



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

**OFFICE OF THE
INSPECTOR GENERAL**

January 7, 2011

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

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

SUBJECT: STATUS OF RECOMMENDATION: MEMORANDUM
REPORT: AUDIT OF NRC'S REGULATION OF NUCLEAR
FUEL CYCLE FACILITIES (OIG-07-A-06)

REFERENCE: DIRECTOR, OFFICE OF NUCLEAR MATERIAL
SAFETY AND SAFEGAURDS, MEMORANDUM DATED
NOVEMBER 23, 2010

Attached is the Office of the Inspector General (OIG) analysis and status of recommendation 1 as discussed in the agency's response dated November 23, 2010. Based on this response, recommendation 1 remains resolved. Please provide an updated status of the resolved recommendation by September 30, 2011.

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: M. Muessle, OEDO
J. Andersen, OEDO
J. Arildsen, OEDO
C. Jaegers, OEDO

Audit Report

Audit of NRC's Regulation of Nuclear Fuel Cycle Facilities

OIG-07-A-06

Status of Recommendation

Recommendation 1: Fully develop and implement a framework for the Fuel Cycle Facility Oversight Program (FCFOP) that is consistent with a structured process, such as the Reactor Oversight Process (ROP).

Agency Response Dated
November 23, 2010:

Background

On May 31, 2007 (ADAMS Accession No. ML071490183), the Office of Nuclear Material Safety and Safeguards (NMSS) provided an initial response to an OIG request for an update on the status of Recommendation 1. The response discussed several initiatives related to improving fuel cycle oversight, including: (1) structured evaluation of integrated safety analysis annual updates; (2) consolidation of the fuel cycle inspection program at Region II; (3) revision of the U.S. Nuclear Regulatory Commission (NRC) Enforcement Policy; (4) development of structured event-processing guidance; and (5) completion of a safety-culture pilot plan. A status update dated August 10, 2009 (ADAMS Accession No. ML092250229) noted that the staff had completed items (1), (2), and (4).

Response

The staff has completed changes to the NRC Enforcement Policy referenced in item (3) above. These changes consist of new fuel cycle supplement examples that align the policy with revisions to Title 10 of the *Code of Federal Regulations* (10 CFR) Part 70, "Domestic Licensing of Special Nuclear Material." The revised NRC Enforcement Policy was approved by the Commission and issued on September 30, 2010. Item (3) is, therefore, complete.

The NMSS staff continues work on item (5). Safety culture pilot plan Phase I resulted in a recommendation to incorporate safety culture into the fuel cycle oversight program as it is similarly addressed in the reactor oversight program. Staff actions to incorporate safety culture into fuel

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Status of Recommendation

Recommendation 1 (continued):

cycle oversight during 2010 included: incorporation of safety culture actions into a number of alternate dispute resolution orders; a public meeting and workshop on safety culture with fuel cycle facility representative, and a safety culture forum at the 2010 Fuel Cycle Information Exchange.

Staff plans to incorporate the safety culture results into the fuel cycle oversight process consistent with ongoing agency safety culture initiatives. Following Commission approval of a final Statement of Policy for safety culture, the staff will evaluate the oversight program to identify appropriate means to incorporate safety culture. The staff's activities will include outreach to affected licensees and certificate holders to understand measures already in place to develop and maintain a positive safety culture and how best to consider these activities in the oversight program.

In SECY-10-0031 ("Revising the Fuel Cycle Oversight Process"), the staff proposed a plan for comprehensive revisions to FCOP, including incorporating safety culture. The Commission disapproved the staff's plan and, instead, provided direction to staff on near term activities related to revising the existing fuel cycle oversight process. In response to the Commission's direction, the staff expects to provide a paper to the Commission in March 2011 comparing integrated safety analysis and probabilistic risk assessment methods in the context of fuel cycle facility oversight. In July 2011, the staff expects to provide the Commission a paper describing its development of safety cornerstones for fuel cycle facilities and providing recommendations for next steps in revising the fuel cycle oversight process. The staff will include in that paper recommendations for incorporating safety culture into the oversight process which will complete action on item (5).

Audit Report

Audit of NRC's Regulation of Nuclear Fuel Cycle Facilities

OIG-07-A-06

Status of Recommendation

Recommendation 1 (continued):

OIG Analysis: The proposed corrective actions continue to address the intent of OIG's recommendation. Recommendation 1 will be closed when NRC provides evidence that it has fully developed and implemented a framework for the Fuel Cycle Facility Oversight Program.

Status: Resolved.