



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

OFFICE OF THE
INSPECTOR GENERAL

September 11, 2008

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

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

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S
LICENSE RENEWAL PROGRAM (OIG-07-A-15)

REFERENCE: DIRECTOR, OFFICE OF NUCLEAR REACTOR
REGULATION, MEMORANDUM DATED JUNE 26, 2008

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated June 26, 2008. Based on the response, recommendations 1, 2, 5, 6, and 8 are closed, and recommendations 3, 4, and 7 are resolved. Please provide an update on the three resolved recommendations by February 27, 2009.

By memorandum to Inspector General Hubert Bell, dated April 1, 2008, Chairman Klein reaffirmed the Commission's existing policy that backfitting does not apply to license renewal applicants. Based on the Chairman's response, Recommendation 8 is closed.

If you have questions or concerns, please call me at 415-5915 or Sherri Miotla at 415-5914.

Attachment: As stated

cc: V. Ordaz, OEDO
J. Arildsen, OEDO
P. Shea, OEDO
R. Davis, OCM

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Status of Recommendations

Recommendation 1: Establish report-writing standards in the Project Team Guidance for describing the license renewal review methodology and providing support for conclusions in the license renewal reports.

Agency Response Dated
June 26, 2008:

Current Status

The staff updated report-writing guidance to include management expectations and report-writing standards. New enclosures were added to the license renewal Project Manager Handbook to provide management expectations and report-writing guidance. The following sections of the Project Manager Handbook are in the U.S. Nuclear Regulatory Commission (NRC) Agency Wide Documents Access and Management System (ADAMS):

- Attachment 9, "SER Style Guide," Section 9, "General Safety Evaluation Report Writing Expectations" (ML081160262)
- Attachment 29, "Safety Evaluation Report Writing Guidelines and Samples" (ML081160250)

In addition, Division of License Renewal (DLR) training on the above was conducted on April 24, 2008. The training handouts are in ADAMS (ML081160372). This information was also distributed to DLR staff as required reading. Training and qualification of new DLR staff will continue to focus on the NRC's policies, rules, regulations, office instructions, etc., as delineated in NRR Office Instruction ADM-504. DLR management will continue to direct the staff to the use of the license renewal Project Manager Handbook to ensure that they meet management expectations.

Based on these actions, NRR considers Recommendation 1 completed. However, we expect to update these guidelines as we continue to improve our safety evaluation report (SER) writing process and get feedback from our stakeholders. SERs that were already in process have been

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improved by following the OIG recommendations. However, we anticipate full implementation of the recommendations and implementation of the new guidelines starting with the Susquehanna license renewal SER.

Additionally, because OIG pointed out weaknesses in how DLR was following established procedures for the on-site audits, NRR took proactive action and established an Audit Review Team to verify consistent implementation of audits office-wide.

OIG Analysis:

OIG auditors reviewed the supporting documents referenced in the agency's response. Through this review, as well as additional discussions with NRR staff, OIG concludes that the agency's actions satisfy the intent of this recommendation. Therefore, recommendation 1 is now closed.

Status:

Closed.

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Status of Recommendations

- Recommendation 2: Revise the report quality assurance process for license renewal report review to include:
- establishing management controls for NRR and DLR management to gauge the effectiveness of team leader and peer group report reviews, and
 - implementing procedures that would specify additional report quality assurance steps to be taken in the event that the team leader and peer group report reviews fail to ensure report quality to management's expectations.

Agency Response Dated
June 26, 2008:

Current Status

The staff enhanced the report review process to enable reviewers to verify that staff reports meet management expectations. The management expectations include clearly differentiating between applicant-provided information and the staff's independent analysis and conclusions, and ensuring the staff's review methodology and technical basis are adequately documented. The process also defines actions to take if these reviews do not meet management expectations (e.g., establishing a process for the reviewer to provide comments to the project manager, a process to resolve the comments, and a process to inform DLR management concerning the key issues identified). An additional safety evaluation report process review was added to verify that staff reports meet management expectations. This process is described in the new Attachment 30 to the license renewal Project Manager Handbook (ML081140270). DLR training on the safety evaluation report process review procedure was conducted on April 24, 2008. This information was also distributed to DLR staff as required reading. The training handouts are in ADAMS (ML081160372).

Based on these actions, NRR considers recommendation 2 completed.

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Status of Recommendations

OIG Analysis:

OIG auditors reviewed the supporting documents referenced in the agency's response. Through this review, as well as additional discussions with NRR staff, OIG concludes that the agency's actions satisfy the intent of this recommendation. Therefore, recommendation 2 is now closed.

Status:

Closed.

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Status of Recommendations

Recommendation 3: Clarify guidance and adjust procedures for auditors' and inspectors' removal of licensee-provided documents from license renewal sites.

Agency Response Dated
June 26, 2008:

Current Status

The license renewal staff is working with the inspection program staff, the Regions, and the Office of the General Counsel to develop consistent guidance for removal of applicant/licensee documents from applicant/licensee sites. The staff will update the guidance by September 30, 2008. In the interim, the staff has been provided direction that if needed, applicant documents may be removed from the applicant's site as long as the applicant is informed and provided an opportunity to assert 10 CFR 2.390 protective markings, and the guidance in Inspection Manual Chapter 0620, "Inspection Documents and Records," and NRR Office Instruction LIC 201, "NRR Support to the Hearing Process," is followed.

OIG Analysis: NRR's joint effort with the Office of the General Counsel and the regions to develop consistent guidance in conjunction with providing interim guidance to the license renewal staff, reflects the agency's progress in meeting the intent of this recommendation. OIG will close the recommendation once the update of the guidance is completed and the document is submitted for OIG review.

Status: Resolved.

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Recommendation 4: Establish requirements and management controls to standardize the conduct and depth of license renewal operating experience reviews.

Agency Response Dated
June 26, 2008:

Current Status

The staff provided additional guidance and management controls to standardize the conduct and depth of license renewal operating experience reviews. Enhanced guidance was added as Attachment 31, "Operating Experience Review Responsibilities," to the Project Manager Handbook. This guidance is in ADAMS (ML081140295). A conference call was conducted with all the regions on April 15, 2008, to ensure consistent implementation of these expectations. DLR training on the operating experience review responsibilities was conducted on April 24, 2008. The training handouts are in ADAMS (ML081160372). In addition to the DLR technical reviewers evaluating the operating experience information in the application and the regional inspectors verifying on a sampling basis that the applicable industry and plant specific operating experience are included in the application, operating experience issues identified by DLR or the region will continue to be communicated with each other in order to properly address the issue as applicable. Moreover, if the regional inspectors identify issues with how the applicant has included operating experience into the application, the inspectors will increase the sample size as needed.

Based on these actions, NRR considers Recommendation 4 completed.

OIG Analysis:

OIG acknowledges that the staff has provided additional guidance to standardize the conduct and depth of the license renewal operating experience reviews. However, the staff appears to have institutionalized the current practice of DLR technical reviewers evaluating the operating experience in the

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application, which does not meet the intent of OIG's recommendation. OIG's recommendation was intended to address management expectations that audit teams independently review plant-specific operating experience. As noted on page 19 of the OIG report, management had expectations that license renewal auditors would perform their own searches of corrective actions rather than rely solely on information provided by the licensee. The agency's actions appear to reflect a change in management expectations resulting in a less rigorous review of the renewal application.

This recommendation remains resolved based on the agency's initial agreement with the recommendation. OIG will close the recommendation once the guidance is updated to reflect management's expectations that license renewal audit teams will independently verify the operating experience information provided by the licensee in its application.

Status: Resolved.

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Status of Recommendations

Recommendation 5: Expedite completion of the details for a revised Inspection Procedure 71003.

Agency Response Dated
June 26, 2008:

Current Status

Following consideration of comments on the draft revision from internal and external stakeholders, revised Inspection Procedure (IP) 71003, "Post-Approval Site Inspection for License Renewal," was issued on February 15, 2008. The revised IP 71003 is in ADAMS (ML073530536).

Based on these actions, NRR considers Recommendation 5 completed.

OIG Analysis: OIG auditors reviewed the supporting documents referenced in the agency's response. Through this review and prior discussions with NRR staff, OIG concludes that the agency's actions satisfy the intent of this recommendation. Therefore, recommendation 5 is now closed.

Status: Closed.

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Status of Recommendations

Recommendation 6: Communicate the details of revised Inspection Procedure 71003 to all applicable staff and stakeholders.

Agency Response Dated
June 26, 2008:

Current Status

A communications plan (ML080170068) was issued on February 28, 2008, for the revised inspection procedure. In addition to the communication activities listed in the plan, project managers were requested to inform their licensee counterparts (holding renewed licenses) of the scheduled public meeting. A public meeting for all stakeholders to discuss the implementation of IP 71003 was held on March 13, 2008, at the 2008 NRC Regulatory Information Conference, in Rockville, Maryland. A panel consisting of headquarters and regional staff as well as a representative of the Nuclear Energy Institute participated on the panel. The NRC staff presented the revised procedure for post approval inspections, entertained questions, and facilitated the discussion. Questions and answers from this session were posted on an NRC website, Frequently Asked Questions (FAQs) About License Renewal IP 71003, "Post-Approval Site Inspection for License Renewal" (www.nrc.gov/reactors/operating/licensing/renewal/introduction/inspections/faq-ip71003.html). Issuance of the revised inspection procedure was communicated to the NRC staff in the April 23, 2008, edition of the NRC Reporter and in the April 9, 2008, edition of NRR's electronic newsletter, Have I Got News For You.

Based on these actions, NRR considers Recommendation 6 completed.

OIG Analysis:

OIG reviewed the supporting references provided in the agency's response and attended the March 13, 2008, session on IP 71003 at the 2008 NRC Regulatory Information Conference. As a result, OIG concludes that the agency's

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actions satisfy the intent of this recommendation. Therefore, recommendation 6 is now closed.

Status: Closed.

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Status of Recommendations

Recommendation 7: Establish a review process to determine whether or not Interim Staff Guidance meets the provisions of 10 CFR 54.37(b), and document accordingly.

Agency Response Dated
June 26, 2008:

Current Status

The staff continues to enhance the current guidance, "Process for Interim Staff Guidance Development and Implementation," dated December 12, 2003 (ML023520620), to determine and document whether Interim Staff Guidance (ISG) meets the provisions of 10 CFR 54.37(b). The staff plans to issue the proposed ISG for public comment by September 20, 2008. The staff plans to issue the approved ISG by March 31, 2009.

OIG Analysis: The agency's response indicates progress in addressing this recommendation. Therefore, OIG will close the recommendation once the revised ISG guidance is finalized and the document is submitted for OIG's review to determine that the revisions met the intent of this recommendation.

Status: Resolved.

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Recommendation 8: OIG recommends that the Commission: Affirm or modify the 1995 Commission's Statement of Considerations position regarding the applicability of the backfit rule to license renewal applicants.

Agency Response Dated
June 26, 2008:

Current Status

The Commission responded to Recommendation 8. Based on the Commission's response, NRR considers Recommendation 8 completed.

OIG Analysis:

By memorandum to the Inspector General dated April 1, 2008, Chairman Klein reaffirmed the Commission's position regarding backfit applicability in the license renewal arena. The Chairman's response met the intent of the recommendation. Therefore, recommendation 8 is now closed.

Status:

Closed.