September 28 2006

MEMORANDUM TO: Chairman Klein
Commissioner McGaffigan
Commissioner Merrifield
Commissioner Jaczko
Commissioner Lyons

FROM: Luis A. Reyes */RA/*
Executive Director for Operations

SUBJECT: SEPTEMBER 2006 QUARTERLY UPDATE: INCREASED CONTROL OF SOURCES

On August 15, 2005, the Commission directed the staff in a Staff Requirements Memorandum (SRM) to implement the actions in COMSECY-05-0028, "Staff Response to SRM for COMSECY-05-0015: Initiatives for Increasing Agreement State Participation in the Control of Sources." In order to keep the Commission fully and currently informed during the initial implementation of the increased controls (IC), the staff has provided updates to the Commission through EDO Daily Notes, the Office of Nuclear Security and Incident Response Monthly Significant Security Activities Update, a Technical Assistants briefing, and Commission memoranda. The staff is also continuing to provide quarterly updates on the status of ongoing U.S. Nuclear Regulatory Commission (NRC) and Agreement State activities relative to the IC. The staff's last monthly update was dated July 27, 2006, and the staff's last quarterly update was dated July 3, 2006.

The Agreement States and NRC staff issued IC requirements for 2,880 licensees that are authorized to possess greater than or equal to a Category 2 quantity. Approximately 1,680 of the NRC and Agreement State licensees who were issued the IC indicated that they possess greater than or equal to a Category 2 quantity. These licensees will implement the requirements and thus, need to be inspected within the three year time frame established by the Commission. All Agreement States and NRC Regions have confirmed the ability to inspect all licensees identified as high-risk based on the prioritization methodology; within the first year approximately 1,000 licensee inspections are planned. Agreement States and NRC staff expect inspection efforts to continue as scheduled.

CONTACTS: Joshua A. Palotay, STP
301-415-6231

Douglas A. Broaddus, NMSS
301-415-8124

The IC inspection phase commenced in June 2006. Recurring questions, potential noncompliances, and interpretation issues of the IC, identified or raised by NRC and Agreement State inspectors, are being presented to the Implementation of Increased Controls Working Group (IICWG). Once resolved by the Working Group, new supplementary guidance is made available to regulatory agencies and licensees as appropriate. The IICWG continues to successfully resolve implementation and compliance issues as they are identified. The IICWG consists of designated representatives as decision making members from various Headquarters and Regional NRC offices, and from Agreement States as appointed by the Organization of Agreement States (OAS) and the Conference of Radiation Control Program Directors.

Two sessions of the Materials Control and Security Systems and Principles Training Courses will be offered in Fall 2006. As in previous sessions, the goals of the training are: (1) to familiarize Agreement State radiation control program staff and NRC staff with the IC requirement and physical protection concepts and techniques; and (2) to provide a working knowledge of the requirements and a context in which to inspect materials licensees for compliance. The two sessions will be taught by Sandia National Laboratories in Albuquerque, New Mexico. The first session is scheduled for the week of October 23 - 27, 2006, and the second during the week of October 30 - November 3, 2006. An additional high-level, one-day IC overview for Agreement State managers who are unable to attend the Sandia course described above will be conducted by NRC staff at the Annual OAS Meeting on September 25, 2006. The objective of this high-level overview is to provide a broad summary of the IC requirements and physical protection concepts. This session will provide particular focus on the issues that managers responsible for implementation of the IC should consider when scheduling inspections, dispositioning potential non-compliances, or addressing potential programmatic issues.

Communication with, and among, the Agreement State agencies continues to be facilitated through IC Monthly Teleconferences and the IC Toolbox web site. Participants of the teleconference have agreed to use the IC Toolbox as the primary means for the NRC to notify Agreement State radiation control program staff of current IC issues and updates, except in cases of policy change, or in relaying information deemed to be of immediate and/or significant importance. In such cases, official mailings and notices will be used according to currently established procedures in addition to the IC Toolbox. More extensive use of the IC Toolbox mailing list, of which there are 378 members to date, is intended to reduce duplicate e-mail notifications and eliminate gaps in communication. By general consensus, radiation control program directors and staff have been satisfied with this means of information distribution.

During this quarter the following activities related to the increased controls were completed (the status of all completed actions to date is provided in the enclosure):

- The “Materials Control and Security Systems and Principles” course was transitioned to the Technical Training Center. The TTC contract will be effective October 1, 2006, however, the Sandia campus will continue to host the course for the FY ‘07 sessions.

- Implementation of the IC by Agreement States is being evaluation during IMPEP. Findings, to date, indicate that the IC measures have been adequately addressed by the Agreement States.

- All NRC regional offices and Agreement States have begun conducting inspections for licensee compliance with the IC.

The staff expects that the following activities will occur during the upcoming quarters:

- Two sessions of the Materials Control and Security Systems and Principles will be conducted. These will be the final sessions of this course where Agreement State participation is funded by the NRC.

- A high-level overview for managers of the IC will be conducted at the annual OAS meeting.

- Increased controls inspections will continue in both the Agreement States and NRC Regions.

- NRC enforcement guidance will be issued concerning increased controls inspection findings.

Enclosure:
as stated

cc: SECY
OGC
OCA
OPA
CFO

- All NRC regional offices and Agreement States have begun conducting inspections for licensee compliance with the IC.

The staff expects that the following activities will occur during the upcoming quarters:

- Two sessions of the Materials Control and Security Systems and Principles will be conducted. These will be the final sessions of this course where Agreement State participation is funded by the NRC.

- A high-level overview for managers of the IC will be conducted at the annual OAS meeting.

- Increased controls inspections will continue in both the Agreement States and NRC Regions.

- NRC enforcement guidance will be issued concerning increased controls inspection findings.

Enclosure:
as stated

cc: SECY
OGC
OCA
OPA
CFO

Distribution:
DIR RF (200500298)
NSIR

DCD (SP03)

SUNSI Review Complete
☒ Publicly Available ☐ Non-Publicly Available
☒ Non-Sensitive ☐ Sensitive

DOCUMENT NAME: C:\FileNet\ML062630412.wpd
***see previous concurrence**
To receive a copy of this document, indicate in the box:
"**C**" = Copy without attachment/enclosure "**E**" = Copy with attachment/enclosure "**N**" = No copy

OFFICE	STP		STP		NMSS:D		OGC		STP:D		DEDMRS		EDO	
NAME	JPalotay:gd (WRRautzen for)		DKRathbun		JStrosnider		SATreby (FCameron for)		JRSchlueter		G. Caupto for MJVirgilio		LAReyes	
DATE	09/14/06*		09/14/06*		09/18/06*		09/19/06*		09/21/06*		09/27/06		09/28/06	

OFFICIAL RECORD COPY

Pkg. ML062630444