

February 27, 2007

MEMORANDUM TO: Luis A. Reyes
Executive Director for Operations

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

SUBJECT: STATUS OF RECOMMENDATION: MEMORANDUM
REPORT: AUDIT OF NRC'S REGULATION OF NUCLEAR
FUEL CYCLE FACILITIES (OIG-07-A-06)

REFERENCE: DEPUTY EXECUTIVE DIRECTOR FOR MATERIALS
RESEARCH, STATE AND COMPLIANCE PROGRAMS
MEMORANDUM DATED JANUARY 10, 2007

Attached is the Office of the Inspector General (OIG) analysis and status of the recommendation as discussed in the agency's response dated February 13, 2007. Based on this response, recommendation 1 is now resolved. Please provide an updated status of the resolved recommendation by June 11, 2007.

If you have any questions or concerns, please call me at 415-5915 or Tony Lipuma at 415-5910.

Attachment: As stated

cc: M. Johnson, OEDO
M. Malloy, OEDO
P. Tressler, OEDO

Audit Report

Audit of NRC's Regulation of Nuclear Fuel Cycle Facilities OIG-07-A-06

Status of Recommendation

Recommendation 1: Fully develop and implement a framework for the Fuel Cycle Facility Oversight Program (FCFOP), that is consistent with a structured process, such as the Reactor Oversight Process (ROP).

Agency

Response Dated

February 13, 2007:

Agree. As mentioned in the audit report, progress has been made in implementing risk-informed aspects of the revised 10 CFR Part 70, as part of the FCFOP. In fact, numerous enhancements have been implemented as part of the FCFOP over the last several years, to provide a more structured framework, similar to the ROP. These enhancements include: (1) developing and issuing NUREG-1520, "Standard Review Plan for the Review of a License Application for a Fuel Cycle Facility," to include the risk-informed provisions of the revised Part 70; (2) revising Inspection Manual Chapter 2600, "Fuel Cycle Facility Operational Safety and Safeguards Inspection Program," and related inspection procedures, to include risk-informed insights gained through the use of Integrated Safety Analysis (ISA) results; (3) using annual ISA updates submitted by licensees to risk-inform staff licensing reviews; and (4) developing and issuing interim staff guidance (ISG) to document lessons learned from ISA reviews. These ISGs cover such subjects as: (1) the justification for a minimum margin of subcriticality for safety; (2) the review of accident sequences that may result from natural phenomena hazards; and (3) the determination of an adequate level of detail for baseline design criteria.

In keeping with the concept of continuous improvement, additional enhancements to the FCFOP are planned. An effort is currently under way to risk-inform fuel cycle enforcement policy, in accordance with Part 70, to include consideration of licensees' assessments of risk, through the ISA process, in determining the

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significance of a violation. Further, as more experience is gained with the ISA process, appropriate enhancements will be made to our inspection and/or licensing procedures, to facilitate a more structured program, similar to the ROP.

The fact that the various fuel cycle facilities possess different operational characteristics must be factored into the continued evolution of the FCFOP. The oversight of the fuel cycle facilities does not lend itself to the ROP-type of oversight structure, which was developed for a set of facilities with more uniform operating characteristics. Consequently, the ultimate structure of the FCFOP will, of necessity, use more qualitative, versus quantitative, assessments of licensee performance. This structure is consistent with Commission direction provided in the June 16, 2006, Staff Requirements Memorandum for COMSECY-06-0028 (i.e., disapproval of fuel facility-specific performance indicators), and will differ from that of the ROP.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. Recommendation 1 will be closed when NRC provides evidence that it has fully developed and implemented a framework for the Fuel Cycle Facility Oversight Program.

Status: Resolved.