

AUDIT REPORT

Audit of NRC's Office of Nuclear Security
and Incident Response

OIG-06-A-09 February 16, 2006



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February 16, 2006

MEMORANDUM TO: Luis A. Reyes
Executive Director for Operations

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

SUBJECT: AUDIT OF NRC'S OFFICE OF NUCLEAR
SECURITY AND INCIDENT RESPONSE
(OIG-06-A-09)

This report presents the results of the subject audit. Agency comments provided at the exit conference on November 10, 2005, and written response, dated January 19, 2006, have been incorporated, as appropriate, into this report. Appendix C contains the agency's written comments and our response.

Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to OIG follow-up as stated in Management Directive 6.1.

We appreciate the courtesies and cooperation extended to us by members of your staff during the audit. If you have any questions or comments about our report, please feel free to contact me on 301-415-5915, or Beth Serepca on 415-5911.

Attachment: As stated

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EXECUTIVE SUMMARY

BACKGROUND

In the aftermath of the terrorist attacks of September 11, 2001, the Nuclear Regulatory Commission (NRC) established the Office of Nuclear Security and Incident Response (NSIR) in April 2002 to develop overall agency policy and provide management direction for security issues and incident response at nuclear facilities. NSIR's mission is to prevent nuclear security incidents and to respond to security and safety events. Since its inception, NSIR has been involved in many substantive security and incident response initiatives.

PURPOSE

The objective of this audit was to conduct an independent evaluation of NSIR operations. Specifically, the evaluation focused on NSIR's management of emergent work, communications with stakeholders, and implementation of the organizational assessment recommendations.

RESULTS IN BRIEF

NSIR has accomplished a great deal since its inception in April 2002. Along with the standing up of a new organization, NSIR officials drafted and implemented numerous security orders, approved security plans, enhanced the force-on-force exercise program, and coordinated with the Department of Homeland Security on a wide variety of security initiatives. Now, however, NSIR needs to focus on refining and formalizing its day-to-day operations to improve its ability to meet its mission. Specifically, NSIR needs to:

- improve the management of its workload,
- improve its security communication procedures, and;
- fully address the organizational effectiveness recommendations.

Workload Management Improvements

NSIR lacks an adequate process for evaluating and integrating unanticipated assignments into its current workload and its process for tracking emergent work is ineffective. As a result, staff are overworked, and 12 percent of the planned and budgeted work was not achieved.

Security Communications Procedures

Requirements for the establishment of NSIR included mandates to improve the agency's communications concerning security issues and to determine the effectiveness of communications between NSIR and its internal and external stakeholders. Despite these requirements, weaknesses exist in NSIR's process for interacting with internal and external stakeholders and the office has performed limited assessments of the success of its communications.

Incomplete Consideration of Contractor Recommendations

NSIR managers did not give timely consideration to recommendations provided by the contractor hired to assess its organizational effectiveness 1 year after the office's inception. Although the organizational assessment was mandated by the Commission, there was no associated mandate to follow through on the recommendations. In addition, competing priorities in NSIR made it difficult for managers to complete action on the recommendations. As a result, the office still exhibits some of the problems identified during the initial assessment.

RECOMMENDATIONS

A consolidated list of recommendations appears on pp. 18 of this report.

AGENCY COMMENTS

At an exit conference with agency senior executives held on November 10, 2005, NRC officials generally believed the recommendations in the report were constructive however, they did not believe the findings reflected the current condition of the organization. Subsequent to the exit conference, NRC provided informal comments on the draft report and OIG met with an NSIR representative to address specific report issues and concerns. This final report incorporates revisions made, where appropriate, as a result of the subsequent meetings and the agency's informal comments.

On January 19, 2006, the Deputy Executive Director for Reactor and Preparedness Programs, Office of the Executive Director for Operations, provided a formal response to this report in which the staff generally agreed with the report's recommendations, but not

with all aspects of the OIG assessment. Based on the formal comments, no additional changes were made to the report.

The Deputy Executive Director's transmittal letter and specific comments on this report are included as Appendix C. Appendix D contains OIG's specific responses to the agency's comments.

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ABBREVIATIONS AND ACRONYMS

NRC	U.S. Nuclear Regulatory Commission
NSIR	Office of Nuclear Security and Incident Response
OEDO	Office of the Executive Director for Operations
OMB	Office of Management and Budget

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I. BACKGROUND

The Nuclear Regulatory Commission (NRC) established the Office of Nuclear Security and Incident Response (NSIR) in April 2002 to develop overall agency policy and provide management direction for the evaluation and assessment of security issues at nuclear facilities and incident response. Responsibilities also were to include monitoring and assessing the threat environment and serving as the agency's security and safeguards interface with other Federal, State, and local agencies. The decision to establish NSIR was pursuant to NRC's post-September 11, 2001, comprehensive review of the agency's safeguards and security programs. This review of NRC's organizational structure, staffing, and training relative to security and safeguards determined that greater efficiency and effectiveness would be achieved by consolidating certain NRC safeguards, security, and incident response functions into a single office.

Challenges for the New Office

The NRC Commission envisioned that NSIR would be a security organization housing the headquarters emergency operations center and managing the emergency preparedness functions. One Commissioner anticipated that NSIR would serve as an advisory board reporting to the Commission with its own staff of engineers and security officials. In this manner, the Commissioner predicted, NSIR would operate as a self-reliant "think tank." The concern at the time was to avoid combining staff into a traditional program office where they would perform and think no differently than they had in their original offices.

The Commission recognized the inherent difficulties that NSIR would face as a new office tasked with fulfilling a specific mission and establishing the infrastructure needed to support the office. Therefore, the Commission asked the office to perform an assessment within 1 year of operations to determine its organizational effectiveness. To fulfill this requirement, NSIR contracted with Acton Burnell, Inc. (Acton Burnell),¹ to develop performance measures for areas and functions within NSIR, develop effective and efficient methods for gathering and analyzing performance measure data, and provide a written report assessing their achievement of these performance measures. In the report, dated May 2003, the contractor addressed NSIR's organizational

¹ Acton Burnell, Inc. was an information technology company that provided consulting services to Federal Government clients. The company was purchased by CACI International, Inc., during the term of the contract.

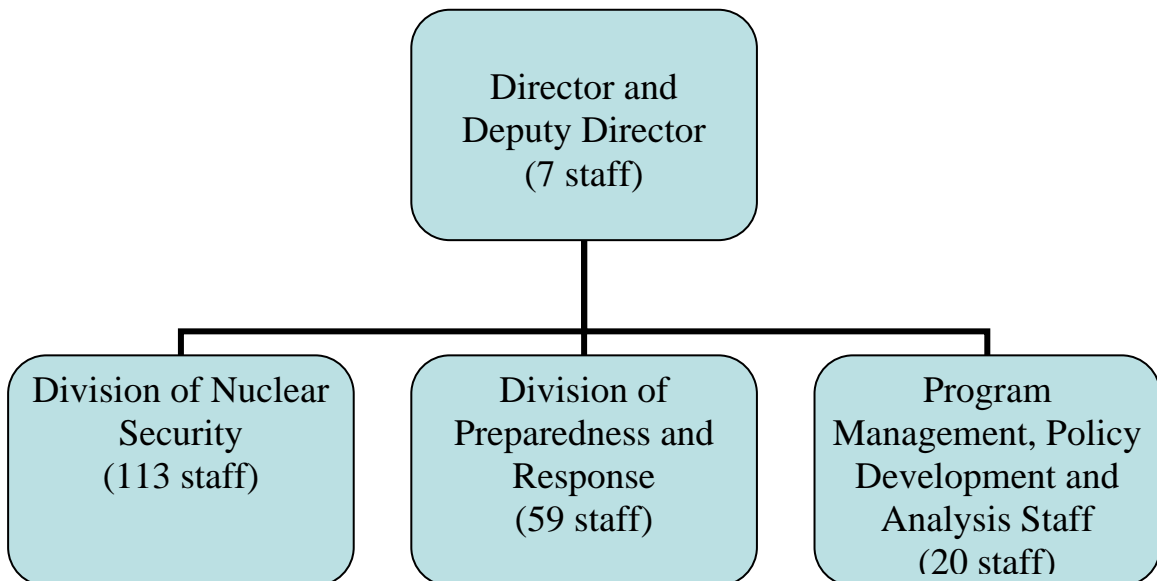
effectiveness and made specific recommendations to improve leadership roles and responsibilities, implement a public relations policy, improve or establish standard internal processes and procedures, and improve overall effectiveness of internal and external communications.

NSIR's Mission and Organization

NSIR's mission is to prevent nuclear security incidents and to respond to security and safety events. The first part of the mission focuses on what licensees need to do to ensure adequate security for nuclear facilities and material. The latter part of the mission refers to what the agency does to both prepare for and respond to an incident, e.g., how NRC interacts with other Federal agencies and with licensees.

NSIR is organized into three divisions: the Division of Nuclear Security; the Division of Preparedness and Response; and Program Management, Policy Development and Analysis Staff. NSIR's FY 2005 Headquarters staffing level was 199 as shown on the organization chart below.

Office of Nuclear Security and Incident Response Organizational Chart



The Division of Nuclear Security develops and directs implementation of policies and programs for the evaluation and assessment of security at nuclear facilities. The Division of Preparedness and Response develops and directs the NRC

program for investigation of operational incidents and the NRC program for regulating emergency preparedness of nuclear power plant licensees. Additionally, this division is the agency's incident response interface with the Federal Emergency Management Agency and other Federal agencies. Program Management, Policy Development and Analysis Staff, an administrative division, provides long-range planning, budget development, financial and information resources management, human resource analysis, Freedom of Information Act coordination, and management of principal correspondence.

According to NSIR officials, in fiscal year (FY) 2005, the office was authorized a staff of 193 with an estimated budget of \$25,000,000 for salaries and benefits, and \$15,826,000 for travel, training, and contract support costs.

II. PURPOSE

The objective of this audit was to conduct an independent evaluation of NSIR operations. Specifically, the evaluation focused on NSIR's management of its emergent work, communications with stakeholders, and implementation of the organizational effectiveness assessment recommendations. Appendix A contains information on the audit scope and methodology.

III. FINDINGS

Since its inception in April 2002, NSIR has been involved in many substantive activities to include implementing security orders and the approval of revised security plans for all power reactors and Category I fuel cycle facilities, enhanced the implementation of the force-on-force exercise program, and coordinated closely with the Department of Homeland Security on a wide range of security and safety initiatives. However, in the achievement of its mission NSIR:

- A. Needs to improve the management of its workload.
- B. Needs to improve its security communications procedures and to be positioned to assess the success of its internal and external security communications.
- C. Has not fully addressed the recommendations provided by the contractor hired to assess NSIR's organizational effectiveness.

These shortcomings occurred because NSIR managers, faced with competing priorities, have not spent adequate time to address these matters. As a result, NSIR operates in an unpredictable environment which negatively impacts its ability to accomplish its work, reduces morale of the staff, and shows no sign of improvement.

A. NSIR Needs Workload Management Improvements

While NSIR has accomplished much, the office still needs to improve the management of its workload. Improvements are needed because NSIR lacks an adequate process for evaluating and integrating unanticipated assignments ("emergent work") into its current workload and because the office's process for tracking emergent work is ineffective. As a result, NSIR staff are overworked, the office failed to accomplish 12 percent of its FY 2004 planned and budgeted activity and managers need to improve the ability to adequately accommodate the office's future workload.

Efficiency and Decisionmaking Requirements

The Government Performance and Results Act of 1993 holds Federal agencies accountable for achieving program results; therefore, NRC developed specific measures to compare actual program results with strategic performance goals. The achievement of these performance measures are tracked in office operating plans and are reported on a quarterly basis to the Office

of the Chief Financial Officer. Outcomes are scored in terms of successful performance, mixed results, and unsatisfactory performance.

According to the Government Accountability Office's *Standards for Internal Controls in the Federal Government*, agency internal controls should provide reasonable assurance that agency objectives are being achieved, for example, that operations are effective and efficient, including the use of entity resources. Furthermore, both this guidance and Office of Management and Budget Circular No. A-123 (OMB A-123), *Management Accountability and Control*, require that internal controls ensure that reliable and timely information is obtained, maintained, reported, and used for management decisionmaking. The intent is to ensure that agency managers receive information needed to assess whether they are meeting their annual performance goals, as well as the goal for effective and efficient use of resources.

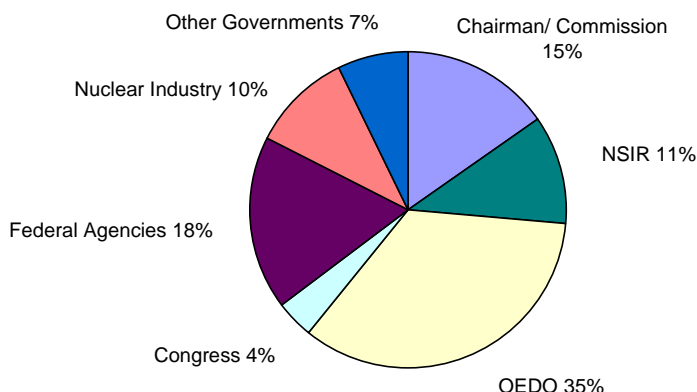
Workload Management Improvements Needed

NSIR manages its workload ineffectively by focusing on (a) unanticipated assignments ("emergent work") to the detriment of (b) planned and budgeted activities.

a. The Emergent Workload

Since its inception in 2002, the NSIR staff has had to deal with a significant number of assignments that fall outside of the planned and budgeted activities reflected in the office's annual operating plan (referred to in NSIR as the Leadership Operating Plan). These unplanned and unbudgeted assignments, referred to as "emergent work," are usually initiated from entities external to NSIR. As indicated by the pie chart below depicting the 394 emergent work entries analyzed, 35 percent of the emergent work items are assigned from the Office of the Executive Director for Operations (OEDO) and other NRC program offices, 18 percent reflect requests from other Federal agencies, 15 percent represent work assigned by the Commission, and the remainder reflects requests from a variety of other entities.

Sources of NSIR's Emergent Work, April 2004 - April 2005



NSIR managers could not precisely quantify the amount of emergent work assigned to NSIR, but estimated that the office handles about 12 to 15 FTEs of unexpected work each year based on emergent work assignments tracked and managed from May to December 2004.

Examples of emergent work cited by NSIR staff include unscheduled participation in national preparedness exercises, classification reviews of reports and other documents, responding to Chairman and Commission requests for security information, and answering queries from Congress and the Department of Homeland Security.

b. Impact on Planned and Budgeted Activities

Attending to emergent work has an impact on NSIR's planned and budgeted activities and its ability to support NRC's performance goals. According to NSIR's *FY 2004 Leadership Operating Plan, Close Out Status Report*, which documents the achievement of performance measures established to support NRC's Strategic Plan, NSIR was unable to achieve a satisfactory score for about 12 percent of its performance indicators. Mixed results were reported for 17 percent of the performance indicators. Following are examples of the performance measures for which NSIR reported unsatisfactory results:

- **FOIA Requests** – Forty-three percent of the Freedom of Information Act requests were not completed on time.
- **Foreign Travel Indicators** – NSIR was generally unable to meet the deadlines for these reports, which summarize issues that have technical or administrative significance to the agency. These reports were not completed on time.
- **FTE Expenditures** – NSIR was unable to take advantage of staffing opportunities to hire up to its authorized level during FY 2004. As a result it was unable to perform activities for safeguards inspections and regulatory improvements.
- **Quality of EDO-Controlled Correspondence**² – Twenty-six percent of the controlled correspondence items were returned to NSIR for administrative corrections.

Most Assignments Treated as High Priority; Emergent Work Process Not Fully Implemented

NSIR does not adequately manage its workload for two reasons:

- a. NSIR's process for evaluating the appropriate priority level for emergent work and then integrating these work assignments into the office has not been effectively implemented.
- b. NSIR is not completely implementing its Emergent Work Process and subsequently cannot use data gathered through this process to adjust resources to better accommodate the office workload.

a. Integration of Assignments Needs to be More Effectively Implemented

Despite reporting emergent work as a challenge since the office was established in April 2002, NSIR managers generally consider emergent work their first priority and push assignments aside to address the emergent work. Officials said they believe that upper management does not say "no" to additional work. NSIR managers assign most emergent work assignments a high priority weight, frequently adding more assignments to the workload before other high priority work has been completed.

² Controlled Correspondence refers to communications that – on the basis of their source, subject matter, or possible impact on NRC programs – require priority control, response, and management awareness. Such assignments are conveyed to NSIR through the agency's green ticket system or through the agency's Work Item Tracking System.

NSIR managers stated that there is high-level interest in security issues within NRC and from external sources, and NSIR wants to address its NRC stakeholders and Federal partners by responding to their respective requests. One manager said NSIR's job is to work the highest priority level work – which he considers to be emergent work – first, and that short-turnaround deadlines are the “nature of the beast” because a significant portion of NSIR's assignments are emergent work.

b. Incomplete Implementation of Emergent Work Process

NSIR managers are not completely implementing the office's Emergent Work Process to help the office obtain timely and reliable information to plan for and accommodate the emergent workload.

In June 2004, NSIR initiated an Emergent Work Process to help managers quantify and document NSIR's emergent work and assess its impact on budgeted work. Two important tools for this Process were to be the office's work tracking database and the emergent work log (a WordPerfect table located on the shared drive). The work tracking database was to be used by NSIR mailroom staff to record specific details about emergent work assignments and the emergent work log was to be used by NSIR managers to document the impact of emergent work on the office's workload. Together, it was envisioned, these tools would allow managers the information they need to track emergent work, assess its impact on office operations, and inform the budget process to plan for future needs.

However, the Emergent Work Process is not working as effectively as intended because NSIR staff are not consistently recording emergent work assignments in the log and mailroom staff are not including these assignments in the ticket tracking system. Consequently, NSIR managers do not have the information they need to quantify these assignments, assess their impact, assist with resource management and workforce planning, and inform the budget process. Furthermore, this situation denies managers access to reliable and timely data necessary to make decisions in accordance with OMB A-123 requirements. Such information could also help managers establish a prioritization for new assignments.

Staff reported that they do not use the emergent work log consistently because only one user can enter data at a time, it is time consuming to enter the data, and because they have a short amount of time before the assignment is due. In fact, a few sections use an independent tracking system for purposes of managing their own workload.

NSIR Operates in a Unpredictable Mode and Lacks Information to Effect Change

As a result of treating most assignments as high priority assignments and failing to collect data to inform the budget process to better plan for future emergent work, NSIR is unable to operate in other than an unpredictable mode on a constant basis. This environment of taking on unanticipated assignments and then designating these assignments as high priority required 26 members of NSIR's staff to work 4,739 hours of overtime during FY 2004, or approximately 182 overtime hours per person. According to some staff, everything has to be done immediately and in one division it is estimated that 50 percent of the time staff are pulled from one assignment to work on other incoming assignments. NSIR's attrition rate for fiscal years 2003 and 2004 (5.69 percent and 7.05 percent, respectively) was higher than the agency's attrition rate.³ Long workdays and unrealistic deadlines are factors that lead to an increase in employee fatigue, stress, a lack of concentration, and burnout. Furthermore, the level of emergent work affects the staff's ability to turn in OEDO-controlled correspondence that does not have to be returned for corrections, and is completed on time.

NSIR staff said they thought the flow of emergent work and other assignments would slow down as the years since the terrorist incidents of 9/11 passed. Given that this has not occurred, NSIR should develop a means for ranking the assignments it receives to ensure the economical use of its resources.

Compounding this problem is that NSIR's emergent work tools (ticket tracking and emergent work log) need to be refined to document the use of its resources and to provide the basis for the budget increases it requires. The emergent work log could be enhanced by including pertinent information such as the number of emergent work assignments NSIR received, how often the assignments are received, the source of the assignments, and how long the staff has to work on them, so managers can better inform the budget process concerning actual resource needs.

³ The agency's attrition rate for fiscal years 2003 and 2004 was 5.02 percent and 5.06 percent, respectively.

Summary

Because NSIR treats most of its assignments as high priority and has not fully implemented its Emergent Work Process, the office is unable to effectively manage its workload and operates in an unpredictable mode on a constant basis. By taking the steps recommended below, NSIR will reduce the overtime worked by staff and prevent the staff from experiencing the effects of employee burnout.

Recommendations:

OIG recommends that the Executive Director for Operations:

1. Establish a means of assessing the current workload and prioritizing assignments, including but not limited to emergent work, as they are received, so they can be incorporated into the workload without overextending NSIR's resources.
2. Review the Emergent Work Process to ensure emergent work is accurately documented to assist with workforce and budget decisions.
3. Develop an emergent work log that is user-friendly and records the required information on the impact of emergent work on NSIR planned/budgeted assignments.

B. NSIR'S Security Communications Procedures Need Improvement

The requirements for the establishment of NSIR included mandates to improve the agency's communications concerning security issues and to determine the effectiveness of communications between this newly formed office and its internal and external stakeholders. Despite these requirements, weaknesses exist in NSIR's process for interacting with other offices and stakeholders, and the office has performed limited assessments of the success of its communications. These weaknesses exist because NSIR did not establish:

- Policies and procedures for interactions between NSIR and the program offices and regions.
- A method to measure the effectiveness of its internal and external communications.

If NSIR is unsuccessful in communicating with its stakeholders, these problems could lead to the incorrect dissemination of information, inappropriate use of resources, and diminished public confidence.

Commission Mandates for Improved Communications

In creating NSIR, the Commission included the mandate to improve NRC's security communications, both internally and externally. The Commission directed NSIR to (1) improve NRC's communications with internal and external stakeholders, and 2) develop procedures to manage NSIR's interactions and coordination with other NRC offices.

NSIR's Security Communications Need Improvement

NSIR communicates with NRC offices, regions, licensees and the public in a variety of formats including working groups, steering committees, public meetings, and conference calls. Despite these interactions and requirements for improved security communications and procedures, NSIR's process for interfacing with program offices and regions is not always sufficient. Specifically,

- a. NSIR management officials do not always give other program offices enough time to thoroughly review, provide input, and concur on documents containing reactor security issues.

- b. The office does not provide sufficient guidance on how regional resources to be used for security programs are to be allocated.
- c. NSIR lacks a means to determine whether improvements are achieved in security communications.

- a. Inadequate Time Allotted for Input and Concurrence

NSIR management officials do not always give other program divisions enough time to thoroughly review, provide input, and concur on documents containing reactor security issues. For example, NSIR allotted only 3 hours for another office's management to provide input and concurrence on a document addressing reactor security issues. This document, which pertained to fire safety, contained regulations that would have a far reaching impact on licensees and NRC. Managers in that office recalled they had significant questions about the document and raised issues that, they stated, should have been addressed and resolved earlier in the input and concurrence process. These individuals informed NSIR that they would not be able to comment and concur within the time constraint. Therefore, instead of waiting for that office's input, NSIR forwarded the document to the Office of the Executive Director for Operations without the benefit of agreement on issues that affect more than NSIR. Similar problems have occurred in situations when NSIR required another office to review regulatory actions (e.g., generic communications, regulatory guide revisions, rulemaking) pertaining to safety-security issues.

- b. NSIR Does Not Provide Sufficient Guidance on How Regional Resources Are to be Allocated

NSIR has inefficient communications with NRC's regional offices concerning the use of resources that NSIR provides to the regions. Although NSIR provides each region with FTE resources, it does not sufficiently indicate how these limited resources are expected to be used during the given year. For example, NSIR will provide each regional office with 7 FTE to perform physical security inspections. However, as NSIR adds security requirements, or assigns emergent work to the regions, NSIR expects the regions to fulfill the requirements without additional resources. One regional office management official stated that NSIR neglects to communicate with the regions ahead of time, and instead just tells the region what is required of the region when the need arises. In these instances NSIR can make multiple requests for the region to use the same resources because NSIR does not make a clear indication of how the resources are to be utilized.

c. NRC Lacks a Means to Determine Whether Improvements are Achieved in Security Communications

NSIR has not assessed its communications or measured its levels of improvement in communications as mandated by the Commission when the office was established. As part of the 1-year assessment of NSIR's organizational effectiveness, Acton Burnell interviewed internal and external stakeholders to gauge stakeholder satisfaction and expectations of the newly formed NSIR organization. Although the assessment reflected positive results based on a limited number of questions and respondents, this cannot be construed as a reliable indicator of improvement due to those limitations. More than one-half of the respondents in some groups reported being unqualified to answer, the result was based on a single question, and only one public interest group was consulted. Furthermore, internal and external stakeholders were not interviewed in any of NSIR's attempts to address some of the recommendations contained in the Organizational Effectiveness Assessment. Consequently, NSIR does not know if it has improved security communications and lacks a baseline from which to measure improvement.

Policy and Procedure Not Established for Interactions Between NSIR and its Stakeholders

NSIR's communication problems exist because the office did not establish within its infrastructure (1) policies and procedures for interfaces between NSIR and its stakeholders, including other NRC program offices, the regions, and public interest groups, and (2) procedures for assessing improvements in internal and external communications. Thus, while the office would benefit from policies and procedures that, for example, provide guidance on managing the communications process or measuring the status of NSIR's communication efforts, NSIR lacks such policies.

In the absence of communications policies, some NSIR sections/divisions have devised their own policies based on their experiences and needs. For example, to expedite the communications process some staff hand carry documents to gather input from other offices included in the concurrence chain. NSIR has drafted one procedure for interfacing with the Commission, titled *Office Procedure for Communicating Information to Commissioners' Assistants*, but it is not yet in effect. NSIR office

procedures include *Internal Commission-Level Correspondence Procedures*, COM 203, October 1, 2002, and *Management of Controlled Correspondence*, COM 201, February 19, 2005, but organizational changes have caused the first procedure to be outdated and the latter not to be used.

Diminished Public Confidence

NSIR's lack of policies and procedures for efficient communications with its stakeholders has led to diminished public confidence. Three representatives of public interest groups conveyed dissatisfaction concerning NSIR's methods for communicating. NSIR's lack of policies and procedures could also lead to the incorrect dissemination of information and inappropriate use of resources. NSIR's ability to share sensitive or classified information is limited to those who have a need to know, as well as by NRC policy, however their unclassified communication needs to be increased to enhance public confidence. OIG reported on a related situation in the audit of *NRC's Generic Communications Program*⁴. During that audit, OIG found that the issuance of generic communications outside of NRC's existing policies and procedures compromises its openness policy thereby affecting the public confidence in NRC's regulatory process and decision-making.

Recommendations

OIG recommends that the Executive Director for Operations:

4. Establish and implement policies and procedures for communications between NSIR and internal and external stakeholders.
5. Establish and implement a method to measure the level of effective communications.

⁴ *Audit of NRC's Generic Communications Program* (OIG-05-A-19), September 30, 2005.

C. Incomplete Consideration of Contractor Recommendations

NSIR managers failed to give timely consideration to recommendations provided by the contractor hired to assess NSIR's organizational effectiveness 1 year after the office's inception. Although the organizational assessment was mandated by the Commission, there was no associated mandate to follow through on recommendations. In addition, competing priorities in NSIR made it difficult for managers to complete action on the recommendations. As a result, 3 years after the contractor issued its assessment on NSIR, the office still exhibits some of the problems identified during the initial assessment.

Requirements

As previously stated, upon its approval for the establishment of NSIR, the Commission required the Executive Director for Operations to perform an organizational assessment within 1 year of the new office's formation and provide the Commission with the results of this assessment. As a result, NSIR entered into a contract with Acton Burnell, the consulting firm selected to perform the assessment.

OMB A-123 makes Federal managers responsible for taking timely and effective action to correct deficiencies identified by audits, evaluations, and related recommendations. In accordance with OMB A-123, managers are tasked with promptly evaluating and determining proper actions in response to known deficiencies. Managers are expected to complete all actions that correct or otherwise resolve these problems.

Incomplete Response to Recommendations

Despite OMB A-123 requirements for timely response to deficiencies identified by audits and evaluations, while NSIR managers have taken action on recommendations provided by the contractor hired to perform the 1-year assessment some were not completely addressed. Furthermore, some actions taken did not meet the intent of the recommendations.

Acton Burnell's principle findings, reported in *NSIR One Year Later: An Organizational Effectiveness Assessment*, dated May 21, 2003, pertained to constantly changing work priorities, inequitable work distribution, and the lack of office procedures. This report included eight "quick hit" recommendations and five multi-part comprehensive recommendations. Implementation of the quick hit recommendations required low-cost efforts such as the adoption of

pre-existing policies and procedures from other NRC organizations. The remaining recommendations required a more comprehensive approach to implement, for example, proactively influencing/managing priorities and resuming public outreach to selected external stakeholders. See Appendix B for a full listing of Acton Burnell's recommendations.

As stated above, a number of efforts were initiated by various members of NSIR's staff to resolve some of the recommendations. For example, in response to Acton Burnell's concern about workspaces located in high-traffic, noisy areas, an NSIR official worked with the Office of Administration to request additional office space. However, this did not take care of the initial concern, which was not focused on a need for additional space, but rather a need for a quieter space. See Appendix B for OIG's assessment of NSIR's actions.

In 2004 NSIR hired Acton Burnell to perform a "pulse check" to determine how well NSIR had progressed from the initial assessment. The "pulse check" was limited in scope with a limited review of actions taken on recommendations from the prior assessment. However, the 2004 "pulse check" reported the staff's concern about a deviation from the mission due to the high volume of non-mission-essential emergent work. It was also reported that the staff felt pressured to work overtime and the culture of the office is that you can't say "no" to additional assignments

No Requirement or Process to Address Recommendations

NSIR did not fully implement actions on the assessment recommendations because

- There was no requirement to report on actions taken and improvements made.
- NSIR lacked a followup system for tracking the recommendations.
- NSIR faced challenges in handling its workload.

While NSIR was required to conduct an organizational assessment and report the results to the Commission, there was no requirement to report on followup activities after the performance of the initial organizational assessment. NSIR was not required to take the actions necessary to implement the assessment recommendations. OIG was told that the assessment recommendations were not implemented because the NSIR staff was too busy reacting to the

environment rather than taking the time to address the recommendations, and OIG believes the managers preferred to have the staff handle the emergent work rather than work on the recommendations.

Similar Issues Remain Today

Similar problems to those identified in Acton Burnell's 1-year assessment remain today, as evidenced by the pulse check performed by Acton Burnell and the findings reported in this OIG audit report. As a result, NSIR's program remains affected by changing priorities that result from emergent work, staff are working numerous hours of overtime, and managers are unable to turn down assignments. These issues mirror those reported by the contractor.

Recommendation:

OIG recommends that the Executive Director for Operations:

6. Assess the recommendations from the 2003 office assessment to determine their applicability and implement those that would benefit NSIR today.

IV. CONSOLIDATED LIST OF RECOMMENDATIONS

OIG recommends that the Executive Director for Operations:

1. Establish a means of assessing the current workload and prioritizing assignments, including but not limited to emergent work, as they are received, so they can be incorporated into the workload without overextending NSIR's resources.
2. Review the Emergent Work Process to ensure emergent work is accurately documented to assist with workforce and budget decisions.
3. Develop an emergent work log that is user-friendly and records the required information on the impact of emergent work on NSIR planned/budgeted assignments.
4. Establish and implement policies and procedures for communications between NSIR and internal and external stakeholders.
5. Establish and implement a method to measure the level of effective communications.
6. Assess the recommendations from the 2003 office assessment to determine their applicability and implement those that would benefit NSIR today.

V. AGENCY COMMENTS

At an exit conference with agency senior executives held on November 10, 2005, NRC officials generally believed the recommendations in the report were constructive however, they did not believe the findings reflected the current condition of the organization. Subsequent to the exit conference, NRC provided informal comments on the draft report and OIG met with an NSIR representative to address specific report issues and concerns. This final report incorporates revisions made, where appropriate, as a result of the subsequent meetings and the agency's informal comments.

On January 19, 2006, the Deputy Executive Director for Reactor and Preparedness Programs, Office of the Executive Director for Operations, provided a formal response to this report in which the staff generally agreed with the report's recommendations, but not with all aspects of the OIG assessment. Based on the formal comments no additional changes were made to the report.

The Deputy Executive Director's transmittal letter and specific comments on this report are included as Appendix C. Appendix D contains OIG's specific responses to the agency's comments.

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SCOPE AND METHODOLOGY

Auditors conducted an independent evaluation of NSIR's operations. The audit focused on NSIR's management of its emergent work, communications with stakeholders, and implementation of the organizational assessment recommendations.

OIG reviewed relevant criteria including the Staff Requirements Memorandum (SECY-02-0036) that established NSIR; Management Directive 10.77, "Employee Training and Development," Management Directive 4.4, "Management Controls," the agency's strategic workforce plan establishing the means for recruitment, retention and development of professional engineering and security staff; United States Government Accountability Office "Standards for Internal Control in the Federal Government," NSIR FY2005 Management Control Plan; NRR Office Instruction No: BUD-102, "NRR Add/ Shed/ Defer Procedure." OIG reviewed and analyzed the contract between NSIR and Acton Burnell, Inc. for the development and implementation of an organizational effectiveness assessment and the assessment report developed by Acton Burnell, Inc.

OIG interviewed numerous members of NSIR's management and staff to discuss how the office conducts and handles assessment reviews, emergent work, staff development, interoffice communication, and relationship development with stakeholders. Auditors also interviewed members of the Commission's staff, and employees of the OEDO, NRC program offices and the regions. In addition, auditors spoke with industry representatives and representatives of public interest groups to determine the effectiveness of their interactions with NSIR.

In an effort to analyze NSIR's workload, auditors analyzed more than 200 Controlled Correspondence tickets from the EDO tracking system representing assignments given to NSIR in 2004. More than 400 emergent work items contained in NSIR's emergent work log were also analyzed by the audit team to assess the amount of unanticipated assignments NSIR received in a 1-year period.

This work was conducted from October 2004 through June 2005, in accordance with generally accepted Government auditing standards and included a review of management controls related to audit objectives. The work was conducted by Beth Serepca, Team Leader; Shyrl Coker, Audit Manager; Vicki Foster, Senior Management Analyst; David Ditto, Senior Management Analyst; Rebecca Underhill, Management Analyst; and Erica Horn, Auditor.

ORGANIZATIONAL EFFECTIVENESS ASSESSMENT RECOMMENDATIONS

Quick Hit Recommendations			
Acton Burnell Recommendation (2003)	Actions Taken in Response to Recommendations	Pulse Check (2004)	OIG Assessment
(1) Assign DNS administrative staff to support DNS technical staff	Working group formed to address this recommendation; no further action taken	Has shown improvement in this area	Action on this recommendation continues
(2) Empower section chiefs to assess functional alignment issues within DNS	NSIR did not take specific action on this recommendation	Mixed results reported in this area	Overcome by office reorganizations
(3) Address equitable distribution of work in DNS	NSIR did not take specific action on this recommendation	Equitable work distribution improving; use of go to's continues	NSIR continues to rely on specific staff members
(4) Adopt/modify existing policies from other NRC offices	Some of NSIR section chiefs adopted policies and procedures for their own sections	Lack of knowledge of procedures	NSIR still needs improvement in this area
(5) Provide DNS staff with IT resources needed to process secure information	NSIR wants to initiate the creation of an electronic safe room to maintain safeguards information	Mixed results from staff; however, marked improvements are reported for IT/ Tool Support	IT resources provided, and NSIR has initiated the development of the electronic safe room
(6) Create templates for external communication	NSIR did not address this recommendation	Not included in the pulse check	NSIR's reliance on the expertise of the staff rather than creating templates does not meet the intent of the recommendation
(7) Seek to utilize ideas of people with pre-NSIR business knowledge and expertise	NSIR utilizes the business knowledge and expertise of its personnel who came from other offices and agencies	Stated in pulse check that some staff feel their expertise is not trusted or respected.	NSIR still needs improvement on this recommendation
(8) Work with the Office of Administration to improve work environment. Explore ways to reduce distractions	NSIR requested additional office space, scaled offices down and established shared offices	No improvement in this area	Actions do not meet the intent of the recommendation

ORGANIZATIONAL EFFECTIVENESS ASSESSMENT RECOMMENDATIONS

Comprehensive Recommendations			
Acton Burnell Recommendation (2003)	Actions Taken in Response to Recommendations	Pulse Check (2004)	OIG Assessment
(1) Clarify Leadership Roles and Responsibilities and adjust distribution of work	NSIR has not taken specific action on this issue	Improvement shown in this area	Distribution of work remains an issue
(2) Implement or resume public relations outreach	NSIR has recently conducted several meetings open to the public	Not included in the pulse check	NSIR has shown improvement in this area
(3) Improve or establish standard internal administrative processes and procedures	NSIR began establishing procedures but had to focus on higher priority tasks as the staff grew	Mixed results in this area	Policies and procedures reviewed need improvement
(4) Improve the overall effectiveness of internal and external communications	NSIR has not fully addressed this issue	Not included in the pulse check	Weaknesses exist in NSIR's communications process
(5) Review internal performance goals, measures, and measurement systems	NSIR revamped its operating plan	Not included in the pulse check	NSIR's new operating plan appears to be adequate

FORMAL AGENCY COMMENTS

From: Melinda Malloy
To: Beth Serepca
Date: 2/2/06 11:29AM
Subject: Staff comments on final draft OIG report re: audit of NSIR

Beth,

The staff provided written comments on OIG's Dec. 19, 2005 final draft audit report on NRC's Office of Nuclear Security and Incident Response in a memo from William Kane, DEDR to Steve Dingbaum dated January 19, 2006 (available at ML060240290). This document was marked "Official Use Only - Sensitive Internal Information" due to the markings on the draft report. OEDO has reviewed this document and has no objection to its inclusion in OIG's final audit report. As we discussed, to facilitate completion of the audit report, you may strike out the markings, top & bottom, on all pages of the memo and annotate the first page to reflect our agreement to put the memo in the final audit report. As the memo has already been declared as an official record, I will work with ADAMS IM to correct the copy of the official record in ADAMS. If they tell me to do this another way, I'll let you know as soon as possible.

Melinda Malloy,
OEDO OIG
Audit Liaison
415-1785

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UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

January 19, 2006

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

FROM: William F. Kane
Deputy Executive Director for Reactor
and Preparedness Programs
Executive Director for Operations *William F. Kane*

SUBJECT: COMMENTS ON FINAL DRAFT AUDIT REPORT ON NRC'S OFFICE
OF NUCLEAR SECURITY AND INCIDENT RESPONSE

In response to your memorandum of December 19, 2005, I am providing the Nuclear Regulatory Commission (NRC) staff's comments on the Office of Inspector General (OIG) Final Draft Audit Report: Audit of NRC's Office of Nuclear Security and Incident Response (NSIR). We appreciate the OIG's revisions to the report to accommodate some of the comments the staff provided and discussed with OIG representatives in November 2005. The OIG has improved the accuracy and objectivity of the final draft audit report. As discussed previously, we agree in general with the recommendations in the report.

However, based on the staff's review of the final draft audit report, it continues to present what we believe to be an incomplete and, in some instances, inaccurate assessment of the performance of NSIR. Our specific concerns include:

- a. Findings in the report are based on dated performance information from Fiscal Year 2004 [page 9, lines 1-25; page 12, lines 19-28] and follow-up actions on recommendations made in Fiscal Year 2003 [page 21, lines 3-12; page 22, lines 10-22]. NSIR's performance has continued to improve since its establishment in April 2002. Consequently, the report's findings and recommendations would be more timely and relevant if they were based on more current performance information from Fiscal Year 2005, the year during which the audit was performed and for which budget information is presented in the report.
- b. The report states that NSIR managers have not spent adequate time to address workload management, communications, and self-assessment recommendations and, as a result, NSIR operates in an unpredictable environment that shows no sign of improvement [page 5, lines 11-25]. Contrary to the report, NSIR managers have used available resources to hire and develop new staff and build the organization, successfully completed a large amount of emergent work and a significant percentage of budgeted work (> 88% during Fiscal Year 2004), and developed and implemented the work processes and procedures to make NSIR more effective and efficient.

CONTACT: Michael F. Weber, NSIR
415-0174

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Email Dated 2/2/06 - See Page 25

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Assessments before, during, and after the audit period have documented continued improvement in NSIR's performance, including the recently completed NRC 2005 Safety Culture and Climate Survey conducted by the OIG. Moreover, the report does not describe ongoing actions by NSIR to improve workload management, use experience in developing more realistic budgets, and enhance organizational effectiveness and efficiency.

For example, the report omits recognition that the independent tracking systems for managing workload [page 12, lines 8-10] are being developed and tested as part of a pilot project, approved by NSIR management, to refine existing procedures and tools for managing work in the office. This pilot was in process during the audit period and has been expanded in scope to include additional sections in the Division of Nuclear Security. In addition, the report does not recognize the reorganizations and addition of managers and supervisors, including an ongoing reorganization approved by the Commission on November 14, 2005, to improve workload management and the working environment in NSIR.

- c. The report states that NSIR has not assessed its communications nor measured its levels of improvement in communications as mandated by the Commission and more than half of the respondents to NSIR's self-assessment reported being unqualified to answer the survey questions [page 18, lines 2-4 and 11-14]. Contrary to the report, NSIR has assessed its communications (both internal and external) as part of the self-assessment in 2003 as directed by the Commission and has followed up with assessments of internal communications in self-assessments conducted in both 2004 and 2005. In addition, the report does not recognize that at least some of the external stakeholders' concerns about NSIR communications are driven by Commission policy on the protection of sensitive information, which contributed to the respondents stating that they were not "qualified" to comment on NSIR communications because they had not received them [page 19, lines 24-27].
- d. The report states that NSIR managers failed to give timely consideration to recommendations provided by the contractor hired to assess NSIR's organization effectiveness one year after the office's inception [page 21, lines 3-6]. Contrary to the report, NSIR aggressively considered the recommendations of the contractor's report (dated May 21, 2003) by assessing the recommendations within 2 weeks of receiving the report, conducting an NSIR management retreat (June 4-5, 2003) to assess the recommendations and identify short-term and long-term enhancements, and documenting the results of the staff's assessment in a Commission paper (SECY-03-0104, "Organizational Effectiveness Assessment for the Office of Nuclear Security and Incident Response, June 23, 2003). The staff briefed the Commission on the assessment results along with planned actions in NSIR's first program review with the Commission on July 1, 2003. None of these actions are discussed in the report, even though they quite clearly document the extensive and timely consideration of the contractor's recommendations.

The staff previously provided comments and suggested alternative language to resolve these major comments and would be happy to work with OIG staff again to further improve the quality and relevancy of the report. Please contact me directly to arrange for any further interactions that you believe may be warranted before you issue a final report.

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DETAILED OIG ANALYSIS OF AGENCY COMMENTS

On November 10, 2005, OIG discussed its draft report with agency senior executives. Subsequent to that meeting, NRC provided informal comments on the draft report and OIG met with an NSIR representative to address specific issues and concerns needing further clarification and/or explanation. On January 19, 2006, the Deputy Executive Director for Reactor and Preparedness Programs, Office of the Executive Director for Operations, transmitted a memorandum with formal comments on this report (see Appendix C).

Below is OIG's analysis of the agency's formal comments.

NRC Comment 1

1. Findings in the report are based on dated performance information from Fiscal Year 2004 [page 9, lines 1-25; page 12, lines 19-28 (*page 7 and page 9 of this final report*)] and follow-up actions on recommendations made in Fiscal Year 2003 [page 21, lines 3-12; page 22, lines 10-22]. NSIR's performance has continued to improve since its establishment in April 2002. Consequently, the report's findings and recommendations would be more timely and relevant if they were based on more current performance information from Fiscal Year 2005, the year during which the audit was performed and for which budget information is presented in the report.

OIG Response

Fiscal Year 2004 performance information was the recent complete year of data available at the audit's initiation. As the fieldwork progressed through June 2005 the performance reports for the First, Second and Third Quarter of FY 2005 Performance Reports were reviewed to note changes in NSIR's performance. Emergent work continued to be cited as a challenge although some improvements were noted. Furthermore, the Senior Performance Official's Report dated September 23, 2005, includes among the areas for improvements, some of the same issues cited in the report.

NRC Comment 2

2. The report states that NSIR managers have not spent adequate time to address workload management, communications, and self-assessment recommendations and, as a result, NSIR operates in an unpredictable environment that shows no sign of improvement [page 5, lines 11-25 (*page 4 of this final report*)]. Contrary to the report, NSIR managers have used available resources to hire and develop new staff and build the organization, successfully completed a large amount of emergent work and a significant percentage of budgeted work (>88% during Fiscal Year 2004), and developed and implemented the work processes and procedures to make NSIR more effective and efficient.

Assessments before, during, and after the audit period have documented continued improvement in NSIR's performance, including the recently completed NRC 2005 Safety Culture and Climate Survey conducted by the OIG. Moreover, the report does not describe ongoing actions by NSIR to improve workload management, use experience in developing more realistic budgets, and enhance organizational effectiveness and efficiency.

For example, the report omits recognition that the independent tracking systems for managing workload [page 12, lines 8-10 (*page 9 of this final report*)] are being developed and tested as part of a pilot project, approved by NSIR management, to refine existing procedures and tools for managing work in the office. This pilot was in process during the audit period and has been expanded in scope to include additional sections in the Division of Nuclear Security. In addition, the report does not recognize the reorganizations and addition of managers and supervisors, including an ongoing reorganization by the Commission on November 14, 2005, to improve workload management and the working environment in NSIR.

OIG Response

OIG provided NSIR an opportunity to provide additional information and supporting documentation for the report after the exit conference and changes that could be supported were made. While there was discussion of using one of the section chief's tracking systems for managing the organization's workload, the pilot project did not come to fruition until well after our field work was completed and no documentation of the pilot was provided during the collection of report comments from NSIR. NRC's 2005 Safety Culture and Climate Survey did not address the specific issues raised in this report.

NRC Comment 3

3. The report states that NSIR has not addressed its communications nor measured its levels of improvement in communications as mandated by the Commission and more than half of the respondents to NSIR's self-assessment reported being unqualified to answer the survey questions [page 18, lines 2-4 and 11-14 (*page 13 of this final report*)]. Contrary to the report, NSIR has assessed its communications (both internally and external) as part of the self-assessment in 2003 as directed by the Commission and has followed up with assessments of internal communications in self-assessments conducted in both 2004 and 2005. In addition, the report does not recognize that at least some of the external stakeholders' concerns about NSIR communications are driven by Commission policy on the protection of sensitive information, which contributed to the respondents stating that they were not "qualified" to comment on NSIR communications because they had not received them [page 19, lines 24-27 (*page 14 of this final report*)].

OIG Response

A number of NSIR's informal comments were incorporated into this section to address many of the concerns raised in the comment above. The communication assessment of 2004, which was provided to us did not include any external stakeholders and we did not receive documentation verifying that their inclusion in the 2005 assessment. In fact the Senior Performance Official's Report of September 23, 2005, includes communication and coordination with the Regions, other offices, and DHS, as an area of improvement for NSIR. The report further states that NSIR should look for ways to improve the safety, and security interface with counterparts. Therefore, the report stands as written.

NRC Comment 4

4. The report states that NSIR managers failed to give timely consideration to recommendations provided by the contractor hired to assess NSIR's organizational effectiveness one year after the office's inception [page 21, lines 3-6 (*page 15 of this final report*)]. Contrary to the report, NSIR aggressively considered the recommendations of the contractor's report (dated May 21, 2003) by assessing the recommendations within 2 weeks of receiving the report, conducting an NSIR management retreat (June 4-5, 2003) to assess the recommendations and identify short-term and long-term enhancements, and documenting the results of the staff's assessment in a Commission paper (SECY-03-0104, "Organizational Effectiveness Assessment for the Office of Nuclear Security and Incident Response, June 23, 2003). The staff briefed the Commission on the assessment results along with planned actions in NSIR's first program review with the Commission on July 1, 2003. None of these actions are discussed in the report, even though they quite clearly document the extensive and timely consideration of the contractor's recommendations.

OIG Response

A significant number of changes were incorporated into this section of the report based on discussions with NSIR after the exit conference to give NSIR credit for more actions than we initially reported. In addition, OIG reviewed documents and interviewed officials about actions subsequent to the release of the Organizational Effectiveness Assessment and we found that actions cited in these documents did not take place.