



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

OFFICE OF THE  
INSPECTOR GENERAL

March 9, 2010

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  
DECEMBER 24, 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 December 24, 2009. Based on this response, recommendations 1 and 3 remain in a resolved status. All other recommendations were previously closed.

Also, OIG has repeatedly expressed concern regarding the agency's tracking of small quantities of special nuclear materials (SNM) pending the revision of Part 74, due for completion in April 2012. OIG accepts the agency's position, as stated in your December 24, 2009, update, that the Nuclear Materials and Management and Safeguards System rule, which went into effect January 1, 2009, will assist the agency in tracking SNM. Therefore, recommendations 1 and 3 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 November 30, 2010.

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: N. Mamish, OEDO  
J. Andersen, OEDO  
J. Arildsen, OEDO  
C. Jaegers, 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  
December 24, 2009:

December 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. The SRM for SECY-08-0059 was issued on February 5, 2009. The Commission approved the staff's rulemaking Option 4, directing the staff to revise and consolidate current MC&A regulations into Part 74. The final rule and associated guidance is scheduled to be completed by April 30, 2012.

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

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### AUDIT OF NRC'S REGULATORY OVERSIGHT OF SPECIAL NUCLEAR MATERIALS

OIG-03-A-15

#### Status of Recommendations

Recommendation 1 continued:

noted, this recommendation cannot be closed until the proposed actions are completed and applied to the MC&A program. OIG remains concerned with the agency's 2012 action completion date 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  
December 24, 2009:

December 24, 2009 Status

As part of the Part 74 Rulemaking, staff will document the basis for risk-informing MC&A related activities

OIG Analysis:

The agency proposes that the intent of recommendation 3 will be satisfied as part of the revised Part 74 rule. Therefore, this recommendation will be closed once the agency provides, and OIG reviews, the completed documentation of the basis for risk-informing the MC&A-related activities.

Status:

**Resolved.**