NRC-regulated activities. Although the draft was comprehensive, OIG suggested areas for additional clarification. In the MD, the prompt transmittal of allegation information within NRC was noted to need more detail so as to specifically identify the OIG as the office to which employee and contractor wrongdoing must be reported. Additionally, in the DH, OIG suggested addition of the process that the NRC Office of Federal and State Materials and Environmental Management Programs uses to address allegations involving Agreement State bodies and staff. Further, OIG encouraged enhanced protection of alleege identity in both publication of investigative reports, and in docketing correspondence.
  - As part of OIG comments on MD and DH 9.21, *Organization and Functions, Office of Administration*, OIG suggested addition of the administrative services reflected in the February 13, 2015, functional office description for the Office of Administration, including personnel security clearances, drug testing program, parking, translations, food and labor services, furniture, supplies, graphics, and printing.

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# NRC MANAGEMENT AND PERFORMANCE CHALLENGES

## Most Serious Management and Performance Challenges Facing the Nuclear Regulatory Commission\* as of October 1, 2014 *(as identified by the Inspector General)*

Challenge 1 *Internal Controls.*

Challenge 2 *Guidance and Procedures.*

Challenge 3 *Training.*

Challenge 4 *Acquisition, Contracting, and Procurement.*

Challenge 5 *Project Management.*

Challenge 6 *Internal Communication and Coordination.*

Challenge 7 *Human Capital Management.*

Challenge 8 *Accountability.*

Challenge 9 *Cyber Security.*

*\*For more information on the challenges, see OIG-15-A-01, Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing NRC, <http://pbadupws.nrc.gov/docs/ML1428/ML14289A326.pdf>*

# NRC AUDITS

To help the agency improve its effectiveness and efficiency during this period, OIG completed nine financial and performance audits or evaluations, all of which are summarized here that resulted in numerous recommendations to NRC management. In addition, the Defense Contract Audit Agency completed three contract audits for OIG.

## Audit Summaries

### Audit of NRC Region II's Management of Its Metropolitan Atlanta Rapid Transit Authority (MARTA) Transit Subsidy Program

#### OIG Strategic Goal: Corporate Management

The Federal Government encourages its employees to commute to and from work by public transportation. NRC has a transit subsidy benefits program that makes transit subsidies available to employees. About 26 percent of NRC employees participated in NRC's transit subsidy benefits program during FY 2015. Among the four NRC regions and headquarters, the highest level of program participation occurred in Region II, with 50 percent of Region II employees receiving a transit subsidy in FY 2015.

#### MARTA Estimated Waste

FY	NRC Information		MARTA Invoices		Difference	
	Number of "opt-in" Breeze Cards	Cost	Number of Activated Breeze Cards	Cost	Number of Breeze Cards	Cost
2011	306	\$ 20,183.76	459	\$ 30,275.64	153	\$ 10,091.88
2012	599	\$ 55,197.85	976	\$ 89,938.40	377	\$ 34,740.55
2013	752	\$ 69,296.80	1,257	\$ 115,832.55	505	\$ 46,535.75
2014	783	\$ 72,153.45	1,355	\$ 124,863.25	572	\$ 52,709.80
2015	470	\$ 43,310.50	675	\$ 62,201.25	205	\$ 18,890.75
<b>Total</b>	<b>2,910</b>	<b>\$260,142.36</b>	<b>4,722</b>	<b>\$423,111.09</b>	<b>1,812</b>	<b>\$162,968.73</b>

Source: OIG created from Region II and MARTA data

transit subsidy benefit. This led to a review by Region II staff that identified some issues related to Region II's management of its MARTA transit subsidy program. As a result Region II asked OIG to complete a more in depth review.

The audit objectives were to (1) evaluate Region II's MARTA transit subsidy program and administration, as well as (2) determine the adequacy of internal controls and safeguarding of agency assets. To meet these objectives, OIG assessed Region II's administration of the MARTA transit subsidy program for compliance with Federal and NRC criteria.

#### Audit Results:

Region II management did not provide sufficient oversight of the MARTA transit subsidy program, leading to significant internal control weaknesses and wasting more than \$160,000 of agency funds from May 2011 through April 2015.

Under a 2009 agreement and a 2012 contract between NRC and MARTA, MARTA bills NRC for employee use of public transit based on whether an employee anticipates using

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MARTA in any particular month. However, while Region II collects and maintains anticipated employee use data in an internal computer tracking system, this information was not communicated to the system of record for MARTA, the MARTA Partner Pages. Only one of six staff involved in program administration recalled receiving formal training from MARTA on the use of the Partner Pages before January 2015.

In addition, (1) Region II staff did not maintain all required documentation related to the MARTA contract as required by the Federal Acquisition Regulation, (2) not all CORs responsible for invoice review had timely written delegations of authority from the contracting officer on file, (3) Region II could not produce copies of the forms used by employees to sign up for the transit subsidy benefit for all MARTA users and none of the available forms had evidence of required supervisory review, and (4) FY 2012 invoice records were incomplete and not all available invoices had evidence of COR review.

*(Addresses Management and Performance Challenges #1, 2, 3, 4, and 6)*

## **Audit of NRC's Oversight of Low-Level Radioactive Waste**

### ***OIG Strategic Goal: Safety***

NRC regulates the management and storage of radioactive waste produced as a result of NRC-licensed activities. Low-level radioactive waste (LLRW) includes items that have become contaminated with radioactive materials or have become radioactive through exposure to neutron radiation.

Storage of LLRW requires an NRC license. There is no limit as to how long a nuclear power plant can store LLRW onsite at their facility; however, licensees must store waste in accordance with NRC regulations. LLRW is typically stored onsite by licensees until amounts are large enough for shipment to a low-level waste disposal facility.



*Low-level radioactive waste storage site.*

The Department of Transportation (DOT) and NRC have a Memorandum of Understanding that assigns NRC the role of assisting DOT in inspecting shippers of radioactive material, resulting in NRC inspectors inspecting against both DOT and NRC regulations at its licensee sites, including operating nuclear power plants.

The audit objective was to determine whether NRC has the requisite processes in place for oversight of LLRW at operating nuclear power plants.

### ***Audit Results:***

NRC has the requisite processes in place for oversight of LLRW at operating nuclear power plants; however, opportunities exist for improvement. Regional inspectors play a key role in ensuring the safe storage and transportation of LLRW at operating power

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plants and, thus, must have a clear understanding of all relevant terms and regulations. As the program office, the Office of Nuclear Reactor Regulation's (NRR) role is to support the regional inspectors in fulfilling their responsibilities and, therefore, to appropriately field their questions and concerns. The processes NRC has in place for oversight of LLRW at operating nuclear power plants would be improved by

- Clearly defining terms used in current and future NRC documents, specifically the term "long-term storage," or eliminating the usage of the term.
- Developing a mechanism to inform the regional offices of updates to transportation regulations.

### *Varying Definitions of Long-Term Storage*

There are varying definitions among NRC staff and external stakeholders regarding the meaning of the term "long-term storage," relative to LLRW. NRC staff and external stakeholders need to have a cohesive understanding regarding the meaning of "long-term storage." However, NRC guidance documents lack clarity regarding its meaning. Consequently, the agency's position is not readily understood or easily applied. Additionally, NRC staff and external stakeholders are left to interpret what "long-term storage" means, which potentially could lead to inconsistency in inspections.

### *Established Update Mechanism Is Circumvented*

NRC's established mechanism of NRR informing the regional offices of updates to transportation regulations is being circumvented. Significant changes in the regulatory environment should be communicated through established reporting lines to appropriate personnel. However, there is a lack of communication among staff from the Office of Nuclear Material Safety and Safeguards, NRR, and the regional offices pertaining to transportation regulations. Without effective communication and coordination among all channels, NRC inspectors could be inspecting against outdated transportation regulations.

*(Addresses Management and Performance Challenges #2, 3, and 6)*

## **Audit of NRC's Management of Change**

### *OIG Strategic Goal: Corporate Management*

In just the past 5 years, NRC has undertaken several significant change initiatives. For example, in 2010, NRC initiated a "Transforming Assets into Business Solutions" effort with the goal of making NRC more effective and efficient by consolidating and improving business practices. In 2012, NRC moved some of its headquarters staff into a new building, and in 2014 merged two offices into one. Additional expected change awaits NRC as the result of "Project AIM 2020," which analyzes potential organizational changes to enhance NRC's ability to perform its mission in the future.

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Change management research and best practices demonstrate that many change initiatives fail because managers often skip steps needed to implement change or they make critical mistakes while implementing change. While there is no one-size-fits-all process or absolute guarantee that change occurs as intended, an orderly approach to managing change increases the likely success of the intended change.

The audit objective was to assess the efficiency and effectiveness of NRC's management of change.

### ***Audit Results:***

NRC does not have a comprehensive change management process available for use agencywide. While there are some efforts to provide an agencywide change management process, these efforts are incomplete. For example, more than half the executives interviewed were unaware of an Office of the Chief Human Capital Officer (OCHCO) change management framework, and some observed that framework lacks enough detail to serve as a roadmap for implementing change. Furthermore, while NRC offers self-paced training resources related to understanding, dealing with, and leading change, these training resources are largely of a generic, conceptual nature, and do not reference and are not linked to the OCHCO framework.

NRC has missed opportunities to implement change more efficiently and effectively, and will continue to do so without a comprehensive, scalable, agencywide change management process. Two recent agency assessments—one on a program consolidation effort, the other related to construction inspection—emphasize how a change management process would have likely optimized change success.

*(Addresses Management and Performance Challenges 2, 3, and 7)*

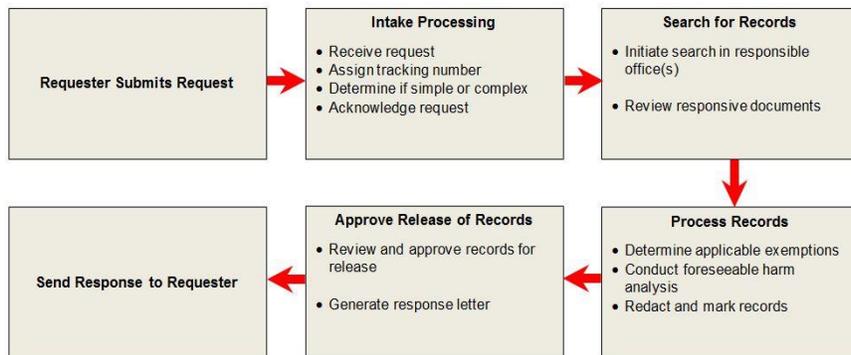
## **Evaluation of Involvement of Political Appointees in NRC's FOIA Process**

### ***OIG Strategic Goal: Corporate Management***

The Freedom of Information Act (FOIA) is a Federal law that provides any person the right to submit a written request for access to records of information maintained by the Federal Government. In response to such written requests, Federal agencies must disclose the requested records, unless they are protected from release under one of the nine FOIA statutory exemptions. FOIA mandates that all agencies shall readily promulgate information, agency rules, opinions, orders, records, and proceedings to the public.

On June 23, 2015, the U.S. Senate Committee on Homeland Security and Governmental Affairs advised OIG that it is conducting oversight of how Executive Branch departments and agencies respond to FOIA requests, in part, to ensure that Government officials do not interfere with the FOIA process to inhibit transparency.

### Simplified FOIA Process Flowchart



Source: OIG

any document that would have not occurred if they were not involved.

In response to the committee’s request, the evaluation objective was to analyze non-career officials’ (political appointees) involvement in the FOIA response process at the agency, if any, for the period of January 1, 2007, to the present, and analyze whether any such involvement resulted in any undue delay or the withholding of any document or portion of

### Evaluation Results:

NRC has processes and procedures in place to respond to FOIA requests in accordance with Federal requirements and to fulfill the agency’s own goal of maximizing the amount of information that is disclosable. According to the published processes, non-career officials become involved when their offices have ownership of responsive records. Their involvement remains within published NRC procedures and does not contribute to undue delays or reduced releases of information.

As a result of this evaluation, OIG concluded that involvement of NRC’s non-career, politically-appointed officials in FOIA responses is appropriate. While OIG’s 2014 *Audit of NRC FOIA Process*<sup>1</sup> (OIG-14-A-17) identified areas in which effectiveness and efficiency could be improved, the issues identified exist outside of any role of the Commissioners in the response process.

*(Addresses Management and Performance Challenges #1, 2, and 6)*

## Audit of NRC’s Web-Based Licensing System

### OIG Strategic Goal: Corporate Management

Deployed in 2012, NRC’s Web-Based Licensing System (WBL) serves as an up-to-date repository of all NRC materials licenses, and as a Web-based license tool for NRC to manage the license process and information on NRC licensees. WBL supports the entry of licensing information and license images, allowing NRC to manage the licensing life cycle from initial application through license issuance, amendment, reporting, and termination. The incorporation of additional modules, such as for inspection and reciprocity tracking, ties various NRC oversight activities to the most up-to-date license information.

WBL allows for almost unlimited users compared to the legacy, mainframe-based systems. WBL’s database contains more information fields for each license than the

<sup>4</sup> <http://pbadupws.nrc.gov/docs/ML1416/ML14167A029.pdf>

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legacy systems and offers flexible search functions to retrieve data on licenses. WBL is designed to generate the materials license and other licensing and inspection documents with the latest data from the system. WBL is currently capable of generating routine correspondence letters, and work is ongoing to extend this capability to generation of materials licenses in the system. WBL also includes information on Agreement State licenses submitted by the States to support license verification. NRC provides the WBL system, and associated startup and user training support, at no charge to Agreement States that may want to replace their existing licensing and inspection systems.

The audit objective was to determine whether WBL meets its required operational capabilities and provides for the security, availability, and integrity of the system data.

### ***Audit Results:***

Through its design and continuous improvement process, WBL generally meets required capabilities as outlined in the system's requirements documents. WBL replaces the mainframe-based License Tracking System with a Web-based relational database and application system. However, use of WBL can be improved to better support effective and efficient operations.

Varied use of WBL among the NRC regions, outdated business processes, and lack of standardization hinder efficiency and effectiveness. Time and costs are increased because the "right" people for optimal results are not using WBL. This lessens efficiency and effectiveness because there is (1) continuation of paper processes with a lot of steps while many hands touch the hardcopy licensing file, (2) repeated data verification by technical staff for frequently amended licenses, (3) separation of data entry responsibilities, and (4) continued use of secondary systems. Outdated processes sustain the view of WBL as a data repository only. Non-automated steps are inefficient and can undermine real or perceived data reliability.

*(Addresses Management and Performance Challenges # 1, 2, and 6)*

## **Audit of NRC's Reactor Business Lines' Compliance with Agency Non-Financial Internal Control Guidance**

### ***OIG Strategic Goal: Corporate Management***

NRC has organized all agency programs, functions, and major activities into internal control areas referred to as business lines to provide a consistent framework for assessing internal control. A business line is a subdivision or component part of an agency program or administrative function that can be assessed for risks and allow for meaningful evaluation of internal control.

The audit objective was to determine the extent to which NRC has developed effective reactor safety business line internal control processes for non-financial, programmatic activities. To meet this objective, OIG assessed NRC's Nuclear

Reactor Safety Programs' two reactor safety business lines' (the Operating Reactors Business Line and the New Reactors Business Line) compliance with 76 non-financial internal control requirements contained in NRC MD and DH 4.4, *Internal Control*.

**Audit Results:**

**Internal Controls**

	<u>Non-Financial Control</u>	<u>Financial Control</u>
<b>Goals:</b>	✓ Ensure reactor oversight programs work as intended	✓ Protect the financial assets of the agency
<b>Examples:</b>	<ul style="list-style-type: none"> <li>▪ Supervisory approval of inspection plan</li> <li>▪ Panel review of potentially significant inspection findings</li> </ul>	<ul style="list-style-type: none"> <li>▪ Fee received from licensee deposited in lockbox</li> <li>▪ Separation of duties between billing and accounting</li> </ul>
<b>Impacts:</b>	<ul style="list-style-type: none"> <li>➤ Does not impact agency financial statements</li> <li>➤ Impacts successful conduct of program</li> </ul>	<ul style="list-style-type: none"> <li>➤ A problem with financial internal control may impact agency financial statements</li> <li>➤ Audited during annual financial statement audit</li> </ul>

Source: OIG-generated from analysis of agency documentation.

NRC's two safety business lines do not comply with the majority of the agency's non-financial internal control process requirements detailed in the MD and DH 4.4. Specifically, for the required steps in the process,

**Planning:** The agency did not write detailed Internal Control Plans that identify key elements that NRC staff would use to document organizational control activities.

**Assessing Risk:** The process for conducting risk assessment and evaluating key controls excluded the identification of program operations, functions, and activities.

**Low Compliance with MD 4.4 Internal Control Requirements**

	Plan, Develop, and Update Internal Control Plan <i>25 Requirements</i>	Conduct Risk Assessment/Evaluate Key Controls <i>25 Requirements</i>	Test Program Controls <i>10 Requirements</i>	Report Results/Take Corrective Action <i>16 Requirements</i>
Operating Reactors Business Line	28%	28%	0%	0%
New Reactors Business Line	28%	28%	0%	0%

Source: OIG-generated figures from analysis of agency documentation.

**Testing:** The two safety business lines did not conduct tests of internal controls using the prescribed, detailed examination of a selected number of activities to verify the effectiveness of internal controls and to determine if the internal controls are, in fact, operating as intended.

**Taking Corrective Actions:** The two safety business lines did not write

corrective action plans that would have evaluated test findings and determine whether the existing internal control is sufficient to manage risk. Furthermore, this category requires identification of internal control weaknesses, a responsible official, milestones toward completion of the action, metrics which measure progress and remediation, and dates when these milestones will be addressed.

Non-compliance with the non-financial internal control requirements occurs because business line staff are unfamiliar with the internal control process in the MD and DH 4.4, business line managers do not emphasize using the MD and DH 4.4, and the business lines rely on the Office of the Chief Financial Officer for non-financial internal control compliance. As a result, agency managers and staff may not discover existing and prevent future non-financial internal control weaknesses.

*(Addresses Management and Performance Challenges # 1, 2, 3, and 8)*

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## Audit of NRC's Regulatory Analysis Process

### *OIG Strategic Goal: Corporate Management*

The Atomic Energy Act of 1954, as amended (42 U.S.C. 2011), and Energy Reorganization Act of 1974, authorize NRC to develop regulations that licensees must follow to protect public health and safety and the environment, and to promote the common defense and security. NRC is authorized to establish by rule, regulation, or order, such standards and instructions to govern the possession and use of special nuclear, source, and byproduct material. NRC uses regulatory analyses to evaluate proposed rulemaking actions to protect public health and safety.

NRC does not have a statutory mandate to conduct regulatory analyses, but voluntarily began performing them in 1976 to help ensure that its decisions to impose regulatory burdens on licensees are based on adequate information. NRC's Office of Nuclear Reactor Regulation develops regulatory analyses for the operating reactors and new reactors rulemakings, while the Office of Nuclear Material Safety and Safeguards develops regulatory analysis for nuclear material, rule facility, spent fuel storage and transportation, decommissioning, and low-level waste rulemakings.

The audit objective was to determine the adequacy of NRC's regulatory analysis process.

### *Audit Results:*

The agency's knowledge management techniques for regulatory analysis need improvement. NRC has a limited number of staff with cost-estimating experience in regulatory analysis. The Office of Nuclear Reactor Regulation and the Office of Nuclear Material Safety and Safeguards each have one experienced person.

NRC has a limited number of staff with cost-estimating experience because (1) the agency has no formal comprehensive cost-estimator training/qualification program, (2) it does not implement or practice established knowledge management techniques, and (3) cost-benefit guidance documents are outdated.

The agency may be vulnerable to errors, delays, wasted effort, and flawed decisionmaking because of the limited experience of its cost estimators. It also increases the potential to make less than optimal rulemaking decisions because the NRC Commission uses regulatory analysis to determine whether to move forward with rulemaking.

In addition, the agency does not consistently document stakeholder input prior to the proposed rule stage. This occurs because office procedures that require solicitation of stakeholder input prior to the proposed rule do not describe how to document that input.

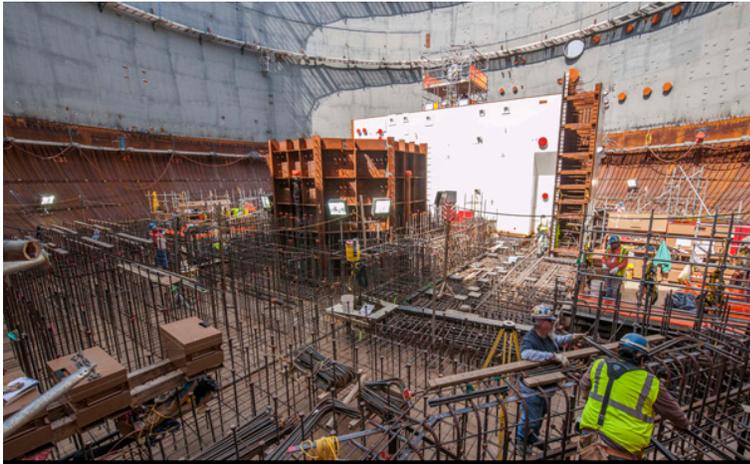
Many rules take several years between initiation and publication of the final rule. The project manager who initiates the rule is generally not the project manager who oversees publication of the final rule. Accordingly, new project managers may not have all the information they need to complete their job, may duplicate efforts, and the agency may not be fully informed when making rulemaking decisions.

*(Addresses Management and Performance Challenges #2 and 3)*

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## Audit of NRC's Construction Reactor Oversight Process

*OIG Strategic Goal: Safety*



*V.C. Summer Unit 3  
Construction  
Source: NRC*

NRC uses the Construction Reactor Oversight Process (cROP), to evaluate the quality of construction of four nuclear reactors being built in Georgia and South Carolina. The cROP also includes inspections of ongoing construction by inspectors who verify whether licensees are building the new reactors according to NRC approved designs.

Construction inspectors also perform administrative activities, such as adjusting to licensee construction schedule changes and revising inspection guidance, known as SmartPlans, that provide a list of inspection activities such as what should be inspected and sample sizes.

The audit objective was to assess the efficiency and effectiveness of NRC's cROP.

### ***Audit Results:***

NRC needs to improve efficiency when adjusting to construction inspection schedules and revising inspection guidance. In Fiscal Year 2014, approximately 60 percent of regional construction inspection staff time was spent on administrative program support activities, such as adjusting to licensee construction schedules and revising SmartPlans, rather than conducting inspections.

NRC relies on construction inspection staff for monitoring and adjusting to construction schedule changes because schedules provided by licensees do not contain real-time information as originally envisaged. Further, the process for approving SmartPlan revisions is dominated by multiple levels of review by individuals who do not necessarily need to participate in the review.

Agency efforts to identify process inefficiencies are not comprehensive and have left the agency unable to identify process and functional redundancies, overlap, and gaps. As the pace of new reactor construction increases, unaddressed administrative inefficiencies could affect future cROP effectiveness.

*(Addresses Management and Performance Challenge #5)*

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## **Audit of NRC's Emergency Preparedness Program**

### ***OIG Strategic Goal: Security***

The objective of emergency preparedness (EP) is to ensure that nuclear power plant operators are capable of implementing measures to protect public health and safety during a radiological emergency. Nuclear power plant operators must develop and maintain EP plans that meet NRC EP regulatory requirements.

Following the September 11, 2001, terrorist attacks, NRC required modifications to nuclear power plant EP programs by issuing a Commission security order in 2002. In 2005, NRC also endorsed certain protective measures that licensees could take voluntarily. Finally, in 2011, NRC issued an EP rule that codified elements of both the Commission security order and the voluntary protective measures.

The 2011 EP rule addresses security-related issues such as licensee coordination with offsite response organizations, including local law enforcement, and requires licensees to conduct EP exercises based upon hostile action scenarios. It also addresses issues that are not specific to security, such as backup for alert and notification systems and updates of evacuation time estimates.

The audit objectives were to (1) assess NRC's coordination with external stakeholders to support implementation of new EP requirements codified by recent changes to 10 Code of Federal Regulations (CFR) Parts 50 and 52, and (2) assess NRC's plans for managing issues that may hinder implementation of the new requirements.

### ***Audit Results:***

OIG found that NRC conducted appropriate outreach with external stakeholders throughout the agency's 2011 EP rulemaking process, and OIG identified no current issues with implementation of the new requirements.

In an effort to conduct a rulemaking that was transparent and open to stakeholder participation, NRC conducted extensive outreach with external stakeholders by various means throughout all phases of the 2011 EP rulemaking process. These outreach activities included public meetings, presentations at workshops and conferences, and pilot exercises at nuclear power plants. In addition, NRC analyzed and incorporated public comments in revising draft regulations, and issued supplementary guidance documents to support implementation of the new regulations.

The audit report made no recommendations, but highlighted future challenges for NRC EP oversight, including rulemaking for decommissioned nuclear power plants, which present different safety and security considerations than operating reactors.

*(Addresses Management and Performance Challenge #5)*

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## *Audits in Progress*

### **Audit of NRC's FY 2015 Financial Statements**

#### ***OIG Strategic Goal: Corporate Management***

Under the Chief Financial Officers Act and the Government Management and Reform Act, OIG is required to audit the financial statements of the NRC. OIG 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, 2015. In addition, OIG will issue reports on

- Special Purpose Financial Statements.
- Implementation of the Federal Managers' Financial Integrity Act.
- Summary of Performance and Financial Information.

The audit objectives are to

- Express opinions on the agency's financial statements and internal controls.
- Review compliance with applicable laws and regulations.
- Review the controls in the NRC's computer systems that are significant to the financial statements.
- Assess the agency's compliance with Office of Management and Budget Circular A-123 Revised, Management's Responsibility for Internal Control.

### **Audit of NRC's Decommissioning Funds Process**

#### ***OIG Strategic Goal: Corporate Management***

Under 10 CFR Part 50.75, NRC must receive reasonable assurances from nuclear power plant licensees that at the time a plant permanently ceases operations, there will be sufficient funds available for the decommissioning process. As of the prior biennial reporting and review period (as of December 31, 2012), the Decommissioning Trust Funds dedicated to NRC requirements for decommissioning and radiological decontamination totaled \$45.7 billion. During the spring of calendar year 2015, NRC reviewed biennial decommissioning reports submitted by licensees that include information as of December 31, 2014.

It is important to understand NRC actions to ensure that the licensees have reasonable plans in place to make up any shortfalls that exist between the current funded amount and the amount estimated as needed by NRC's two-tiered formula.

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(The formula can be found in 10 CFR 50.75(c).) OIG and the Government Accountability Office previously reported that NRC's decommissioning formula was developed in 1986 and may not reliably estimate adequate decommissioning costs (see Audit Report OIG-06-A-07, dated February 6, 2006, and GAO-12-258, dated April 2012).

The audit objectives are to (1) identify opportunities for program improvement, and (2) determine the adequacy of NRC's processes for coordinating with licensees to address possible shortfalls.

## **Audit of NRC's Oversight of Medical Uses of Nuclear Material**

### *OIG Strategic Goal: Safety*

NRC oversees medical uses of nuclear material through licensing, inspection, and enforcement programs. NRC issues medical use licenses to medical facilities and authorized users, develops guidance and regulations for use by licensees, and maintains a committee of medical experts to obtain advice about the use of byproduct materials in medicine. The types of medical uses regulated by NRC include diagnostic, therapeutic, and research. In the United States, about 18 million nuclear medicine procedures are conducted per year. Medical procedures account for nearly all (~96%) human exposure to manmade radiation.

On an annual basis, NRC submits a report to Congress on abnormal occurrences that take place across the country. An abnormal occurrence is an unscheduled incident or event that NRC determines to be significant from the standpoint of public health or safety. For a 10-year period (2001-2011), NRC reported 129 abnormal occurrences; almost 80 percent of those were due to medical events.

The audit objective is to determine if NRC's oversight of medical uses of radioactive isotopes adequately protects public health and safety.

## **Survey of NRC's Safety Culture and Climate**

### *OIG Strategic Goal: Corporate Management*

In 1998, 2002, 2006, 2009, and 2012, OIG contracted with an international survey firm to conduct surveys that evaluated the organizational safety culture and climate of the agency's workforce and identified agency strengths and opportunities for improvements. Comparisons were made to the previous surveys as well as to national and government norms. In response to the survey results, the agency evaluated the key areas for improvement and developed strategies for addressing them.

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A clear understanding of NRC's current safety culture and climate will facilitate identification of agency strengths and opportunities as it continues to experience significant challenges. These challenges include the licensing of new nuclear facilities, disposal of high-level waste, the loss of valuable experience from retirements, operating under continuing resolutions, and legislation that froze Federal civilian employee pay rates.

The survey objectives are to (1) measure NRC's safety culture and climate to identify areas of strength and opportunities for improvement, (2) compare the results of this survey against the survey results that OIG reported previously, and (3) provide, where practical, benchmarks for the qualitative and quantitative findings against other organizations.

## **Audit of NRC's Technical Assistance Request Process**

### ***OIG Strategic Goal: Safety***

The Technical Assistance Request (TAR) process is used to address questions or concerns raised within the NRC regarding regulatory compliance and safety oversight programs. The process should ensure that questions or concerns raised by NRC organizations are resolved in a timely manner and the resolutions are appropriately communicated.

A TAR is a written request to the Office of Nuclear Material Safety and Safeguards for technical assistance from a region, an Office of Nuclear Material Safety and Safeguards division, or another NRC office. A TAR contains questions pertaining to regulatory or policy interpretations, inspection findings, or technical areas. For example, a TAR might be used to seek information on a specific facility or vendor licensing basis, applicable staff positions on an issue, regulatory requirements, or the safety or risk significance of particular facility configurations or operating practices. A TAR request may also be used to obtain information on an allegation-related issue. Ensuring that adequate, appropriate, and timely feedback is provided to NRC staff is central to the agency's mission to protect public health and safety and the environment.

The audit objective is to determine if the agency's TAR process facilitates effective and efficient responses.

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## **Audit of NRC’s Operator Licensing Program for the AP1000 Power Reactor**

### *OIG Strategic Goal: Safety*

Pursuant to the Atomic Energy Act of 1954, as amended, 10, CFR, Part 55 establishes procedures and criteria for the issuance of operator licenses to persons who operate commercially owned nuclear power reactors in the United States. The AP1000 power reactor is a newly designed system that will be incorporated in four nuclear power reactor units currently under construction. Specifically, units 3 and 4 at the Vogtle plant in Georgia, and units 2 and 3 at the V.C. Summer plant in South Carolina, are scheduled to be operational around the 2019-2020 timeframe.

The new AP1000 power reactor design will require operators to be trained, licensed, and qualified to take the controls in accordance with 10 CFR Part 55 when the reactors become operational. Each new reactor should have an onsite functional control room simulator for training and testing operators that must duplicate the plant as designed and built; however, some aspects of the AP1000 designs are incomplete. Consequently, the control room simulators may be insufficient for operator licensing when the new nuclear power reactor units are expected to be operational.

The audit objective is to determine if NRC’s program for licensing AP1000 reactor operators is efficiently and effectively implemented.

## **Audit of NRC’s Reactor Oversight Process**

### *OIG Strategic Goal: Safety*

NRC provides oversight of commercial nuclear power plants through the Reactor Oversight Process (ROP) to verify that the plants are being operated in accordance with NRC rules, regulations, and license requirements. Generally, the ROP uses both performance indicators and NRC inspections—including baseline-level inspections—to assess the safety performance and security measures of each plant. The NRC determines its regulatory response to performance issues in accordance with an action matrix that provides for a range of actions commensurate with the significance of performance indicators and inspection results. The actions of the matrix are graded such that, as licensee performance declines, NRC oversight increases and the agency may perform supplemental inspections and take additional actions to ensure that significant performance issues are addressed.

Recently, safety-significant issues have arisen that did not garner regulatory attention until after NRC oversight was increased under ROP. For example, one nuclear power plant received increased NRC scrutiny in the aftermath of inadequate

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flood preparations and an electrical fire, and a significant number of safety-related components were subsequently discovered to be in service past their recommended service life.

The audit objective is to assess the effectiveness of the reactor oversight process in discovery of plant performance issues.

## **Audit of NRC's Security Operations Center**

### ***OIG Strategic Goal: Security***

The Security Operations Center (SOC) is responsible for monitoring NRC's computing networks, detecting and isolating incidents, and managing the agency's security products, network devices, end-user devices, and systems. This function is performed 7 days a week, 24 hours per day. The SOC is the primary location of the staff and systems dedicated for this function. Basically, the SOC is a centralized facility responsible for every aspect of computer security in an organization.

The System Engineering and Security Operations Branch in the Office of Information Services is responsible for NRC's SOC operations. The branch is responsible for security functions related to enterprisewide security incident monitoring and response such as (1) operating, maintaining, and supporting the SOC; (2) configuring, monitoring, and maintaining information technology security tools to protect the agency computing environment; (3) detecting and analyzing emerging threats and vulnerabilities and analyze information technology security events; and (4) identifying, assessing, mitigating, and coordinating information technology security incidents.

The audit objective is to determine whether NRC's network SOC meets its operational requirements, and to assess the effectiveness of SOC coordination with organizations that have a role in securing NRC's network.

## **Evaluation of NRC's Agencywide Documents Access and Management System**

### ***OIG Strategic Goal: Corporate Management***

The Agencywide Documents Access and Management System (ADAMS) is NRC's official recordkeeping system, through which the agency provides access to "libraries" or collections of NRC documents. ADAMS provides for functions such as searching, document storage, and retrieval. Because it is such an important system for NRC operations, it is critical that information is available to authorized users when needed, data integrity is kept intact, and that appropriate contingency plans are in place and have been tested.

The objective is to determine if ADAMS meets required capabilities and functionality.

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## **Independent Evaluation of NRC's Implementation of the Federal Information Security Management Act for Fiscal Year 2015**

### *OIG Strategic Goal: Security*

The Federal Information Security Management Act (FISMA) was enacted on December 17, 2002. FISMA outlines the information security management requirements for agencies, including the requirement for an annual independent assessment by agency Inspectors General. In addition, FISMA includes provisions such as the development of minimum standards for agency systems, aimed at further strengthening the security of 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.

FISMA provides the framework for securing the Federal Government's information technology including both unclassified and national security systems. All agencies must implement the FISMA requirements and report annually to the Office of Management and Budget and Congress on the effectiveness of their security programs.

The objective is to conduct an independent evaluation of the NRC's implementation of FISMA for FY 2015.

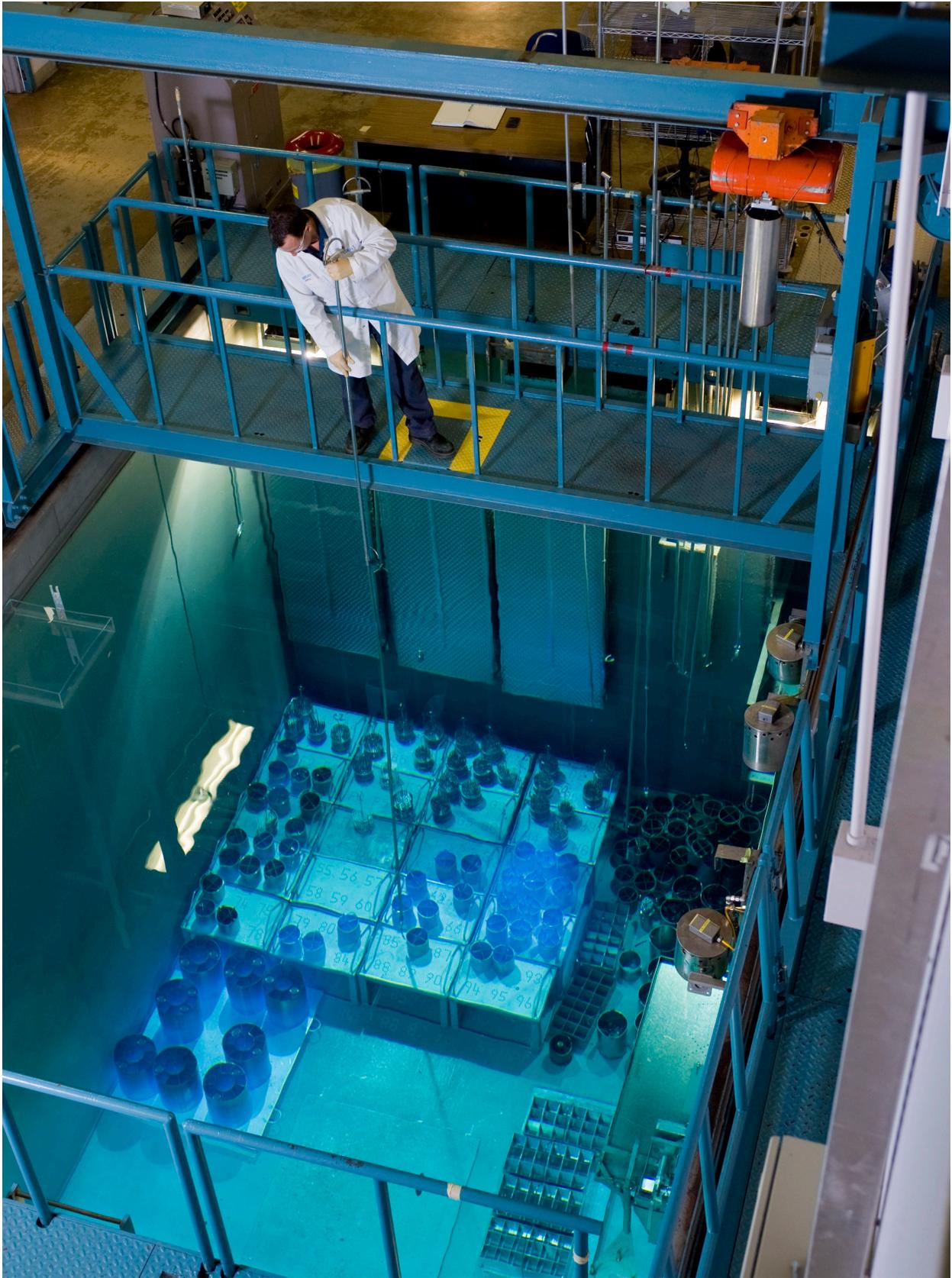
## **Audit of NRC's Access Controls**

### *OIG Strategic Goal: Security*

NRC's Office of Administration is responsible for facilities and personnel security. A Personal Identification Verification (PIV) card is a programmable key card which displays the cardholder's photograph. NRC's PIV card is used for personal identification, for controlling physical access to NRC buildings and premises at Headquarters, the regional offices, and the Technical Training Center, and for controlling logical access to NRC networks. A PIV card is required for all employees and contractors approved to work at NRC.

NRC PIV cards are U.S. Government property and must be returned to NRC at the conclusion of the cardholder's employment with NRC, or for a contractor, at the end of a contract term. NRC requires that lost or stolen PIV cards be reported immediately to the Badging Office. The Badging Office will suspend the card until it is recovered or replaced.

The audit objective is to assess NRC's access controls.



*Technician on bridge over fuel pool.*

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# NRC INVESTIGATIONS

*During this reporting period, OIG received 109 allegations, initiated 20 investigations, and closed 30 cases. In addition, OIG made 22 referrals to NRC management and 3 to the Department of Justice.*

## *Investigative Case Summaries*

### **Concerns Pertaining to Potential Improper Computer Access by a Foreign National Contractor Employee**

#### ***OIG Strategic Goal: Security***

OIG initiated an investigation based on information provided by an NRC employee concerning computer access that had been given to a Department of Energy foreign national laboratory contractor employee working for NRC on a project for which the NRC employee is project manager. The NRC employee reported that the contractor employee had been given access to his office's group network drive; however, the NRC employee later asked to have the contractor's access restricted because the group network drive contained information on the contractor's competitors, bid proposals, and other potentially proprietary information.

#### ***Investigative Results:***

OIG did not substantiate misconduct with regard to the contractor's access to NRC's network. Although the contractor was initially given greater access than the contractor's "need to know," there was no evidence that this individual accessed any information beyond that specifically needed to perform the contracted work. Moreover, the contractor's access to NRC network drives was subsequently removed. OIG also found that the contractor downloaded technical files related to the contractor's NRC work from the contractor's NRC email folder and emailed them to this individual's personal email accounts. Although NRC's management directives prohibit emailing sensitive information to personal (non-NRC) accounts, OIG's analysis could not determine whether any of these files were sensitive in nature. The NRC branch chief overseeing the work of the contractor told OIG that all of the material that the contractor had access to was in the public domain and not of a sensitive nature.

*(Addresses Management and Performance Challenge #5)*

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## **Alleged Wrongful Destruction of Former Chairman Gregory Jaczko's Official NRC Records**

### *OIG Strategic Goal: Corporate Management*

OIG conducted an investigation based on allegations that NRC employees from former NRC Chairman Gregory Jaczko's staff instructed NRC personnel to go through the former Chairman's files and remove and destroy all records containing staff recommendations. Allegedly, the instructions were given to assist in the processing of the former Chairman's office files for transfer and permanent retention.

### *Investigative Results:*

OIG did not identify evidence indicating that official agency records were destroyed or that NRC personnel were directed to destroy official agency records. None of the support staff members clearly recalled what instructions they received, or who gave the instructions; however, in response to the instructions, routing slips from the files and copies of documents were removed.

The files of an individual Commissioner's office must be maintained as a separate category of agency records. Extra copies of agency records are commonly regarded as non-record material and may be disposed of without reference to the requirements of the Federal Records Act.

Upon completion of the investigation, OIG discussed the investigative findings with the Department of Justice, which subsequently declined to prosecute due to inability to identify whether any official record documents were destroyed, and lack of intent and willfulness.

*(Addresses Management and Performance Challenge #7)*

## **Conflict of Interest Involving an Advisory Committee on Reactor Safeguards Member**

### *OIG Strategic Goal: Corporate Management*

OIG initiated an investigation into allegations that since 2011 an NRC's Advisory Committee on Reactor Safeguards (ACRS) member owned stock in a utility company that has an NRC nuclear reactor license and is on NRC's list of prohibited securities. Further, it was alleged that during 2014, the ACRS member's subcommittee helped draft a memorandum pertaining to the utility in which they had ownership of the prohibited stock.

### *Investigative Results:*

The investigation did not substantiate criminal misconduct, but identified lapses in the Office of the General Counsel's (OGC) review of the ACRS member's initial

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and annual financial disclosure forms, which reported ownership of prohibited stock. OIG found that the ACRS member, who works part time for NRC, owned a prohibited stock from first joining the NRC as an ACRS member until divesting the stock in August 2014. OIG also found the ACRS member disclosed ownership of this stock each year to NRC on U.S. Office of Government Ethics financial disclosure forms, and that OGC reviewed and signed off on the ACRS member's forms in 2011, 2012, and 2013 without bringing the issue to the ACRS member's attention. OIG found that shortly after the ACRS member's appointment, OGC provided the member a memo with guidance pertaining to this individual's business and addressing ownership of securities exceeding \$15,000; however, the memo did not mention the NRC prohibited securities list or address the ACRS member's ownership of a prohibited security in a nuclear utility company. OIG found that when OGC notified the ACRS member in 2014 about the prohibited stock and the need to divest, the ACRS employee divested the stock within 56 calendar days.

OIG discussed this investigation with the Department of Justice, which subsequently declined to prosecute.

*(Addresses Management and Performance Challenge #7)*

## **Concerns Pertaining to Cyber Security Information Provided to Licensees by NSIR Contractor**

### ***OIG Strategic Goal: Security***

OIG initiated an investigation into allegations that NRC contractors who were providing technical assistance in developing and interpreting NRC policies and supporting NRC cyber security inspections were also advertising training that suggested the information being conveyed was representative of NRC policy and position.

### ***Investigative Results:***

OIG did not substantiate misconduct in connection with the development or teaching of a cyber-security course by an NRC contractor employee. Although the contractor employee developed the course based on work the company conducted for NRC, and another NRC contractor employee taught the course, there was nothing in the contract that prohibited the contractor or its employees from developing or teaching such a course, provided no nonpublic information was disclosed. The contract did not include any conflict of interest clauses, although it did include two security clauses that prohibit the release of nonpublic NRC information. OIG did not identify any disclosure of nonpublic information in connection with the course. NRC personnel reviewed course instruction material obtained by OIG and did not identify any items inappropriate for inclusion in the course.

*(Addresses Management and Performance Challenge #5)*

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## **Region IV Employee Alleged Pressure To Downplay Inspection Findings and Retaliation Causing a Chilled Work Environment**

### *OIG Strategic Goal: Corporate Management*

OIG initiated this investigation based on an allegation that an NRC regional employee had been subjected to a chilled work environment as an inspector. Further, the employee alleged being pressured to downplay inspection findings, and a manager engaged in retaliation against the employee while on a rotational assignment.

### *Investigative Results:*

OIG did not find evidence that a chilled work environment existed or that the regional inspector was pressured to downplay inspection findings. OIG also did not find any evidence of retaliation in this case. OIG determined, however, there was a strained professional relationship between two regional branch chiefs, and their disagreements had an impact on the work of several other employees.

*(Addresses Management and Performance Challenge #7)*

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# DEFENSE NUCLEAR FACILITIES SAFETY BOARD

Congress created the Defense Nuclear Facilities Safety Board (DNFSB) as an independent agency within the Executive Branch to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's (DOE) defense nuclear facilities, to elevate such issues to the highest levels of authority, and to inform the public. Since DOE is a self-regulating entity, DNFSB constitutes the only independent technical oversight of operations at the Nation's defense nuclear facilities. The DNFSB is composed of experts in the field of nuclear safety with demonstrated competence and knowledge relevant to its independent investigative and oversight functions.

The Consolidated Appropriations Act, 2014, provided that notwithstanding any other provision of law, the Inspector General of the Nuclear Regulatory Commission is authorized in 2014 and subsequent years to exercise the same authorities with respect to the Defense Nuclear Facilities Safety Board, as determined by the Inspector General of the Nuclear Regulatory Commission, as the Inspector General exercises under the Inspector General Act of 1978 (5 U.S.C. App.) with respect to the Nuclear Regulatory Commission.

## **Inspector General's Assessment of the Most Serious Management and Performance Challenges Facing the Defense Nuclear Facilities Safety Board**

On January 24, 2000, Congress enacted the Reports Consolidation Act of 2000, requiring Federal agencies to provide financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. The act requires the IG of each Federal agency to annually summarize what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges. Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the IGs.

The IG identified the following as the most serious management and performance challenges facing the Board as of October 1, 2014:

1. Human capital management.
2. Internal controls.
3. Change management.

*(Addresses All Management and Performance Challenges.)*

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# DNFSB AUDITS

## *Audit Summaries*

### **DNFSB 2015 Culture and Climate Survey**

In the spring of 2015, Towers Watson assisted the OIG in assessing DNFSB culture and climate. OIG commissioned Towers Watson to conduct a survey to evaluate the current culture and climate of DNFSB and facilitate identification of the organization's strengths and opportunities for improvement, as it continues to experience significant challenges.

The DNFSB Culture and Climate Survey was administered from March 30th–April 10th, 2015. All permanent DNFSB staff and managers were eligible to participate. Of the 107 employees asked to participate, 79 completed surveys, for an overall return rate of 74 percent. This return rate is on par with Towers Watson's global return rate of 75 percent and is a great first year percentage, being sufficient to provide a reliable and valid measure of the current attitudes and perceptions of DNFSB staff and managers.

As a first year survey, the results of this study allow for a baseline measure that DNFSB can use as a benchmark to understand if progress is being made against these initiatives.

#### ***Survey Results:***

Results show that DNFSB's culture and climate need substantial improvement. Although overall, employees are perceived to be engaged with their job and to feel they have the opportunity to make an impact, learn and grow, and have work/life balance, the survey found

- Employees lack a sense of pride in DNFSB and personal accomplishment in their work.
- Many employees feel they lack the right tools and resources.
- Thirty-eight percent of employees say they plan to leave DNFSB in the next year.
- Employees perceive that DNFSB is not attracting and retaining the right talent.

In addition, communication is a consistent theme related to both DNFSB Board Members and senior leadership. Employees desire a change in the timeliness and tone of communications. Specifically, employees want more information about changes, decisions, how decisions are made, and how decisions/changes relate to the organization's mission.

Results also show that improvements can be made in the areas of respectfulness and professionalism in the organization. This is both for employees respecting leaders as well as senior leaders treating staff with more respect. Along with that, scores for effective operating procedures and employees having the necessary tools and resources to perform their jobs are quite low and suggest that further attention should be placed on these areas as well.

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Lastly, where comparisons exist, results are generally better than in the 2014 Federal Employee Viewpoint survey, especially for issues rated to the quality of work, cooperation, empowerment, and training.

*(Addresses Management and Performance Challenge #1)*

## **Audit of DNFSB's Travel Card and Travel Program**

DNFSB employees travel extensively to the various DOE defense nuclear facilities located throughout the United States to conduct firsthand assessments of operations. Employees also travel for training purposes and for public hearings and meetings at or near DOE sites.

The Federal Travel Regulation implements statutory requirements and policies for travel by Federal civilian employees. DNFSB established the Official Travel Directive and the Official Travel Operating Procedures to include many of the same elements and procedures as the Federal Travel Regulation.

The audit objective was to determine whether internal controls are in place and operating effectively to maintain compliance with applicable travel card and travel program laws, regulations, and DNFSB policies.

### ***Audit Results:***

Travel card and travel program controls are generally in place. However, internal controls over the travel card and travel program and access controls in Concur, DNFSB's travel management system, should be improved.

Internal controls are not always effective at maintaining compliance with Federal requirements and established DNFSB policies. OIG identified that 45 percent of all employees who had Temporary Duty travel during a recent 9-month period either had travel card or travel program exceptions to include the following: (1) using the card for unauthorized expenses or ATM withdrawals, (2) claiming and receiving reimbursement for amounts not supported by or not consistent with documentation, (3) claiming compensatory time without receiving prior approval, and (4) claiming hazardous weather leave to which they were not entitled while on official travel.

In addition, DNFSB does not appropriately control user access in Concur. For example, user access was not disabled timely for employees who left the agency, and not limited to the least privilege required to complete responsibilities. Additionally, the user access listing has not been reviewed to determine whether access is appropriate and properly limited. Due to the lack of Concur user access controls, there is an increased potential for circumvented controls.

*(Addresses Management and Performance Challenge #2)*

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## *Audits in Progress*

### **Audit of DNFSB's FY 2015 Financial Statements**

Under the Chief Financial Officers Act, as updated by the Accountability of Tax Dollars Act of 2002 and Office of Management and Budget Bulletin 14-02 (Audit Requirements for Federal Financial Statements), OIG is required to audit DNFSB's financial statements. The report on the audit of DNFSB's financial statements is due on November 15, 2015.

The audit objectives are to

- Express opinions on DNFSB's financial statements and internal controls.
- Review compliance with applicable laws and regulations.
- Review the controls in DNFSB's computer systems that are significant to the financial statements.
- Assess the agency's compliance with Office of Management and Budget Circular A-123, Revised, Management's Responsibility for Internal Control.

### **Audit of DNFSB's Information Security Program**

DNFSB employees have a responsibility to handle sensitive information pertaining to defense nuclear facilities in accordance with Federal laws, policies, and regulations. Classified information has unique requirements governing access, dissemination, composition, and de-classification. DNFSB personnel must therefore meet special training, security clearance, and "need to know" standards depending on the type of classified information they handle. Furthermore, DNFSB facilities must meet specific security standards to help prevent loss of, or unauthorized access to, classified information.

In addition to upholding classified information protection requirements, DNFSB personnel must also take special precautions to safeguard sensitive unclassified information, which could include proprietary data, attorney-client privilege information, and personally identifiable information. These precautions extend beyond the handling and storage of hard copy documents to the storage, processing, and dissemination of electronic records as well.

The audit objective is to determine if DNFSB handles sensitive and classified information in accordance with Federal policies, laws and regulations.

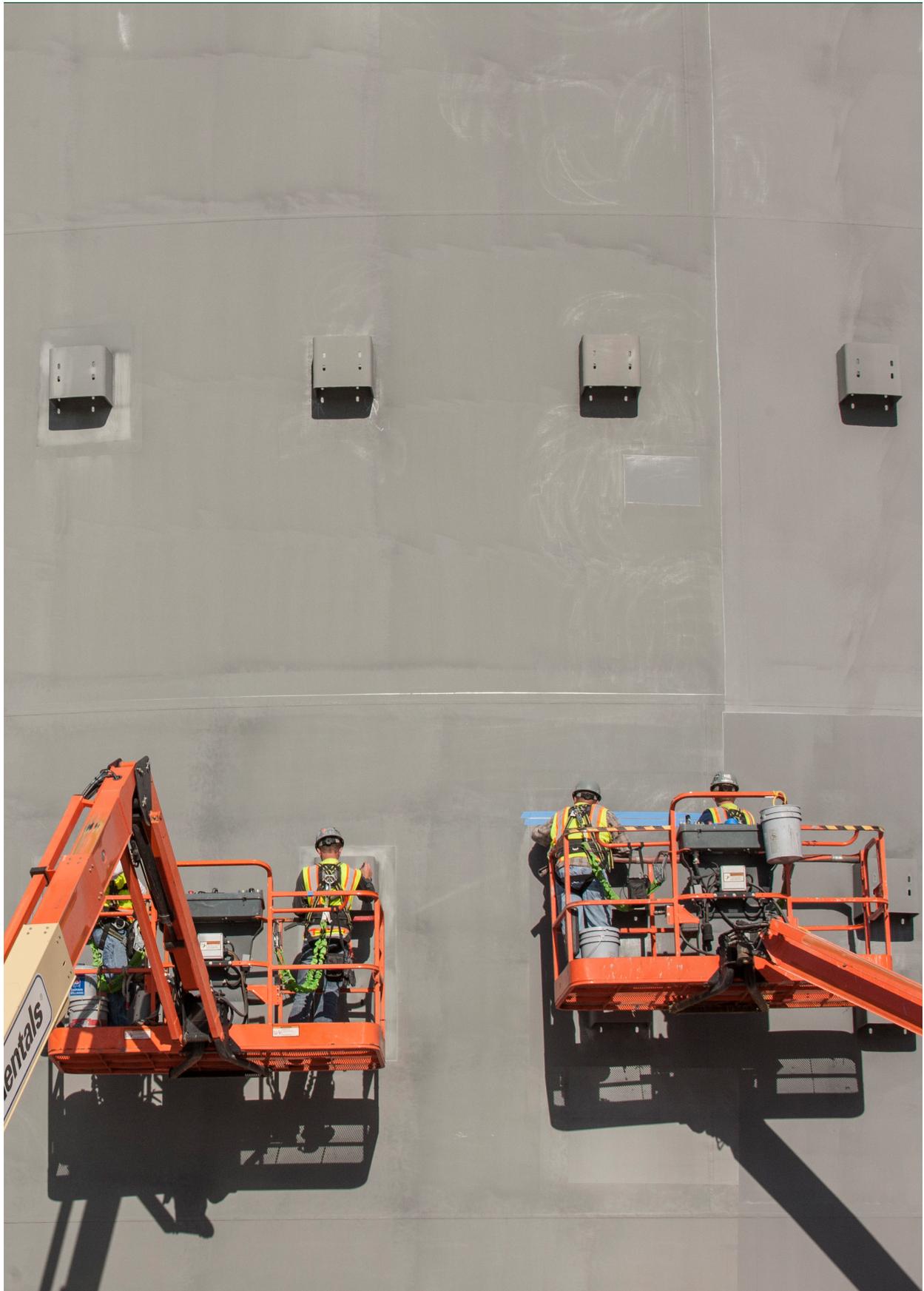
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## **Independent Evaluation of DNFSB’s Implementation of the Federal Information Security Management Act (FISMA) for FY 2015**

FISMA was enacted on December 17, 2002. FISMA outlines the information security management requirements for agencies, including the requirement for an annual independent assessment by agency Inspectors General. In addition, FISMA includes 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.

FISMA provides the framework for securing the Federal Government’s information technology including both unclassified and national security systems. All agencies must implement the requirements of FISMA and report annually to the Office of Management and Budget and Congress on the effectiveness of their security programs.

The objective is to conduct an independent evaluation of DNFSB’s implementation of FISMA for FY 2015.



*Construction of middle ring. Photo courtesy of Entergy*

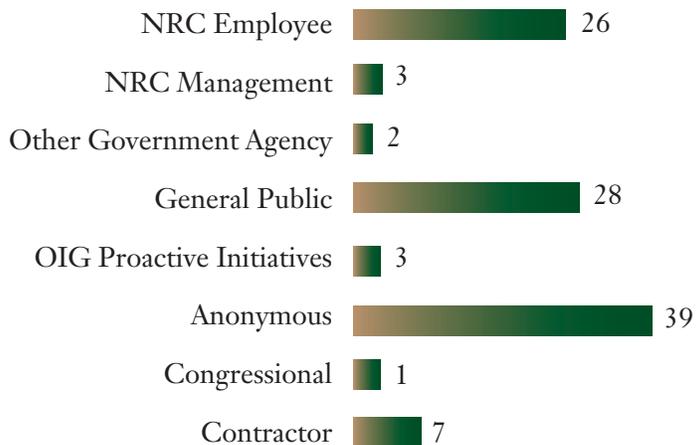
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# SUMMARY OF NRC OIG ACCOMPLISHMENTS AT NRC

April 1, 2015, Through September 30, 2015

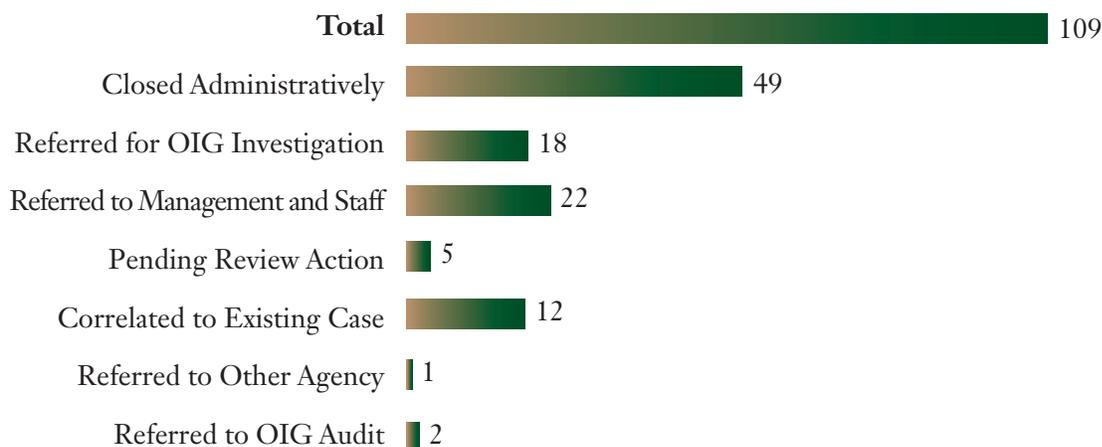
## *Investigative Statistics*

### Source of Allegations



Allegations resulting from the NRC OIG Hotline calls: 68 **Total: 109**

### Disposition of Allegations



## Status of Investigations

DOJ Referrals . . . . .	3
DOJ Acceptance . . . . .	1
DOJ Pending . . . . .	0
DOJ Declinations. . . . .	2
Criminal Convictions. . . . .	0
Criminal Penalty Fines . . . . .	0
Civil Recovery. . . . .	0
NRC Administrative Actions:	
Counseling and Letter of Reprimand. . . . .	0
Terminations and Resignations . . . . .	0
Suspensions and Demotions. . . . .	2
Other (Letter from Chairman Review of Policy, and ADR). . . . .	0
State Referrals. . . . .	0
State Declinations. . . . .	0
State Accepted. . . . .	0
PFCRA Referral . . . . .	0
PFCRA Acceptance. . . . .	0
PFCRA Declinations . . . . .	0

## Summary of Investigations

Classification of Investigations	Carryover	Opened Cases	Closed Cases	Cases in Progress
Conflict of Interest	1	0	1	0
Employee Misconduct	13	6	10	9
External Fraud	7	3	1	9
False Statements	4	1	3	2
Management Misconduct	14	4	10	8
Miscellaneous	5	2	2	5
Misuse of Government Property	0	1	1	0
Proactive Initiatives	8	0	2	6
Technical Allegations	6	3	0	9
<b>Grand Total</b>	<b>58</b>	<b>20</b>	<b>30</b>	<b>48</b>

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## *NRC Audit Listings*

<i>Date</i>	<i>Title</i>	<i>Audit Number</i>
09/29/2015	Audit of NRC Region II's Management of Its Metropolitan Atlanta Rapid Transit Authority (MARTA) Transit Subsidy Program	OIG-15-A-21
09/23/2015	Audit of NRC's Oversight of Low-Level Radioactive Waste	OIG-15-A-20
09/01/2015	Audit of NRC's Management of Change	OIG-15-A-19
08/18/2015	Evaluation of Involvement of Political Appointees in NRC's FOIA Process	OIG-15-A-18
06/29/2015	Audit of NRC's Web-Based Licensing System (WBL)	OIG-15-A-17
06/25/2015	Audit of NRC's Reactor Business Lines' Compliance With Agency Non-Financial Internal Control Guidance	OIG-15-A-16
06/24/2015	Audit of NRC's Regulatory Analysis Process	OIG-15-A-15
06/16/2015	Audit of NRC's Construction Reactor Oversight (cROP) Process	OIG-15-A-14
06/15/2015	Audit of NRC's Emergency Preparedness Program	OIG-15-A-13

## NRC Contract Audit Reports

OIG Issued Date	Contractor/Title/ Contract Number	Questioned Costs (Dollars)	Unsupported Costs (Dollars)
05/07/2015	<b>QiTech, Inc.</b>		
	Independent Audit Report on QiTech Inc.'s Billed Cost for Fiscal Years 2011 through 2013		
	NRC-08-09-306	\$1,585,116	0
	NRC-HQ-11-C-08-0057	\$62,599	0
05/28/2015	<b>Southwest Research Institute</b>	0	0
	Independent Audit Report on Southwest Research Institute's Internal Controls Related to Subrecipient/Subcontractor Monitoring		
	NRC-02-04-014	0	0
	NRC-02-06-018	0	0
	NRC-02-06-021	0	0
	NRC-02-07-006	0	0
	NRC-03-09-070	0	0
	NRC-03-10-066	0	0
	NRC-03-10-070	0	0
	NRC-03-10-078	0	0
	NRC-03-10-081	0	0
	NRC-04-07-108	0	0
	NRC-04-10-144	0	0
	NRC-41-08-004	0	0
	NRC-41-09-011	0	0
	NRC-HQ-11-C-03-0047	0	0
NRC-HQ-11-C-03-0058	0	0	
06/04/2015	<b>Beckman &amp; Associates, Inc.</b>		
	Independent Audit Report on Beckman & Associates, Inc.'s Proposed Amounts on Unsettled Flexibly Priced Contracts for FY 2013		
	NRC-HQ-13-C-03-0032	\$69,058	0

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## *Audit Resolution Activities*

### *TABLE I*

#### **OIG Reports Containing Questioned Costs<sup>2</sup>**

<b>Reports</b>	<b>Number of Reports</b>	<b>Questioned Costs (Dollars)</b>	<b>Unsupported Costs (Dollars)</b>
A. For which no management decision had been made by the commencement of the reporting period	0	0	0
B. Which were issued during the reporting period	2	\$1,716,773	0
<i>Subtotal (A + B)</i>	2	\$1,716,773	0
C. For which a management decision was made during the reporting period:			
(i) dollar value of disallowed costs	0	0	0
(ii) dollar value of costs not disallowed	0	0	0
D. For which no management decision had been made by the end of the reporting period	2	\$1,716,773	0

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<sup>2</sup> Questioned costs are costs that are questioned by the OIG because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds; a finding that, at the time of the audit, such costs are not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

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## TABLE II

### OIG Reports Issued with Recommendations That Funds Be Put to Better Use<sup>3</sup>

Reports	Number of Reports	Dollar Value of Funds
A. For which no management decision had been made by the commencement of the reporting period	0	0
B. Which were issued during the reporting period	1	\$160,000
C. For which a management decision was made during the reporting period:		
(i) dollar value of recommendations that were agreed to by management	0	0
(ii) dollar value of recommendations that were not agreed to by management	0	0
D. For which no management decision had been made by the end of the reporting period	1	\$160,000

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<sup>3</sup>A “recommendation that funds be put to better use” is a recommendation by the OIG that funds could be used more efficiently if NRC management took actions to implement and complete the recommendation, including: reductions in outlays; deobligation of funds from programs or operations; withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds; costs not incurred by implementing recommended improvements related to the operations of NRC, a contractor, or a grantee; avoidance of unnecessary expenditures noted in preaward reviews of contract or grant agreements; or any other savings which are specifically identified.

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*TABLE III*

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

<b>Date</b>	<b>Report Title</b>	<b>Number</b>
5/26/2003	<b>Audit of NRC's Regulatory Oversight of Special Nuclear Materials</b>  <b>Recommendation 1:</b> Conduct periodic inspections to verify that material licensees comply with material control and accounting (MC&A) requirements, including, but not limited to, visual inspections of licensees' special nuclear material inventories and validation of reported information.  <b>Recommendation 3:</b> Document the basis of the approach used to risk inform NRC's oversight of material control and accounting activities for all types of materials licensees.	OIG-03-A-15

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# SUMMARY OF NRC OIG ACCOMPLISHMENTS AT DNFSB

April 1, 2015, Through September 30, 2015

## *Investigative Statistics*

### Source of Allegations

DNFSB Employee  4

General Public  1

Allegations Received from the NRC OIG Hotline: 3 **Total: 5**

### Disposition of Allegations

**Total**  5

Closed Administratively  1

Referred for OIG Investigation  1

Pending Review Action  1

Referred to Other Agency  1

Referred to OIG Audit  1

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## *DNFSB Audit Listings*

<i>Date</i>	<i>Title</i>	<i>Audit Number</i>
09/02/2015	Culture and Climate Survey Executive Overview of Key Findings	DNFSB-15-A-06
04/23/2015	Audit of the Board's Travel Card and Travel Program	DNFSB-15-A-05

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# ABBREVIATIONS AND ACRONYMS

ACRS	Advisory Committee on Reactor Safeguards
ADAMS	Agencywide Documents Access and Management System
CFR	Code of Federal Regulations
COR	contracting officer's representative
cROP	Construction Reactor Oversight Process
DH	Directive Handbook
DNFSB	Defense Nuclear Facilities Safety Board
DOE	Department of Energy
DOT	Department of Transportation
EP	emergency preparedness
FISMA	Federal Information Security Management Act
FOIA	Freedom of Information Act
IAM	Issue Area Monitor
IG	Inspector General
IM	information management
IT	information technology
LLRW	low-level radioactive waste
MARTA	Metropolitan Atlanta Rapid Transit Authority
MD	Management Directive
OCHCO	Office of the Chief Human Capital Officer (NRC)
OGC	Office of the General Counsel (NRC)
OIG	Office of the Inspector General
OMB	Office of Management and Budget
NRC	U.S. Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation (NRC)
PIV	Personal Identification Verification
ROP	Reactor Oversight Process
SOC	Security Operations Center
TAR	Technical Assistance Request
WBL	Web-Based Licensing System

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# REPORTING REQUIREMENTS

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

<b>Citation</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of Legislation and Regulations	7-8
Section 5(a)(1)	Significant Problems, Abuses, and Deficiencies	10-19, 27-30, 32-33
Section 5(a)(2)	Recommendations for Corrective Action	10-19, 32-33
Section 5(a)(3)	Prior Significant Recommendations Not Yet Completed	43
Section 5(a)(4)	Matters Referred to Prosecutive Authorities	38
Section 5(a)(5)	Information or Assistance Refused	None
Section 5(a)(6)	Listing of Audit Reports	39
Section 5(a)(7)	Summary of Significant Reports	10-19, 27-30, 32-33
Section 5(a)(8)	Audit Reports — Questioned Costs	41
Section 5(a)(9)	Audit Reports — Funds Put to Better Use	42
Section 5(a)(10)	Audit Reports Issued Before Commencement of the Reporting Period for Which No Management Decision Has Been Made	None
Section 5(a)(11)	Significant Revised Management Decisions	None
Section 5(a)(12)	Significant Management Decisions With Which the OIG Disagreed	None
Section 989C.	Peer Review Information	48

*Sec. 989C. of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law 111-203) requires Inspectors General to include the results of any peer review conducted by another Office of Inspector General during the reporting period; or if no peer review was conducted, a statement identifying the date of the last peer review conducted by another Office of Inspector General; and a list of any peer review conducted by the Inspector General of another Office of the Inspector General during the reporting period.*

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# APPENDIX

## **Peer Review Information**

### *Audits*

The NRC OIG Audit Program was peer reviewed most recently by the Federal Communications Commission Office of Inspector General on September 17, 2015. NRC OIG received an external peer review rating of pass. This is the highest rating possible based on the available options of pass, pass with deficiencies, or fail.

During this reporting period, NRC OIG peer reviewed the Railroad Retirement Board Office of Inspector General Audit Program.

### *Investigations*

The NRC OIG Investigations Program was peer reviewed most recently by the Corporation for National and Community Service Office of Inspector General on September 16, 2013.

## **OIG STRATEGIC GOALS**

1. **Safety:** Strengthen NRC's efforts to protect public health and safety and the environment.
2. **Security:** Enhance NRC's efforts to increase security in response to an evolving threat environment.
3. **Corporate Management:** Increase the economy, efficiency, and effectiveness with which NRC manages and exercises stewardship over its resources.



## The NRC OIG Hotline

The Hotline Program provides NRC and DNFSB employees, other Government employees, licensee/utility employees, contractors, and the public with a confidential means of reporting suspicious activity concerning fraud, waste, abuse, and employee or management misconduct. Mismanagement of agency programs or danger to public health and safety may also be reported. We do not attempt to identify persons contacting the Hotline.

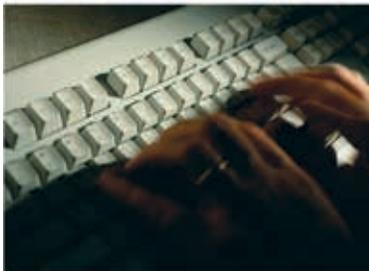
### What should be reported:

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

## Ways To Contact the OIG



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



**Submit:**  
Online Form  
[www.nrc.gov](http://www.nrc.gov)  
Click on Inspector General  
Click on OIG Hotline



**Write:**  
U.S. Nuclear Regulatory Commission  
Office of the Inspector General  
Hotline Program, MS 05 E13  
11555 Rockville Pike  
Rockville, MD 20852-2738

