



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

**OFFICE OF THE
INSPECTOR GENERAL**

July 22, 2010

MEMORANDUM TO: R. W. Borchardt
Executive Director for Operations

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

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF THE U.S.
NUCLEAR REGULATORY COMMISSION'S
MANAGEMENT OF AGREEMENTS WITH DEPARTMENT
OF ENERGY LABORATORIES (OIG-10-A-12)

REFERENCE: DEPUTY EXECUTIVE DIRECTOR FOR CORPORATE
MANAGEMENT MEMORANDUM DATED
JUNE 11, 2010

Attached is the Office of the Inspector General's (OIG) analysis and status of the recommendations as discussed in the agency's response dated June 11, 2010. Based on this response, recommendation 6 is closed. Recommendations 1 – 5, and 7 are in resolved status. Please provide an updated status on the resolved recommendations by October 29, 2010.

If you have any questions or concerns, please call me at 415-5915 or Kathleen Stetson, Team Leader, at 415-8175.

Attachment: As stated

cc: D. Ash, OEDO
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Audit Report

AUDIT OF U.S. NUCLEAR REGULATORY COMMISSION'S MANAGEMENT OF AGREEMENTS WITH DEPARTMENT OF ENERGY LABORATORIES

OIG-10-A-12

Status of Recommendations

<u>Recommendation 1:</u>	Revise MD 11.7 to require NRC offices to consider the use of commercial sources through market research (e.g., sources-sought announcements, procurement history, expert knowledge) as part of the decision making process in choosing to use a lab, and fully document the results/conclusions in the agreement files.
Agency Response Dated June 11, 2010:	Agree. The Office of Administration (ADM) is revising MD 11.7 to provide additional guidance on sufficient market research to assist offices in considering the use of commercial sources, as part of the decision making process in choosing to use a Department of Energy (DOE) lab, and to fully document the results/conclusions of their market research in the agreement files. Completion date for issuance of revised MD 11.7 is September 30, 2011.
OIG Analysis:	The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews a copy of the revised MD 11.7 and determines that it requires NRC offices to consider the use of commercial sources through market research as part of the decision making process in choosing to use a lab, and fully document the results/conclusions in the agreement files.
Status:	Resolved.

Audit Report

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OIG-10-A-12

Status of Recommendations

Recommendation 2: Clarify MD 11.7 to emphasize the requirement to fully document the rationale and basis for using a DOE lab.

Agency Response
Dated June 11, 2010: Agree. ADM is revising MD 11.7 to provide additional guidance on considerations required to be addressed to fully document the rationale and basis for using a DOE lab. Completion date for issuance of revised MD 11.7 is September 30, 2011.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews a copy of the clarified MD 11.7 and determines that it emphasizes the requirement to fully document the rationale and basis for using a DOE lab.

Status: Resolved.

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Status of Recommendations

<u>Recommendation 3:</u>	Revise MD 11.7 to require independent review of justifications by DC personnel to ensure that commercial sources were fully considered.
Agency Response Dated June 11, 2010:	Agree. Criteria will be developed by ADM to determine which justifications must be reviewed by DC personnel prior to award of an agreement to DOE. Those justifications that do not meet the criteria will continue to be reviewed by the Associate Competition Advocate in each Office. The revised MD 11.7 will include these criteria to ensure that commercial sources are fully considered. Completion date for issuance of revised MD 11.7 is September 30, 2011.
OIG Analysis:	The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews a copy of the revised MD 11.7 and determines that it requires independent review of justifications by DC personnel to ensure that commercial sources were fully considered.
Status:	Resolved.

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OIG-10-A-12

Status of Recommendations

Recommendation 4: Issue interim guidance to address recommendations 1 through 3 pending revision of MD 11.7.

Agency Response
Dated June 11, 2010: Agree. ADM will issue interim guidance to address recommendations 1 through 3. This interim guidance will be in effect until issuance of revised MD 11.7 on September 30, 2011. Completion date for issuance of interim guidance is October 15, 2010.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and reviews a copy of the interim guidance that addresses recommendations 1 through 3.

Status: Resolved.

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Status of Recommendations

Recommendation 5: Direct DC to work with agency program and support offices to develop and implement milestones for more robust market research requirements prior to awarding DOE lab agreements.

Agency Response
Dated June 11, 2010: Agree. Before being able to establish milestones for pre-award market research, however, the market research requirements must be established. The milestones related to those requirements will fall out of the requirements themselves. DC will work with the agency program and support offices to develop and implement requirements for more robust market research and will then establish pre-award milestones. These milestones will be incorporated into the interim guidance issued by October 15, 2010.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives documentation that shows DC was directed to work with agency program and support offices to develop and implement milestones for more robust market research requirements prior to awarding DOE lab agreements.

Status: Resolved.

Audit Report

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OIG-10-A-12

Status of Recommendations

Recommendation 6: Initiate efforts with the Department of Energy to update the MOU to provide NRC with timely audit reports.

Agency Response
Dated June 11, 2010: Agree. ADM will initiate efforts with DOE to update the MOU to require them to provide NRC with timely audit reports. ADM will initiate discussions with DOE by June 4, 2010, regarding the need to revise the NRC/DOE MOU. ADM estimates that this revision will be executed no later than June 1, 2011.

OIG Analysis: OIG obtained and reviewed an email from NRC's Division of Contracts, to the Department of Energy, initiating efforts to update the MOU to provide NRC with timely audit reports. The corrective action satisfies the intent of OIG's recommendation. This recommendation is therefore closed.

Status: Closed.

Audit Report

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OIG-10-A-12

Status of Recommendations

Recommendation 7: Issue a delegation of authority to OIP to award, extend, modify, and terminate DOE lab agreements.

Agency Response
Dated June 11, 2010: Agree. OIP plans to submit a request for Delegation of Authority to award, extend, modify, and terminate DOE lab agreements to the Chairman for his consideration. The completion date for this action is June 30, 2010.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives a copy of the issued delegation of authority to OIP to award, extend, modify, and terminate DOE lab agreements.

Status: Resolved.