



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

OFFICE OF THE
INSPECTOR GENERAL

March 31, 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 NRC'S
REGULATORY OVERSIGHT OF SPECIAL NUCLEAR MATERIALS
(OIG-03-A-15)

REFERENCE: DIRECTOR, OFFICE OF NUCLEAR MATERIAL SAFETY AND
SAFEGUARDS, MEMORANDUM DATED FEBRUARY 20, 2009

Attached is the Office of the Inspector General's (OIG) analysis and status of report recommendations as discussed in the agency's response dated February 20, 2009. Based on this response, recommendations 1 and 3 remain in a resolved status. All other recommendations were previously closed.

OIG acknowledges the agency's progress towards establishing new material control and accounting program requirements, specifically, the Commission's February 5, 2009, directive on the scope for the Part 74 rulemaking. We also note that the agency's latest timeline for completing the elements needed to satisfy recommendations 1 and 3 has been extended again by more than a year. OIG will continue to closely monitor the agency's progress. However, as stated in our April 22, 2008, and December 22, 2008, memoranda, OIG remains concerned about the continued delays in developing the new rule, in particular with how the agency is ensuring the proper accounting of the smaller quantities of special nuclear materials in the interim period given the substantial differences between the current and proposed revised reporting requirements. These recommendations will be closed once the agency provides, and OIG verifies, information confirming that corrective actions have been finalized. Please provide an updated status of recommendations 1 and 3 by December 31, 2009.

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

Attachment: As stated

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

Audit Report

AUDIT OF NRC'S REGULATORY OVERSIGHT OF SPECIAL NUCLEAR MATERIALS

OIG-03-A-15

Status of Recommendations

Recommendation 1: Conduct periodic inspections to verify that material licensees comply with MC&A requirements, including, but not limited to, visual inspections of licensees' SNM inventories and validation of report information.

Agency Response Dated
February 20, 2009:

February 2009 Status

In the February 7, 2006, memorandum, the Office of the Inspector General (OIG) stated that two of the three conditions identified by OIG that needed to be met to close this recommendation have been satisfied. The remaining condition is the need to complete documentation of the basis for risk-informing the MC&A program (and apply it to the program) with respect to conducting periodic inspections. In a subsequent memorandum dated August 24, 2006, OIG requested an estimated completion date for this recommendation.

In SECY-05-0143, the staff recommended that the Commission approve the staff's proposed enhancements to the MC&A regulations, inspection program, and licensing process. Consistent with information provided in previous status reports, in response to the associated staff requirements memorandum (SRM) to SECY-05-0143 dated November 18, 2005, the staff completed the development of an MC&A rulemaking plan (SECY-08-0059) dated April 25, 2008.

[At the request of NRC management, the last two paragraphs, which the agency identified as Official Use Only-Security Related Information, are redacted.]

OIG Analysis: The agency's latest update details the staff's ongoing progress towards meeting the full intent of this recommendation, including receipt of the Commission's decision and direction for how to proceed with the Part 74 rulemaking. As previously noted, this recommendation cannot be closed until the proposed actions are completed and applied to the MC&A

Audit Report

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OIG-03-A-15

Status of Recommendations

Recommendation 1 continued:

program. OIG notes, however, that the agency's timeline for completing the proposed actions has been extended again by more than a year. This remains of concern to OIG given the substantial differences between the current and proposed revised reporting requirements. Therefore, we will continue to closely monitor the agency's progress regarding these planned activities and interim measures.

Status: **Resolved.**

Audit Report

AUDIT OF NRC'S REGULATORY OVERSIGHT OF SPECIAL NUCLEAR MATERIALS

OIG-03-A-15

Status of Recommendations

Recommendation 3: Document the basis of the approach used to risk inform NRC's oversight of MC&A activities for all types of materials licensees.

Agency Response Dated
February 20, 2009:

February 2009 Status

As part of the Rulemaking, staff will document the basis of the approach for NRC's oversight of MC&A for all materials licensees subject to Part 74 regulations.

OIG Analysis:

As noted in OIG's response to the reported status of Recommendation 1, we remain concerned that the agency's proposed actions to complete this recommendation are delayed by yet another extension of more than a year. Nonetheless, OIG will close the recommendation when the agency provides the completed documentation of the basis for risk-informing the MC&A-related activities.

Status:

Resolved.