

May 29, 2015

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

FROM: Michael R. Johnson */RA/*  
Deputy Executive Director for Reactor  
and Preparedness Programs  
Office of the Executive Director for Operations

SUBJECT: FORMAL COMMENTS ON THE OFFICE OF THE INSPECTOR  
GENERAL DRAFT REPORT ON THE U.S. NUCLEAR  
REGULATORY COMMISSION'S CONSTRUCTION REACTOR  
OVERSIGHT PROCESS

This memorandum responds to the May 19, 2015, e-mail from Mr. Timothy Wilson, Office of the Inspector General (OIG), transmitting the OIG's final draft report, "Audit of NRC's [U.S. Nuclear Regulatory Commission] Construction Reactor Oversight Process." OIG revised the report following receipt of the agency's informal written comments of May 12, 2015, and verbal comments provided during the May 15, 2015, exit conference.

The NRC staff has reviewed the report and found no sensitive, proprietary, personally identifiable, classified, or other information that would necessitate redaction before issuing the report as publically available.

The NRC staff appreciates the independent audit function performed by the OIG, as well as the way this audit of the Construction Reactor Oversight Process (cROP) was conducted and the responsiveness to concerns voiced during the exit conference. The staff understands the revised draft report and recommendations, and the staff agrees that additional gains in process efficiency and effectiveness can be made through enhancements resulting from recent and future internal process review that was not included in the scope of this audit.

The following specific comments are relevant to how portions of the audit report could be interpreted by those who did not have the benefit of the discussions that occurred during the audit and at the exit conference. The NRC staff is concerned that one statement in the final draft report, if taken out of context, could cast an unduly negative perspective on this important staff function. Additionally, if applied too broadly, the recommendation to perform a "comprehensive" assessment of the cROP could actually make the inspection staff less efficient

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and effective rather than achieving the mutual goal of increasing inspection staff efficiency and effectiveness. Specifically, the staff requests that the following specific points be considered:

- In the section entitled “cROP Processes Could Be More Efficient,” Page 4, last paragraph, the OIG report states:

*... NRC regional construction inspection staff currently spend more time on administrative work than on construction inspection. This is because NRC efforts to identify process inefficiencies are not comprehensive, leaving the agency unable to identify process and functional redundancies, overlap, and gaps.*

The NRC staff would like to provide clarification on this point. Most importantly, all construction activities that were required by the program to be inspected during the subject period were inspected. The NRC’s confidence in this assessment is based on weekly reviews and discussions held within the region that included verifying there were no critical construction activities targeted for inspection for which an inspection had not been or would not be performed. It is further supported by the results of the NRC’s mid-year and end-of-cycle assessments where all involved staff were asked to identify any construction issues for which they believed additional inspections should be performed.

On this same point, the number of direct inspection hours was smaller than had been planned because of the delays in construction schedules caused by the late delivery of modules to the sites. Inspection activities that the NRC had planned to inspect in fiscal year 2014 will now have to be inspected in fiscal years 2015 or 2016. A second point is that many of the activities included in the “Administrative Hours” portion of this assessment are associated with planning the effective and efficient execution of future inspections. These activities are not and should not be characterized as “administrative.” They are necessary for the effective operation of the inspection program. Although the staff agrees that the processes for tracking schedule changes and executing SmartPlan changes can and should be improved, this portion of the report could be misinterpreted as demonstrating that important inspections had not been performed or that the improvement would result in significant reductions in the inspection resources. The staff does not believe that either of these potential misinterpretations is accurate or supported by the findings of the audit.

- In the section, titled “Recommendations,” Page 10, the OIG report states:

*Develop and implement a comprehensive review that identifies process inefficiencies associated with cROP.*

Also, in the section titled “NRC Efforts To Identify Process Inefficiencies Are Not Comprehensive,” Page 7, the OIG report states:

*NRC’s previous and ongoing efforts to identify process inefficiencies fail to yield significant process improvements because efforts are not comprehensive. Specifically, a Business Process Improvement (BPI) effort and annual*

*self-assessments were methodologically limited from exploring fully the interplay of requirements and processes across various offices and functions...*

The NRC staff believes that it is appropriate to clarify the use of the word “comprehensive,” especially with respect to “methodological limitations.” Both the staff’s self-assessments and the OIG audit have identified two inefficiencies in the way the region implements the cROP program. The staff is committed to effectively resolving these identified inefficiencies in a manner in which the cost for corrective action and follow-on controls is justified by the known or identifiable benefit.

However, the audit report could be interpreted as recommending that the staff review every aspect of policy, procedure, and practice associated with new reactor construction oversight, looking for “inefficiencies. This interpretation of the OIG recommendation requires a significant staff expenditure of resources (resources that would otherwise be devoted to implementing the inspection program and other priority work), and it would also create a great deal of uncertainty for the regulated community.

Of further note, the staff has recently conducted a more appropriate focused review, not included in the scope of this audit that identified many potential efficiency and effectiveness benefits. This focused review was completed at minimal cost. Given the benefits being realized from the reviews already conducted, the cost of performance of a broad “comprehensive” review of the entire cROP program would appear to outweigh its potential, additional efficiency and effectiveness benefits.

The NRC staff appreciates the opportunity to provide the aforementioned clarifying comments. If you need additional information, please contact Thomas Kozak of my staff at 301-415-6892.

cc: Chairman Burns  
Commissioner Svinicki  
Commissioner Ostendorff  
Commissioner Baran  
SECY

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