



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

**OFFICE OF THE  
INSPECTOR GENERAL**

February 6, 2013

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 28, 2012

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 28, 2012. Based on this response, recommendations 1 and 3 remain in a resolved status. All other recommendations were previously closed.

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 December 11, 2013.

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  
K. Brock, 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 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.

Agency Response Dated  
December 28, 2012:

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 the technical basis for the 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.

## Audit Report

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

OIG-03-A-15

#### Status of Recommendations

Recommendation 1 (continued):

The proposed rule package to amend 10 CFR Part 74, "Material Control and Accounting of Special Nuclear Material," was submitted to the Office of the Executive Director for Operations (EDO) on August 29, 2011, and subsequently forwarded to the Office of the Secretary (SECY) 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-11-0175 was provided to the Commission in December 2011. In April 2012, SRM-SECY-11-0175 identified seven issues to be resolved. The staff addressed those issues and provided the revised rule package to the Commission in November 2012. The revised proposed rule is pending a Commission decision. The final rule and associated guidance are scheduled to be completed by November 12, 2013, and May 12, 2014, respectively.

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

OIG Analysis:

This status update recounts the agency's efforts towards meeting the intent of this recommendation. OIG will continue to monitor the agency's progress. Recommendation 1 will be closed once the agency provides, and OIG verifies, the information in the final rulemaking.

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 28, 2012:

As part of 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, 2011, and subsequently forwarded to SECY 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-11-0175 was provided to the Commission in December 2011. In April 2012, SRM-SECY-11-0175 identified seven issues to be resolved. The staff addressed those issues and provided the revised rule package to the Commission in November 2012. The revised proposed rule is pending a Commission decision. The final rule and associated guidance are scheduled to be completed by November 12, 2013, and May 12, 2014, respectively.

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

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 verifies, the information in the completed rulemaking.

**Status:** Resolved.