

September 16, 2005

MEMORANDUM TO: Luis A. Reyes
Executive Director for Operations

FROM: Stephen D. Dingbaum/**RAI**
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC
BASELINE INSPECTION PROGRAM (OIG-05-A-06)

REFERENCE: DIRECTOR, OFFICE OF NUCLEAR REACTOR
REGULATION, MEMORANDUM DATED JULY 26, 2005

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated July 26, 2005. Based on this response, recommendations 1, 5, 6, 9, and 10 are closed. Recommendations 2, 3, 4, 7, and 8 are resolved. Resolved recommendations will be closed when OIG receives information confirming that corrective action has been completed on each. Please provide an updated status of all recommendations by January 13, 2006.

If you have any questions or concerns, please call me at 415-5915.

Attachment: Status of Recommendations

cc: W. Dean, OEDO
M. Malloy, OEDO
P. Tressler, OEDO

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Status of Recommendations

Recommendation 1: Document the basis and rationale for the determined baseline inspection program sample sizes, including a discussion of when, or why, to use more than minimum samples.

OIG Status: This recommendation will be closed when the Office of the Inspector General (OIG) receives and evaluates the following documents:

- § Revised Inspection Manual Chapter (IMC) 0308
- § Revised Inspection Manual Chapter 2515

Agency Response

Dated July 26, 2005: Update: IMC 0308 and 2515 documents will be revised to describe the basis and rationale for determining the baseline inspection sample sizes. Program expectations for completing the nominal number of inspection samples specified in inspection procedures (IPs) will be added to both documents.

Our target date for completing the revisions to IMC 0308 and IMC 2515 is July 31, 2005. The Office of Nuclear Reactor Regulation (NRR) will provide these documents to OIG when they are issued.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, the agency's actions meet the intent of the recommendation and it is therefore closed.

Status: Closed.

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Status of Recommendations

Recommendation 2: Develop guidance on how to identify human performance trends and how that information should be integrated into the reactor oversight process (ROP).

OIG Status: The corrective action identified in the agency's response addresses the intent of OIG's recommendations. However, OIG notes that 1) the staff has indicated that programmatic changes in this area will need to be consistent with the Commission's policy on risk-informing the ROP, and 2) staff action in this area may require Commission approval. As such, OIG believes that an action plan, with identified steps and completion dates, should be developed in order to measure progress on the recommendations between now and September 28, 2007. Moreover, the plan should clearly delineate at what point Commission approval for proposed programmatic changes will take place.

Agency Response

Dated July 26, 2005: Update:

We agree. We acknowledge the benefits of developing an action plan to identify steps, completion dates, and Commission approval points. We will develop an action plan as recommended.

Our target date for developing the action plan is December 31, 2005. Our target date for completing this recommendation is September 28, 2007.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, OIG agrees that progress is being made to bring this recommendation to closure. OIG will close this recommendation when all actions are complete.

Status: Resolved.

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Status of Recommendations

Recommendation 3: Develop and implement guidance for documenting, tracking, and trending informal inspection issues.

OIG Status: The Agency's response does not address the specifics of the report's finding. Specifically, the Agency asserts that resources saved from not having to document minor findings are intended to be directed toward areas of greater risk significance and that the Additional resources required to develop and implement formal tracking and trending of minor inspection findings do not justify the benefit from such a program. However, the Agency's response does not address the crux of the report's finding. In particular, the time already expended by inspectors and managers in this area, the inconsistencies in implementation and expectations, and the unavailability of certain inspection information to the public.

OIG acknowledges the Agency's plan to request additional clarification from the Commission on this recommendation. Therefore, the status of this recommendation will be reevaluated subsequent to the Commission's response.

Agency Response

Dated July 26, 2005: Update:

The staff agrees that additional programmatic guidance is needed to address the treatment of minor findings (issues or concerns that under program guidance are not documented in inspection reports). The staff will revise ROP program guidance to emphasize the following points:

- Minor findings are to be reported to the licensee for action in accordance with the licensee's corrective action program. Licensees are expected to track and trend issues per their program.
- Inspectors are not to track or trend minor findings on an ad hoc basis. Regional managers are expected to ensure such tracking and trending does not occur. Inspection Procedure 71152, Problem Identification and Resolution, directs inspectors to perform a semi-annual trend review. Inspectors are allowed to consider minor findings and issues as part of this trend review, and can document the results in accordance with IP 71152. This review samples both NRC and licensee identified items. Results of the IP71152 inspection are considered as part of the licensee

performance assessment process defined in IMC 0305,
Operating Reactor Assessment Program. @

Our target date for completing this action is December 31,
2005.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, OIG agrees that progress is being made to bring this recommendation to closure. OIG will close this recommendation when all actions are complete.

Status: Resolved.

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Status of Recommendations

Recommendation 4: Define effectiveness as it pertains to the ROP and establish performance measures and targets to demonstrate that the baseline inspection program meets that definition.

OIG Status: The proposed corrective action addresses the intent of OIG's recommendation. The closure of this recommendation will be determined based upon OIG's receipt and analysis of the staff's revisions to the ROP performance measures.

Agency Response

Dated July 26, 2005: Update: We agree. We will incorporate our definition of proposed performance measure effectiveness into a future revision to IMC 0307, Reactor Oversight Self-Assessment Program.

Our target date for completing the revision to IMC 0307 is December 31, 2005.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, OIG agrees that progress is being made to bring this recommendation to closure. OIG will close this recommendation when the revision to IMC 0307 is complete.

Status: Resolved.

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Status of Recommendations

Recommendation 5: Develop a planned, scheduled approach for phasing out the use of the coping measures.

OIG Status: Some of the corrective actions discussed in the Agency's response appear to address the intent of OIG's recommendation. Specifically, the increase in inspection full-time equivalent (FTE) staff positions, once filled with experienced inspectors, should alleviate some of the challenges. However, other Agency claims are contrary to the report's findings. For example, the Agency states that

the revised staffing policy and the additional FTE will improve site staffing levels with experienced and qualified inspectors. Yet, the report states that circumstances restrict the opportunity to implement the new staffing policy, and that regions have experienced difficulties in keeping positions filled with seasoned inspectors, despite aggressive recruiting. Filling positions does not equate to having fully qualified, experienced inspectors available.

Therefore, this recommendation cannot be closed until OIG receives and evaluates evidence that the coping measures have been rescinded.

Agency Response

Dated July 26, 2005: Update:

In 2002, coping measures were necessary to complete the baseline inspection program because there was a shortage of qualified inspectors and inspection resources intended for baseline inspections were diverted to respond to unanticipated emerging events and external demands. Completing baseline inspections was a concern primarily in Regions I and III because of unusual demands related to events at Indian Point 2 and Davis-Besse and, in some cases, the high turnover of qualified inspectors through promotions, reassignments, and retirements.

As a result, the regions implemented strategies to avert the possibility of not completing the calendar year (CY) 2002 baseline inspection program. The CY 2003 inspection cycle was impacted to some extent by the coping strategies implemented in 2002, such as the deferral of inspector counterpart meetings and the rescheduling of biennial and triennial inspections to the next inspection cycle (a measure that primarily affected Division of Reactor Safety (DRS) regional inspectors, not Division of Reactor Safety (DRP) resident inspectors).

To avoid the inspection resource challenges of 2002 in the future, the staff evaluated the inspection resource needs in the four regions. As a result, the regional budget for operating reactor inspection activities for FY 2004 and beyond was increased by approximately 15 FTE, in part, to support the oversight of a potential IMC 0350 plant and to assist in post-supplemental-inspection oversight activities. The additional resources should alleviate future challenges in completing the baseline inspections and the need for coping measures.

The staff also revised the resident inspector policy to allow early assignment of new resident and senior resident inspectors to a site. The new policy which is described in IMC 2515, Section 11.01, item 7, allows the regional administrator to assign a permanent resident inspector up to 12 months before the planned departure of the incumbent resident and to assign senior residents up to 6 months before the departure of the incumbent senior resident.

The effects of these measures are already evident in the 2004 inspection cycle as reported in SECY-05-0070, Attachment 8. Actual inspection effort in 2004 increased about 9% from 2003, which indicates the staff is no longer coping at minimum inspection levels. This increased inspection effort was achieved with no assistance from headquarters in 2004.

Some stakeholders have suggested that the use of basic certified inspectors as resident inspectors has continued on a significant scale and the staff may still be using basic certified inspectors as a coping measure.

Basic qualified inspectors have been assigned to fill resident inspector positions for several years, and this practice is expected to continue. Assigning basic certified inspectors as resident inspectors is allowed by program guidelines as described in IMC 1245, Section 03.02, and is not a coping measure. The use of basic qualified inspectors has not occurred on a significant scale. **B** analysis and further refinement of demographic data provided in SECY-05-0070, Attachment 9, show that basic qualified inspectors were only about 12 percent of the resident inspectors in November 2004.

Thus, there is ample evidence that the coping measures implemented in 2002 have been rescinded and are no longer being used to complete the baseline inspection program. Keeping resident inspector positions staffed with seasoned inspectors, succession planning, recruitment, retirement planning, and staff turnover are human resource issues that are not specific to the ROP or the coping measures implemented in 2002. These issues should be resolved through continuing human resource management.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, the agency's actions meet the intent of the recommendation and it is therefore closed.

Status: Closed.

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Status of Recommendations

Recommendation 6: *Provide additional management guidance for assigning inspectors to perform IPs to ensure that inspectors are adequately qualified for their assignments.*

OIG Status: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed when OIG receives and evaluates the additional guidance.

Agency Response

Dated July 26, 2005: Update:

We are revising IMC 2515, **A**ight-Water Reactor Inspection Program **B**Operations Phase, **@**to include more guidance on ensuring that inspectors are adequately qualified for their assignments. The Inspection Program Branch (IIPB) reviewed the IPs to determine who performs the IPs, and examined the training required by IMC 1245, **A**ualification Program for the Office of Nuclear Reactor Regulation Programs. **@**Based on our review, we believe the best way to ensure inspectors are adequately qualified for certain inspections is to specify which IPs are performed by regional specialists. Otherwise, the remaining IPs will be performed by resident inspectors and regional specialists with resident inspector experience.

Our target date for completing this action is July 31, 2005. NRR will provide IMC 2515 to OIG when it is issued.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, the agency's actions meet the intent of the recommendation and it is therefore closed.

Status: Closed.

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Status of Recommendations

Recommendation 7: *Provide guidance for vendor-specific training in resident inspector training requirements.*

OIG Status: While agreeing with the importance of having its inspectors trained in the proper reactor technology, the Agency's plan to consider a change to the inspector qualification program rather than commit to take action does not address the intent of this recommendation.

Agency Response

Dated July 26, 2005: Update: We recognize the importance of training resident inspectors to understand the specific reactor technology at their plants. The staff developed a feedback form (1245-850) for the IMC 1245 inspector qualification to address this recommendation. In May 2005, the IMC 1245 management steering group (MSG), consisting of regional division/deputy division directors and the program office branch chief, discussed the feedback form. The MSG decided to revise IMC 1245 to require vendor-specific training for operations inspectors within 2 years of assignment to a new location.

Our target date for completing the revision to IMC 1245 to require the vendor-specific training within two years of assignment is September 30, 2005.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, OIG agrees that progress is being made to bring this recommendation to closure. OIG will close this recommendation when the revision to IMC 1245 is complete.

Status: Resolved.

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Status of Recommendations

Recommendation 8: *Improve baseline inspection program guidance to include:*

- a. *direction for implementing a baseline inspection program completion tracking process using RPS (Reactor Program System) to collect inspection completion data at a plant level and in real-time,*
- b. *how to document completion and sample sizes in inspection reports, and*
- c. *whether performance of one inspection procedure sample can be counted as a sample for another.*

OIG Status: The proposed corrective actions address the intent of OIG's recommendation. However, the recommendation, in total, cannot be closed until OIG receives and evaluates the enhancement to the Inspection Manual Chapter (IMC) 0306 and any additional guidance proposed in response to parts b) and c) of this recommendation.

Agency Response

Dated July 26, 2005: Update:

- a. We have already implemented actions to address this recommendation. The ability to track procedure completion in real time was implemented by an enhancement to the RPS in 2003 and is described in Section 05.03 of IMC 0306, **Inspection Procedure Status and Sample Sizes.**

This section also gives specific guidance on how to update the number of completed inspection samples and the completion status of the inspection procedure.

IMC 0306 is available at ADAMS Accession No. ML050840189.

In addition, as a result of the 2003 enhancement, several reports have been added to the RPS to provide real-time information and tracking of inspection procedure completion at all operating reactor sites.

Additional enhancements are currently being implemented in the RPS to ensure the quality of the information entered into the system and to control the data after they are entered. IMC 0612, **Inspection Reports** will require that inspection reports specify **What** was inspected and **Which** and how many samples were inspected (see recommendation 8.b below). This requirement will ensure that the number of samples listed in inspection reports agree with the number of completed samples reported in RPS. Once the numbers of samples are certified in RPS, the field is locked and the numbers cannot be changed without authorization.

These enhancements will be effective with the September 2005 release of RPS.

- b. We are revising IMC 0612, **Inspection Reports** to require sample sizes to be stated as part of inspection documentation. The revised guidance will require inspectors to identify what was inspected and how many samples were inspected.

Our target date for completing the IMC-0612 revision is September 30, 2005.

- c. We are revising IMC 2515, **Light-Water Reactor Inspection Program Operations Phase** to provide additional guidance on when completion of one inspection procedure sample can be counted as a sample for another. Performance of one inspection procedure sample can be counted as a sample for another procedure only if completed inspection requirements are common to each procedure.

Our target date for completion is July 31, 2005. NRR will provide IMC 2515 to OIG when it is issued.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, the agency's actions on subparts 8a and 8c meet the intent of the recommendations and are therefore closed.

Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, OIG agrees that progress is being made to bring subpart 8b to closure. OIG will close this subpart and the entire recommendation when the revision to IMC 0612 is complete.

Status: Resolved.

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Status of Recommendations

Recommendation 9: Clarify existing guidance regarding the expectations and requirements for invoking the new completion criteria.

OIG Status: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed once OIG receives and evaluates the revised guidance.

Agency Response

Dated July 26, 2005: Update: We are revising IMC 2515, **A**ight-Water Reactor Inspection Program **B**Operations Phase, **@**o include guidance on program expectations and requirements for invoking the new completion criteria.

Our target for completion is July 31, 2005. NRR will provide IMC 2515 to OIG when it is issued.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, the agency's actions meet the intent of the recommendation and it is therefore closed.

Status: Closed.

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Status of Recommendations

Recommendation 10: Provide a method for tracking IPs not performed as required by year's end in order to ensure that each region stays within the four-procedure allowance.

OIG Status: The proposed corrective action addresses the intent of OIG's recommendation. This recommendation will be closed once OIG receives and evaluates the additional guidance.

Agency Response

Dated July 26, 2005: Update:

We have proposed a change to IMC 2515, **A**ight-Water Reactor Inspection Program **B**Operations Phase, **C**o require the regions to track inspection procedure completion so that each region stays within the four-procedure allowance.

Our target date for completion is July 31, 2005. NRR will provide IMC 2515 to OIG when it is issued.

OIG Analysis: Based on the agency's response and the additional information provided at an August 25, 2005 meeting with NRR staff, the agency's actions meet the intent of the recommendation and it is therefore closed.

Status: Closed.