



OFFICE OF THE
INSPECTOR GENERAL

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

August 23, 2018

MEMORANDUM TO: Margaret M. Doane
Executive Director for Operations

FROM: Dr. Brett M. Baker */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 July 17, 2018

Attached is the Office of the Inspector General's (OIG) analysis and status of report recommendations as discussed in the agency's response dated July 17, 2018. Based on this response, recommendations 1 and 3 (from a 2003 audit report) still remain in 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 all corrective actions have been finalized.

Please provide an updated status of recommendations 1 and 3 by February 28, 2019.

If you have any questions or concerns, please call me at (301) 415-5915 or Sherri Miotla, Team Leader, at (301) 415-5914.

Attachment: As stated

cc: R. Lewis, OEDO
H. Rasouli, OEDO
J. Jolicoeur, OEDO
J. Bowen, OEDO
EDO_ACS_Distribution Resource

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
July 17, 2018:

Remaining condition:

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

July 2018 Status:

In its 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 completion of the documentation of the basis for risk informing the MC&A program (and apply it to the program) with respect to conducting periodic inspections. In response to the staff's status report dated December 29, 2017, the OIG requested an updated status of this recommendation.

In SECY-05-0143, "Proposed Changes to the Material Control and Accounting Program," the staff recommended that the Commission approve the staff's proposed enhancements to the MC&A regulations, inspection program, and licensing process. This was further delineated in the MC&A rulemaking plan (SECY-08-0059, "rulemaking Plan: part 74 – Material Control and Accounting of Special Nuclear Material") dated April 25, 2008. The staff requirements memorandum for SECY-08-0059 was issued on February 5, 2009, and the Commission approved the staff's rulemaking Option 4, directing the staff to only revise and consolidate current MC&A regulations into Title 10 of the *Code of Federal Regulations Part 74*. In accordance with Commission direction, the staff consolidated and clarified the regulations, and a proposed rule

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Status of Recommendations

Recommendation 1 (cont):

[NRC-2009-096], titled "Amendments to Materials Control and Accounting Regulations," and associated guidance documents [NRC-2013-0195] were completed and published in the *Federal Register* on November 8, 2013. Completion of this rulemaking has been delayed to January 2019.

In April 2018, the staff requested an extension to the schedule for the final rule package based upon the need to address the complexity and interdependency of different rulemaking areas identified in the draft final MC&A rule. Of note, the new schedule continues to include time for a formal review by the Committee to Review Generic Requirements (CRGR) and for a public meeting to discuss the implementation period for the draft final rule.

In accordance with Commission direction with respect to the rulemaking, the staff completed other activities that risk inform the MC&A program, including revising NRC Inspection Manual Chapter (ICM) 2683 and associated exhibits detailing MC&A inspection procedures for all fuel cycle facilities. The revision of ICM 2683 is documented in Agencywide Documents Access and Management Systems (ADAMS). The ICM establishes the inspection program requirements for MC&A systems at fuel cycle facilities, incorporating graded performance standards that are based on the dominant relative safeguards risks associated with the form, quantity, and enrichment of special nuclear material. Applicable inspection procedures are routinely used by the staff in NRC headquarters and regional offices for conducting MC&A inspections of licensed facilities. In addition, NRC staff are revising the following relevant guidance documents to be consistent with the revised rule and to incorporate the graded approach to MC&A programs:

- NUREG-1280, Revision 2, "Acceptable Standard Format and Content for the Material Control and Accounting (MC&A) Plan Required for Strategic Special Nuclear Material,"

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Status of Recommendations

Recommendation 1 (cont):

- NUREG-2159, "Acceptable Standard Format and Content for the Material Control and Accounting (MC&A) Plan Required for Special Nuclear Material of Moderate Strategic Significance,"
- NUREG-1065, Revision 3, "Acceptable Standard Format and Content for the Material Control and Accounting (MC&A) Plan Required for Special Nuclear Material of Low Strategic Significance,"
- NUREG-2158, (formerly NUREG/CR-5734), "Acceptable Standard Format and Content for the Material Control and Accounting (MC&A) Plan Required for Low Enriched Uranium Enrichment Facilities,"
- NUREG/BR-0096, Revision 2, "Instructions and Guidance for Completing Physical Inventory Summary Reports," and
- DG-5057, "Special Nuclear Material Control and Accounting System for Non-Fuel Cycle Facilities."

The revised guidance documents will be completed at the time the rulemaking package is provided to the Commission.

Target Completion Date:

As noted above, the staff has requested a schedule extension and expects to deliver the final rulemaking package to the Commission in January 2019. Thereafter, if approved, the final rule will be published in the *Federal Register*. The staff recommends that Recommendation 1 be closed following Commission action on the rulemaking.

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Status of Recommendations

Recommendation 1 (cont):

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 extremely slow progress. Recommendation 1 will be closed once the agency provides, and OIG verifies, the information in the final rulemaking.

Status:

Resolved.

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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
July 17, 2018:

July 2018 Status:

Since Recommendation 3 also pertains to risk-informing the inspection program, see the discussion above regarding the status of staff activities to address Recommendation 1.

Target Completion Date:

As noted above, the staff has requested an extension to deliver the final rulemaking package to the Commission in January 2019. Thereafter, with the Commission's approval, the final rule will be published in the *Federal Register*. The staff recommends that Recommendation 3 be closed following Commission action on the rulemaking.

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 extremely slow progress. Recommendation 3 will be closed once the agency provides, and OIG verifies, the information in the final rulemaking.

Status:

Resolved.