

July 16, 2015

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

FROM: Glenn M. Tracy, Director /RA/
Office of New Reactors

SUBJECT: STAFF RESPONSE TO THE OFFICE OF THE INSPECTOR
GENERAL'S AUDIT OF THE NUCLEAR REGULATORY
COMMISSION'S CONSTRUCTION REACTOR OVERSIGHT
PROCESS (OIG-15-A-14)

The staff received the Office of the Inspector General's (OIG's) report for Audit OIG-15-A-14, "Audit of the Nuclear Regulatory Commission's Construction Reactor Oversight Process," dated June 16, 2015. This memorandum provides the staff's response to the findings and recommendations identified in the audit report, including the staff's planned actions and target dates for completion of those actions.

The U.S. Nuclear Regulatory Commission (NRC) licenses and oversees new nuclear power reactor construction. Four reactors are being built under combined licenses (COLs) issued in accordance with Title 10 of the *Code of Federal Regulations*, Part 52, "Licenses, Certifications, and Approvals for Nuclear Power Plants" (Part 52). Under Commission direction, the staff developed, piloted, and implemented the Construction Reactor Oversight Process (cROP) for the oversight of construction at facilities licensed under Part 52.

Two NRC organizations have responsibility for oversight of new reactor construction: the Office of New Reactors (NRO) and Region II. NRO provides overall program management and planning, while Region II conducts the inspections of the licensee's construction and operational programs. This includes monitoring licensees' completion of their inspections, tests, analyses, and acceptance criteria (ITAAC). Region II construction inspection staff develops and use inspection plans specific to the ITAAC to manage and provide technical guidance to the inspectors for completing inspections.

The staff is committed to continuous improvement in the cROP, has conducted numerous self-assessments of the process, and will continue to do so. These self-assessments provide the staff with a comprehensive view of the effectiveness of the cROP, and the staff develops

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actions to address areas where improvements are necessary. The staff appreciates the efforts of the OIG in conducting this audit and will address the recommendations stated in the audit report as follows:

Recommendation 1:

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

Response:

The staff agrees with the recommendation. As discussed further below, the staff has undertaken a number of steps to rigorously identify potential inefficiencies associated with cROP.

The NRC has an internal control program which includes periodic internal audits of the implementation of the cROP and its subparts. In addition to the scheduled audits, in 2013 the staff initiated a Business Process Improvement (BPI) team to evaluate the construction inspection scheduling and inspection processes. The BPI team's recommendations resulted in a reorganization of the Division of Construction Projects to strengthen the project management of the AP1000 construction inspection. Region II developed guidance documents to help the staff with implementation of the new process.

Seeking to further strengthen the program, in January of 2015, the staff initiated a comprehensive review to identify process inefficiencies associated with cROP and make recommendations for improvement. A Process Review Team (PRT) conducted a rigorous review to understand the challenges and inefficiencies in planning, scheduling, and documenting construction inspections. Team activities included interviews of numerous internal and external stakeholders, table-top exercises, participation with project managers and inspectors, and attendance of scheduling and planning meetings conducted by the licensees.

The PRT identified additional opportunities to make the process more efficient and effective. The team tabulated a list of challenges which fell into the categories of Roles and Responsibilities, Communications, Training/Oversight, and SmartPlans. The team recommendations included:

- Streamline communications and eliminate unnecessary hand-offs.
- Centralize ITAAC and SmartPlan review, inspection planning, scheduling, and documentation.

Staff believes these ongoing efforts are responsive to Recommendation 1. In addition, an annual audit specific to planning and scheduling will be conducted to identify further efficiencies.

The PRT Conclusions and Recommendations and PRT Transition Map are available at Agencywide Documents Access and Management System (ADAMS) Accession No. ML15188A398.

Target date for completion: September 30, 2015

Recommendation 2:

Implement the results of the comprehensive review through a formal action plan, with milestones, in order to address process inefficiencies associated with cROP.

Response:

The staff agrees with the recommendation.

The staff has implemented the recommendations of the PRT. The new process involved the realignment of duties and responsibilities, position designation and description changes, and personnel moves. These recommendations were implemented on March 22, 2015. Additional actions and associated milestones included:

- Integrate meeting purposes and scopes with new process.
- Revise meeting purposes, revise desktop guides for roles and responsibilities, and revise desktop guides for SmartPlans.
- Conduct workshops on new roles and responsibilities.
- Prioritize and complete SmartPlan and schedule updates.

The PRT Transition Map and other supporting documents are available at ADAMS Accession No. ML15188A398.

Target date for completion: September 30, 2015

cc: Chairman Burns
Commissioner Svinicki
Commissioner Ostendorff
Commissioner Baran
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