

March 6, 2012

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

FROM: Catherine Haney, Director **/RA/ S. Moore for**  
Office of Nuclear Material Safety  
and Safeguards

SUBJECT: AUDIT OF THE U.S. NUCLEAR REGULATORY COMMISSION'S  
REGULATION OF NUCLEAR FUEL CYCLE FACILITIES  
(OIG-07-A-06): UPDATE OF RESOLVED RECOMMENDATION

This memorandum is in response to your September 19, 2011, request for an update on the status of Recommendation 1 in the Office of the Inspector General (OIG) report OIG-07-A-06, "Audit of NRC's Regulation of Nuclear Fuel Cycle Facilities," dated January 10, 2007 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML070100282).

#### Recommendation 1

*Fully develop and implement a framework for the Fuel Cycle Facility Oversight Program that is consistent with a structured process, such as the Reactor Oversight Process.*

#### Background

On May 31, 2007, the Office of Nuclear Material Safety and Safeguards provided an initial response (ADAMS Accession No. ML071490183) to an OIG request for an update on the status of Recommendation 1. The staff provided several updates on the status of its activities, with the most recent being dated August 26, 2011 (ADAMS Accession No. ML112130059).

#### Response

On October 7, 2011, the U.S. Nuclear Regulatory Commission (NRC) staff issued SECY-11-0140, "Enhancements to the Fuel Cycle Oversight Process," (ADAMS Accession No. ML111180705). In SECY-11-0140, the NRC staff provided three options to enhance the Fuel Cycle Oversight Process (FCOP) for Commission consideration. The NRC staff's recommendation, Option 1, is an FCOP framework that provides a structure that is similar to the Reactor Oversight Process. Options 2 and 3 in SECY-11-0140 provide incremental enhancements to the existing oversight process. In the staff requirements memorandum to SECY-11-0140, dated January 5, 2012 (ADAMS Accession No. ML120050322), the

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Commission approved the NRC staff's recommendation to implement Option 1 for enhancing the FCOP. In addition, the Commission had several comments on how the NRC staff should implement the enhancements to the FCOP. The comments from the Commission are related to a project plan, the implementation of the incentives for licensees to maintain effective corrective action programs, the cornerstones, the definition of performance deficiency, the fuel cycle significance determination process, the pilot program, and progress updates.

The Commission directed the NRC staff to develop a publicly available resource-loaded project plan that clearly establishes timelines and major milestones. The project plan will be provided to the Commission for information. The Commission also directed the NRC staff to provide updates on its progress at least once a year.

In response to the Commission's direction, the NRC staff expects to issue the project plan by July 13, 2012. The project plan will estimate the resources and inform the completion dates of the other tasks that the Commission set forth in the staff requirements memorandum to SECY-11-0140.

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