

December 28, 2011

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Daniel H. Dorman, Acting Director **/RA/**
Office of Nuclear Material Safety
and Safeguards

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF U.S. NUCLEAR
REGULATORY COMMISSION'S REGULATORY OVERSIGHT
OF SPECIAL NUCLEAR MATERIALS (OIG-03-A-15)

In a memorandum dated January 12, 2011, the Office of the Inspector General (OIG) informed the Executive Director for Operations that two remaining recommendations (recommendations 1 and 3) resulting from OIG-03-A-15 remain in a resolved status. OIG requested a status update on the remaining two recommendations by December 30, 2011. Detailed status is provided in the enclosure.

Two of the three OIG conditions for Recommendation 1 have been satisfied. The remaining condition, to complete documentation of the basis for risk-informing the material control and accounting (MC&A) program and apply it to the program with respect to conducting periodic inspections, is to be addressed as part of the staff's revision of Title 10 of the *Code of Federal Regulations* (10 CFR) Part 74, scheduled to be completed by December 31, 2012. The Commission provided direction to the staff regarding the scope of the 10 CFR Part 74 rulemaking in SRM-08-0059, dated February 5, 2009.

Recommendation 3, to document the basis of the approach used to risk-inform oversight of MC&A activities for all types of materials licensees, will also be satisfied as part of the staff's rulemaking to revise 10 CFR Part 74.

Enclosure:
As stated

CONTACT: Thomas Pham, NMSS/FCSS
301-492-3125

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Recommendation 3, to document the basis of the approach used to risk-inform oversight of MC&A activities for all types of materials licensees, will also be satisfied as part of the staff's rulemaking to revise 10 CFR Part 74.

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**AUDIT OF U.S. NUCLEAR REGULATORY COMMISSION'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 material control and accounting (MC&A) requirements, including, but not limited to, visual inspections of licensees special nuclear material (SNM) inventories and validation of report information.

Remaining condition:

Document the basis for risk-informing the MC&A program (and apply it to the program) with respect to conducting periodic inspections.

December 2011 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 the technical basis for the Title 10 *Code of Federal Regulations* (10 CFR) Part 74 rulemaking. This technical basis addressed the requirement to risk inform the MC&A requirements. This was further delineated in the MC&A rulemaking plan (SECY-08-0059) dated April 25, 2008. The technical basis for the Part 74 rulemaking addressed the need to complete documentation of the basis for risk informing the MC&A program.

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 proposed rule package to amend 10 CFR Part 74, "Material Control and Accounting of Special Nuclear Material," was submitted to the Executive Director for Operations (EDO) on August 29, 2001, and subsequently forwarded to the Commission on September 14, 2011. The package was withdrawn on November 8, 2011, to allow staff to resolve an inconsistency. The revised proposed rule package SECY-11-0715 was provided to the Commission on December 21, 2011. The final rule and associated guidance is scheduled to be completed by December 31, 2012.

Completion of the Part 74 rulemaking process will complete the requirement for formal implementation of the risk-informed MC&A regulations.

Enclosure

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.

December 2011 Status

As part of the 10 CFR Part 74, "Material Control and Accounting of Special Nuclear Material," rulemaking, the staff completed incorporating the basis for risk-informing MC&A related activities into the technical basis for this subject rulemaking in April 2010.

The proposed rule package to amend 10 CFR Part 74 was submitted to the EDO on August 29, 2001, and subsequently forwarded to the Commission on September 14, 2011. The package was withdrawn on November 8, 2011, to allow staff to resolve an inconsistency. The revised proposed rule package SECY-11-0715 was provided to the Commission on December 21, 2011. The final rule and associated guidance is scheduled to be completed by December 31, 2012.

Completion of the Part 74 rulemaking process will complete the requirement for formal documentation of the risk-informed MC&A regulations.