

April 14, 1981

MEMORANDUM FOR: Chairman Hendrie

FROM: James J. Cummings, Director
Office of Inspector and Auditor

SUBJECT: GAO DRAFT REPORT ENTITLED "IMPROVEMENTS NEEDED IN THE
NUCLEAR REGULATORY COMMISSION'S OFFICE OF INSPECTOR AND
AUDITOR"

The subject draft report was distributed to you on April 9, 1981.
Attached for further information is GAO's letter transmitting their
draft to NRC. As indicated in the letter, GAO has asked for NRC's
comments within 30 days of the date of the letter, or by May 8, 1981.

In addition, GAO told us that they plan to contact your office to arrange
a briefing on the major findings in their report. If the Commission so
desires, we will request a briefing of all the Commissioners in order
that any questions can be addressed jointly.

In the meantime, unless instructions to the contrary are received from
the Commission, this office will take the lead in preparing agency
comments on the draft. We plan to submit the proposed response for your
review and approval by May 1, 1981.

Attachment:
GAO ltr dtd 4/8/81

cc: Commission (3) w/att

Distribution
OIA File 80A-36
OIA rdr
Wiest

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PDR FOIA
BAUSER84-415 PDR

CONTACT: T. Wiest
OIA - 27051

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UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20548

May 1, 1981



The Honorable Milton J. Socolar
Acting Comptroller General of the United States
General Accounting Office
Washington, D.C. 20548

Dear Mr. Socolar:

On April 8, 1981, the General Accounting Office (GAO) issued to us a draft report entitled "Improvements Needed in the Nuclear Regulatory Commission's Office of Inspector and Auditor" (OIA), and requested that we provide our comments on the draft within thirty days, or by May 8, 1981.

In reviewing the draft report, we have found what we consider to be numerous discrepancies and inaccuracies. Additionally, we have only recently, April 21, 1981, received verbal clarification from GAO as to the specificity of certain aspects of the report.

These conditions have required us to devote an unusually large amount of effort to the preparation of our comments in order to support our posture that GAO's analysis was deficient. We, therefore, believe that an extension in the time allowed for preparation of our comments is necessary to enable us to adequately comment on this report. Such an extension will, in the end, benefit GAO by enabling you to more fairly and accurately present the facts in your final report.

As a result, I am hereby requesting an extension of thirty days be granted in our comment period. If you have any questions or would like to discuss this request, please contact James J. Cummings, Director, OIA on 492-7301.

We appreciate your consideration.

Sincerely,

Joseph M. Hendrie
Joseph M. Hendrie

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

FOSTER

September 8, 1978



MEMORANDUM FOR: Chairman Hendrie
Commissioner Gilinsky
Commissioner Kennedy
Commissioner Bradford
Commissioner Ahearne

FROM: O. Gene Abston, Acting Director
Office of Inspector and Auditor

SUBJECT: FINAL GAO REPORT ENTITLED "THE NUCLEAR REGULATORY
COMMISSION NEEDS TO AGGRESSIVELY MONITOR AND INDEPENDENTLY
EVALUATE NUCLEAR POWERPLANT CONSTRUCTION"

Handwritten signature

In accordance with our August 25, 1975 memorandum concerning coordination of GAO activities within NRC, the subject report is being sent for your information.

It should be noted that recommendations directed to the Chairman, NRC, are contained on pages 11, 23, and 29 of this report. As you know, Section 236 of the Legislative Reorganization Act of 1970 requires the Chairman to submit a written statement on actions taken on GAO recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report. This statement should be submitted to the committees by November 6, 1978. The statement on NRC's actions will be coordinated and drafted by the EDO and should be presented to the Commission for review and approval no later than October 20, 1978.

Enclosure:
Subj Rpt

cc: L. Gossick	R. Minogue
S. Chilk	S. Levine
J. Kelley	C. Smith
C. Kammerer	T. Rehm
K. Pedersen	E. Jordan
J. Fouchard	H. Thornburg
H. Shapar	Region Office
J. Davis	Directors
H. Denton	

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Contact: Fred Herr, OIA
49-27051

lp.

82-121-435



OFFICE OF THE
CHAIRMAN

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

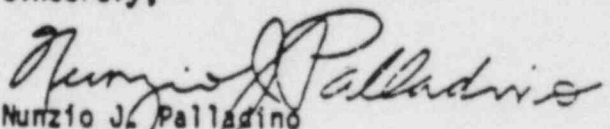
September 23, 1981

The Honorable Morris K. Udall, Chairman
Subcommittee on Energy and Environment
Committee on Interior and Insular Affairs
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In accordance with Section 236 of the Legislative Reorganization Act of 1970, enclosed is NRC's response to the recommendations addressed to the Chairman, NRC, in the General Accounting Office's report entitled, "Improvements Needed In The Nuclear Regulatory Commission's Office of Inspector and Auditor," dated July 9, 1981.

Sincerely,


Nunzio J. Palladino
Chairman

Enclosure:
Response to GAO
Recommendations

cc: Rep. Manuel Lujan

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PDR COMMS NRCC
CORRESPONDENCE PDR

Response to GAO Report Entitled "Improving OIA Work in the Nuclear Regulatory Commission's Office of Inspector and Auditor"
(EMC-81-72)

Recommendation

To improve OIA's effectiveness, we recommend that the Chairman, NRC, require the Director of that office to

- develop a systematic planning and prioritization process for both audit and investigative work which complies with OMB criteria and GAO guidance;

Response

On June 15, 1981, the Commission directed the Director, OIA, to "In the future, present the OIA audit plan in a format which more closely follows the guidance in OMB Circular A-73." This will begin with the preparation of OIA's calendar year 1982 audit plan.

OIA's investigative program responds to allegations referred to OIA; OIA generally does not initiate investigations independently. As a result, OMB and GAO guidance cannot normally be used in planning OIA's investigative workload. Establishing investigative priorities will remain a matter of judgement by OIA management based on factors such as health and safety implications, expressed Commission interest and statutory requirements.

Recommendation

- concentrate its investigative resources on work aimed at eliminating fraud and waste within NRC;

Response

We believe OIA's investigative resources are already concentrated on eliminating fraud and waste in NRC. Nonetheless, in the future OIA will evaluate ways to improve efforts in these areas.

Recommendation

- avoid assigning auditors to investigative work;

Response

It is the policy of the current OIA director that auditors will perform audits and investigators will perform investigations unless there is a bona fide need for an auditor's expertise on an investigation. There have been few instances since 1978 in which auditors have been assigned to investigations.

Recommendation

- establish a process of coordination between the audit and investigative groups in identifying possible assignments, and clearly communicate that process to the OIA staff;

Response

OIA management will establish a policy whereby suggestions from the audit group to investigative group, or vice versa, identifying potential matters for investigation or audit will be more closely controlled and monitored. This process will be documented in the OIA handbook currently being developed for the guidance of the OIA staff.

Recommendation

- develop formal guidance for the staff to follow in carrying out its work;

Response

An OIA handbook setting out OIA policies and procedures for the staff's guidance was under development at the time of the GAO audit. OIA management is currently reviewing this handbook. The Commission has directed that the handbook be completed by December 31, 1981.

Recommendation

- institute a formalized system of control over assignments where milestones and staff resources are established for completing critical steps and periodic job reviews are held to evaluate the status of assignments;

Response

An OIA Audit Milestone and Resource Schedule, which provides for job reviews, has been developed to schedule and monitor audits. This system went into effect August 5, 1981.

Recommendation

- establish and adhere to requirements regarding the follow-up on audit reports, and see to it that office directors respond in writing to OIA investigative reports.

Response

On August 6, 1981, NRC revised its audit report follow-up system to fully document compliance with OMB Circular A-73. OIA's handbook, mentioned above, will establish requirements and guidance to the staff on conducting follow-up reviews on reports. A follow-up schedule for

all reports will be established, but reasonable judgement must be used in adhering to the schedule because of the small size of the OIA staff and the possibility of unplanned higher priority work. OIA will perform more timely follow-up reviews in the future, however.

The staff has established a procedure to assure that required responses to OIA investigative reports are made.

Recommendation

In addition, we recommend that the Chairman, NRC, explore the possibility of assigning non-appropriate employee complaint cases and equal employment opportunity allegations to some other NRC office. This will allow the OIA investigative staff to give greater attention to eliminating fraud and waste within NRC.

Response

The report does not support the finding that too much time has been spent on employee complaint and EEO cases. Furthermore, GAO's recommendation simply proposes transferring work from OIA to some other unspecified office. If other offices had excess manpower it would be more appropriate to transfer staff from that office to OIA rather than transfer this function.

Recommendation

- initiate immediate action to establish a more formal process for seeking agency officials' comments on OIA draft reports. Any exception to this formal process--such as the use of an informal draft to obtain comments--should be clearly disclosed in the final report.

Response

The OIA handbook will document the formal process for seeking agency comments on draft OIA audit reports. The handbook will also specify documentation requirements for the agency comment process in both the report and work papers. Exceptions to the formal process will be clearly documented in the work paper files and to the extent necessary in the final report.

Recommendation

- direct OIA to issue its reports if program offices are untimely in providing their comments and require OIA to reflect in its reports any changes made based on program office comments.

Response

OIA has issued and will continue to issue its reports without the Executive Director for Operations' (EDO) comments if it is believed the EDO is unreasonably delaying comments. OIA will not issue reports to the Commission without EDO comments only because the EDO misses a response deadline. That process would not fairly consider other pressures on the program offices and the EDO and would result in too many issues being unnecessarily elevated to the Commission.

OIA's final reports will identify significant changes made as a result of program office comments.

Recommendation

- discontinue the practice of OIA conducting joint investigations with other NRC offices.

Response

Except during the TMI emergency, when the interview skills of OIA's audit and investigative staff were needed on the various NRC investigations of the TMI accident, OIA has not conducted joint investigations. While we agree with the general principle that OIA should not routinely be involved in joint investigations with other NRC offices, we don't agree that this has been a "practice" which needs to be discontinued.

H 57 52
JUN 12 1981

MEMORANDUM FOR: R. C. DeYoung, Deputy Director, Office of Inspection and Enforcement
FROM: James G. Keppler, Director, Region III
SUBJECT: STATUS OF ZIMMER INVESTIGATION

Per your request, attached is a summary for the Commission of the present status of the Zimmer investigation.

James G. Keppler
Director

Attachment: As stated

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RIII

Streeter/np
6/12/81

RIII

RFW
Warnick

RIII

Davis

RIII

Keppler
6/12/81

STATUS OF ZIMMER INVESTIGATION

June 12, 1981

By letter dated January 5, 1981, to the Office of Personnel Management, the Government Accountability Project (GAP) of the Institute for Policy Studies (a non-government agency) alleged improper construction and quality assurance practices at Cincinnati Gas and Electric Company's Zimmer construction site and charged that NRC (Region III) had failed to perform a thorough and complete investigation of earlier allegations made by a Mr. Thomas Applegate. Nineteen allegations were contained in the GAP package. OIA was instructed by Chairman Ahearne to initiate an investigation into the performance of Region III regarding the earlier allegations, and Region III initiated an investigation into the nineteen allegations provided by GAP and some additional related allegations provided by an ex-construction quality control inspector. From the start the overall investigation broadened considerably as a result of new allegations learned through interviews with workers and ex-workers and, to date, ten NRC inspectors and investigators have spent over 1500 manhours onsite and interviewed over 90 individuals in connection with the investigation.

While some of the nineteen GAP allegations have been fully or partially substantiated, they have not proven to be of major safety importance. However, the broadened investigation has identified major quality assurance weaknesses and some construction deficiencies. The most significant construction problem identified to date involves unacceptable welds in structural beams. However, another problem of major consequence involves widespread concerns regarding the accuracy of many quality records and this matter is being investigated by OIA for possible referral to the Department of Justice.

- OIA/2
Exemption 5/7

Region III issued an Immediate Action Letter on April 8, 1981, to Cincinnati Gas and Electric Company for work remaining at the site to give increased assurance that the work is accomplished in accordance with regulatory requirements. It required substantially more involvement in quality control inspection and the quality assurance program by Cincinnati Gas and Electric Company personnel. Followup inspections by the Senior Resident Inspector and specialist inspectors from the Region III office have confirmed implementation of the requirements of the letter. The results of the ongoing investigation will determine if actions beyond those specified in our April 8, 1981, letter are needed to assure that continuing construction is acceptable.

By letter dated May 11, 1981, GAP informally requested the Region III Director to recommend suspension of the Construction Permit. Based on assessment of the investigation findings to date and recent inspection findings, Region III has taken the position that suspension of construction activities is not warranted. However, Region III has determined that a comprehensive effort will be required to verify the quality of existing construction. Actions to be taken by the licensee to verify the adequacy of past work, as well as independent measurements to be taken by NRC, are being developed.

- OIA/2
Exemption 5

An interim investigation report, summarizing the important findings, is expected to be issued in July. A news conference or public meeting, relative to issuance of the report, is being considered. Completion of the overall investigation, including a final report, is not expected before this Fall.