



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

OFFICE OF THE
INSPECTOR GENERAL

January 12, 2009

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 THE NRC
BYPRODUCT MATERIALS LICENSE APPLICATION AND
REVIEW PROCESS (OIG-06-A-11); AND
SUMMARY REPORT AND PERSPECTIVES ON
BYPRODUCT MATERIAL SECURITY AND CONTROL
(OIG-07-A-12)

REFERENCE: DIRECTOR FOR THE OFFICE OF FEDERAL AND STATE
MATERIALS AND ENVIRONMENTAL MANAGEMENT
PROGRAMS MEMORANDUM DATED OCTOBER 29, 2008

Attached is the Office of the Inspector General's analysis and status of three recommendations from two OIG reports as discussed in the agency's response dated October 29, 2008. Based on this response, Recommendations 1 and 2 from OIG-06-A-11 remain resolved. Furthermore, Recommendation 1 from OIG-07-A-12 is closed. As there was only 1 recommendation in OIG-07-A-12, all recommendations related to this report are now closed. Please provide an updated response regarding this memo by June 30, 2009.

If you have questions or concerns, please call me at 415-5915 or Sherri Miotla, Team Leader, Nuclear Safety Audits, at 415-5914.

Attachment: As stated

cc: V. Ordaz, OEDO
J. Arildsen, OEDO
P. Shea, OEDO

Audit Report

AUDIT OF THE NRC BYPRODUCT MATERIALS LICENSE APPLICATION AND REVIEW PROCESS

OIG-06-A-11

Status of Recommendations

Recommendation 1:

Conduct a complete vulnerability assessment of the materials program, including of the license application and review process and the methods used by licensees to purchase byproduct material from sellers.

Agency Response Dated
October 29, 2008:

As documented in SECY-07-0147, "Response to U.S. Government Accountability Office Recommendations and Other Recommendations to Address Security Issues in the U.S. Nuclear Regulatory Commission Materials Program," FSME formed three groups to complete a vulnerability assessment of the radioactive materials licensing program: (1) the Pre-licensing Working Group, (2) the Independent External Review Panel to Identify Vulnerabilities in U.S. Nuclear Regulatory Commission's (NRC) Materials Licensing Program (the Panel), and (3) the Materials Program Working Group (MPWG).

The Pre-licensing Working Group that was reconstituted to revise the NRC's pre-licensing guidance to address the vulnerability demonstrated by the U.S. General Accounting Office covert operation finalized its work product in Fall 2008. The Pre-licensing Working Group incorporated the comments and feedback received that resulted from a 3-month pilot period that began on February 11, 2008, into the final pre-licensing guidance, as appropriate. The final pre-licensing guidance was issued on September 22, 2008. The status of the Panel's activities are summarized below.

The MPWG was chartered (sic) to develop short- and long-term strategies to address existing and potential security vulnerabilities in NRC's materials licensing program. The MPWG issued its short-term recommendations on improvements to license verification, counterfeiting, and the GL program in March 2008. FSME is strategizing a path forward to implement the MPWG's short-term recommendations while minimizing the resource burden on the NRC and the Agreement States. The MPWG was also tasked with reviewing the Panel's final report and suggesting actions to implement the Panel's recommendations. The MPWG provided its analysis of the Panel's

Audit Report

AUDIT OF THE NRC BYPRODUCT MATERIALS LICENSE APPLICATION AND REVIEW PROCESS

OIG-06-A-11

Status of Recommendations

Recommendation 1 (continued):

recommendations on June 26, 2008. The MPWG agreed with the Panel's recommendations and offered suggestions on implementation. The MPWG also performed a comprehensive assessment of NRC's materials licensing program. The MPWG's final report, detailing its comprehensive assessment, was submitted to its Steering Committee on September 30, 2008. The final report is expected to be delivered to the Commission by October 31, 2008.

This OIG recommendation should remain open, pending issuance of the MPWG's comprehensive report.

OIG Analysis:

The actions taken by the agency to date continue to meet the intent of the recommendation. OIG auditors reviewed the final pre-licensing guidance that was issued on September 22, 2008, as well as the final report of the Materials Program Working Group issued on October 23, 2008. OIG will continue to monitor the actions taken and will close the recommendation when the agency has developed a strategy and plans to implement the MPWG recommendations.

Status:

Resolved.

Audit Report

AUDIT OF THE NRC BYPRODUCT MATERIALS LICENSE APPLICATION AND REVIEW PROCESS

OIG-06-A-11

Status of Recommendations

Recommendation 2: Modify the license application and review process to mitigate the risks identified in the vulnerability assessment.

Agency Response Dated
October 29, 2008:

As described above, the NRC has already implemented a number of actions that will address vulnerabilities in the materials licensing program. The NRC is developing a strategy to implement various other actions. The vulnerabilities are being addressed in a risk-informed manner. As additional recommendations are made, the licensing program will be enhanced accordingly. The length of time required to implement all of the enhancements will depend on the number and scope of the recommendations. This OIG recommendation should remain open, pending issuance of the MPWG's comprehensive report and implementation of a strategy to address the MPWG's recommendations

OIG Analysis: The actions taken by the agency to date continue to meet the intent of the recommendation. OIG will continue to monitor the actions taken and will close the recommendation when the agency has implemented its strategy and plan(s) to address the MPWG's current and final recommendations.

Status: Resolved.

Audit Report

SUMMARY REPORT AND PERSPECTIVES ON BYPRODUCT MATERIAL SECURITY AND CONTROL

OIG-07-A-12

Status of Recommendations

Recommendation 1: Convene an independent panel of experts external to the agency to identify agency vulnerabilities concerning NRC's material licensing and tracking programs and validate the agency's ongoing byproduct material security efforts.

Agency Response Dated
October 29, 2008:

The Panel concluded its assessment on March 18, 2008, by briefing the Commission and publicly releasing its final report. The Panel's recommendations from its final report have been incorporated into FSME's action plan for enhancements to the radioactive materials licensing program. This OIG recommendation should be closed.

OIG Analysis:

OIG auditors reviewed FSME's action plan and determined that it includes steps to implement the Panel's recommendations. This recommendation is therefore considered closed.

Status:

Closed.