POLICY ISSUE
(Notation Vote)

May 6, 2004 SECY-04-0076

FOR: The Commissioners

FROM: William D. Travers
Executive Director for Operations /RA/

SUBJECT: DEPARTMENT OF VETERANS AFFAIRS (DVA) IMPLEMENTATION OF ITS MASTER MATERIALS LICENSE (MML)

PURPOSE:

To provide the Commission with a status report on the DVA's implementation of its MML following completion of the first year of the U.S. Nuclear Regulatory Commission's (NRC's) increased oversight plan, and to request Commission approval of the staff's recommendation to modify the NRC's increased oversight plan based on the DVA's performance.

SUMMARY

The staff has completed one year of increased oversight of the DVA's implementation of its MML. This included two comprehensive team inspections using Management Directive 5.6, "Integrated Materials Performance Evaluation Program (IMPEP)," criteria to assess DVA performance; NRC independent inspections of 60 percent of the DVA's higher priority permittees, i.e., priority 2 and 3 programs; and two accompaniments by NRC staff of each DVA inspector. Based on the integrated results of these NRC oversight activities and the DVA's demonstration that it continues to effectively manage its centrally controlled program, the staff recommends that the increased oversight program be maintained for the second year, but at a reduced level.

BACKGROUND:

The purpose of an MML is to consolidate a number of NRC licenses each held by single entities which are part of a large federal organization into a single master license, while maintaining adequate NRC oversight and licensee management control to assure the safe use of licensed materials. Under the MML, the DVA currently oversees 115 permitted DVA Medical Centers located throughout the United States. In addition to the DVA, the NRC has issued MMLs to two other Federal organizations: the Department of the Air Force (1985) and the Department of the Navy (1987).

CONTACT:
Kevin Null, Region III
(630) 829-9854
KGN@nrc.gov

A determining factor the NRC uses to evaluate an applicant's ability to manage an MML program is whether the applicant has established, and is maintaining, adequate centralized control of activities to ensure the safe use of byproduct materials under specific licenses of broad and limited scope, i.e., a centrally controlled program. The NRC recommends that applicants for an MML have at least five years experience in implementing a centrally controlled program.

Initially, the DVA requested an MML in 1996. From 1996 through 1999, the staff reviewed the DVA's submissions and evaluated the DVA's implementation of its program. Based on the results of these reviews and evaluations, the staff concluded that the DVA's existing program was deficient because it lacked adequate central control. Additionally, the staff concluded that the DVA's proposed plan to establish a sustainable central control program was not adequate. These conclusions precluded issuance of an MML.

The DVA submitted a revised application on September 21, 1998, which reflected substantive improvements, including: 1) a specific internal delegation of authority; 2) specific long-term MML funding; 3) re-establishment of the director's position for the DVA National Health Physics Program (NHPP); 4) independence of the radiation safety program for all DVA permittees implemented by the NHPP; 5) revised DVA National Radiation Safety Committee (NRSC) Standard Operating Procedures; and 6) program commitments that resolved many of the previously identified deficiencies. The staff concluded that the DVA had proposed an adequate central control program to effectively manage an MML.

From September of 1998 through early 1999, the staff assessed the DVA's program implementation, and on May 4, 1999, informed DVA management that it had not yet established and implemented an adequate central control program. The staff requested that the DVA conduct an internal assessment of its central control program and develop a plan, with milestones, and a schedule for establishing an adequate program. The DVA agreed to respond to this request.

The DVA proceeded with its assessment and implementation plan. The NRC and DVA management met on June 1, 2000, to discuss DVA's efforts and accomplishments since May of 1999. On October 26, 2000, the DVA notified the NRC that the needed changes and improvements to its program had been implemented.

In response to the DVA's notification and in order to assess its stated improvements, NRC staff conducted an independent readiness review using the IMPEP assessment criteria. The review was conducted from January through June 2001, and a report was issued on August 20, 2001. The readiness review team concluded that the DVA had implemented an adequate central control program to effectively manage an MML.

The NRC staff concluded that the DVA met all of the criteria for an MML, with the exception that the DVA lacked the recommended five years of experience in implementing and maintaining a centrally controlled program. As a result, the NRC staff concluded that it could not recommend issuance of an MML to the DVA without an initial period of increased NRC oversight, and presented the following three licensing options to the Commission: 1) deny the application until the DVA obtained the five years experience in implementing a centrally controlled program;

2) issue a two-phase MML: the first phase would include the lower-risk licensees with the intent of considering the second phase of the MML for higher-risk licensees at a later date; or 3) issue a full MML, consolidating all licenses, with increased NRC oversight while the DVA more fully established itself as an MML licensee.

On August 28, 2002, the staff recommended that the Commission approve Option 3, to issue the DVA a full MML, with increased staff oversight during a two-year period. The elements of the plan for increased NRC oversight, which includes comprehensive semi-annual team inspections, are described in Enclosure 1 to this paper.

The Commission informed the staff via a Staff Requirements Memorandum (SRM) dated October 15, 2002, in response to SECY-02-0160, "Department of Veterans Affairs Application for a Master Materials License," that it had approved Option 3. The SRM also directed the staff to provide the Commission with a status report at the end of the first year of increased NRC oversight. On March 17, 2003, the staff issued the MML to the DVA, conditional on increased NRC oversight of program implementation for a two-year period.

DISCUSSION

The staff considered the following two elements in its assessment of the DVA's implementation of its MML: I) the effectiveness of the DVA's centrally controlled program; and II) the results of the first year of semi-annual team inspections with detailed analysis of the specific focus elements used to review the DVA's MML during both NRC inspections.

I. Effectiveness of the DVA's Centrally Controlled Program

Since the MML was issued on March 17, 2003, the DVA, through its NRSC and NHPP, has demonstrated that it continues to effectively operate a centrally controlled program. The NRSC is comprised of various medical and research specialists, administrative staff, and upper level management representatives. The NRSC has delegated the management of day-to-day licensed activities to the NHPP. The NHPP includes a director, five program managers strategically located throughout the United States, several administrative staff, and an information technology specialist. The NHPP reports directly to the NRSC, which conducts Committee meetings on a quarterly basis.

Effective implementation of the DVA's MML rests heavily on the ability of the NHPP to centrally manage the activities of the 115 DVA permittees to ensure program consistency, and translate NRSC direction into appropriate action. This also requires effective two-way communication between the NHPP and NRSC. During the first year of increased oversight, NRC staff focused on the ability of the DVA, through its NHPP, to maintain centralized control of MML activities. The NRSC frequently assigns specific tasks to the NHPP at its quarterly meetings. The NHPP Director and staff report on MML activities at these meetings, providing updates on the status of these tasks at each subsequent meeting until the issue is closed per majority vote by the Committee.

Essential elements of an effective centrally controlled program are a clear understanding by the master materials licensee staff of NRC regulations, as well as licensing and inspection policies and guidance; and an ability to make necessary and timely adjustments to the MML program as policies change. Based on the results of the

NRC's oversight activities, the staff has concluded that the DVA, through its NHPP understands NRC regulations, and has effectively implemented NRC licensing and inspection policies. The NHPP actively monitors the NRC web site for any changes in inspection and licensing policies and procedures, reviews its procedures to determine if any modifications to its procedures are necessary, trains DVA staff in the changes, and notifies its permittees of the changes electronically through its web site (see below for a discussion of the NHPP web site). Based on NRC independent inspections and a thorough review of NHPP permitting actions, the staff concluded that these communications have been effective.

The staff also noted that the NHPP uses the NRC's NUREG-1556 series in reviewing permitting actions. In an effort to improve consistency in applications received from its permittees and maintain timeliness in completing permits, the NHPP developed permitting templates for renewal applications. These templates are electronically transmitted to permittees six months before a permit expiration date and are used by permittees in preparing applications for permit renewal. All applications for amendment and renewals, follow-up deficiency letters, and completed actions are transmitted electronically between permittees and the NHPP. As a result, the NHPP has an average timeliness of 12 days in completing permitting casework.

The NHPP effectively controls the DVA's inspection program by using NRC inspection guidance and making timely adjustments to keep current with NRC policy. The NHPP adopted NRC's inspection frequencies as defined in Temporary Instruction 33 for NRC Manual Chapter (MC) 2800, "Revised Materials Inspection Program," when the MML was issued on March 17, 2003. When MC 2800 was finalized by the NRC in November 2003, the priority for Program Code 2120 was changed from five years to three years. The inspection team noted that the NHPP adjusted the priority of all of its permits that had a program code of 2120 from five years to three years. This resulted in approximately 17 permittee inspections that were then immediately overdue. A discussion with the NHPP Director indicated that the DVA's plan was to perform all of the overdue inspections by the end of calendar year 2004. All other inspections were completed by the required due dates. The NHPP has averaged 24 days to complete its inspections and issue its reports. The DVA, through the NHPP, has demonstrated control over its inspection program by completing all of its inspections on time, identifying revisions that the NRC made to MC 2800, and developing a plan to complete inspections that were affected by these changes.

The NHPP and its administrative staff have been using electronic media very effectively to communicate with its permittees and the NRSC. In 1997, the NHPP developed its "NHPP Scatterings" newsletter, which is distributed to DVA permittees on a bimonthly basis. The newsletter advises permittees of recent violations that have generic applicability, the status of the DVA permitting and inspection programs, changes in NRC regulations and guidance, guidance on security of permitted material, frequently asked questions (FAQs), etc. In addition, on an as-needed basis, the NHPP issues special edition newsletters.

In 1999, the NHPP established an Intranet web site (www.nhpp.med.va.gov), and in 2002 it developed an Internet web site (www.vamclr.org/nhpp). The Intranet web site is

accessible to all DVA employees and contains current permits for all DVA permittees, NHPP inspection reports, NRC Inspection Reports, NRSC meeting minutes, etc. The Internet web site is available to the general public and contains the NHPP's "Scatterings" newsletter, a link to frequently asked questions (FAQs), a list of NHPP contacts and telephone numbers, and MML information. It also instructs the user on how to report radiation safety concerns.

Based on the results of both semi-annual team inspections, NRC independent inspections, accompaniments of NHPP inspectors by NRC staff, random NRC interviews of permittee staff members, as well as NRC observations of quarterly meetings between the DVA's NRSC and NHPP staff, the NRC staff has concluded that the DVA continues to operate its MML in a manner that exhibits a functioning centrally controlled program which fosters effective communication between the NRSC, NHPP, and DVA permittees.

II. Overview: First Year of Increased Oversight

From September 15 - 19, 2003, the NRC conducted its first semi-annual review of the DVA's performance in implementing its MML. The associated team inspection was led by Region III and included representatives from Region II, Region III, and the Office of Nuclear Material Safety and Safeguards (NMSS). The review also incorporated the results of NRC independent inspections of 14 DVA permittees, representing 30 percent of DVA's higher risk programs, i.e., priority 2 and 3 programs, as well as NRC accompaniments of each NHPP inspector.

The NRC staff completed the first year of its increased oversight plan when it conducted the second semi-annual team inspection from March 2 - 5, 2004. The team inspection was led by Region III, and included representatives from Region III, Region IV, and NMSS. Similar to the first semi-annual review effort culminating with the September 2003 team inspection, this second six-month review effort also incorporated the results of NRC independent inspections of 14 DVA permittees, representing 30 percent of DVA's higher risk programs, i.e., priority 2 and 3 programs, and NRC accompaniments of each NHPP inspector.

Both semi-annual reviews were conducted in accordance with Manual Chapter (MC) 2810, "Master Materials License Inspection Program." The elements of each review, as described in Inspection Procedure (IP) 87129, "Master Materials Program," included: 1) Management Oversight; 2) Technical Staffing and Training; 3) Status of Materials Inspection Program; 4) Technical Quality of Inspections; 5) Technical Quality of Materials Permitting Actions; and 6) Response to Events or Incidents and Safety Concerns or Allegations.

No violations of NRC requirements were identified in either semi-annual team inspection, and both inspection teams concluded that the DVA implemented its MML in accordance with NRC licensing and inspection policies and procedures, and that, overall, the DVA is implementing its permitting and inspection programs in a manner that adequately protects health and safety of workers and the general public. Enclosures 2 and 3 are copies of the semi-annual inspection reports.

A. Staff Assessment: Management Oversight

As part of its ongoing assessment of the DVA's program, NRC staff attends each NRSC quarterly meeting to evaluate the NRSC's performance in exercising its MML oversight function. The staff has observed focused involvement by the NRSC in issues pertaining to implementation of the DVA's MML. The staff has also observed NRSC interaction with NHPP staff and management at the quarterly Committee meetings, and confirmed that the Committee was actively engaged in, and effectively provided oversight and direction on, issues raised by the NHPP. For example, at the January 2004 NRSC meeting, the Deputy Under Secretary for Health communicated his concerns regarding two Severity Level III violations that the NRC had issued to the DVA between October 2003 and February 2004.[1] The Director of Safety for the DVA, at the request of the Deputy Under Secretary, also attended this meeting and provided additional insight on ways to improve the security of radioactive materials. In addition, the NRSC discussed potential security issues related to permittees that have obsolete sealed sources in storage. As a result, the NRSC tasked the NHPP to develop additional guidance addressing security of radioactive materials that would include guidance for permittees that continue to store obsolete sealed sources.

The results of NRC independent inspections of DVA permittees were also considered by the staff in its assessment of DVA oversight of its permittees' safe use of radioactive materials. From March 2003 through March 2004, the NRC conducted independent inspections of 28 DVA permittees. During this one-year period, the NRC issued two Severity Level III violations and three Severity Level IV violations. Each permittee coordinated with the NHPP to develop and implement both immediate and long-term corrective actions for each Severity Level IV violation that was cited by the NRC. In all cases, corrective action was either immediately taken or planned for implementation within 30 days.

The staff also reviewed the corrective actions implemented by the DVA in response to each violation to determine if the corrective actions were timely, comprehensive, and effective. Regarding the two Severity Level III violations, both were considered isolated and non-programmatic in nature, consequently no civil penalties were issued. The involved DVA permittees took prompt corrective action. In addition, the DVA submitted a written response to each violation, describing acceptable long-term corrective actions. During an NRC six-month follow-up inspection for the first Severity Level III violation, the staff verified that the permittee implemented appropriate corrective actions. A six-month follow-up inspection for the second Severity Level III violation is scheduled for August 2004.

In summary, NRC staff have concluded that the DVA, through its NRSC and NHPP, has conducted operations in accordance with the MML, DVA's Standard Operating Procedures, and NRC regulations. The NRSC and the NHPP were effective in providing oversight of the DVA's radiation safety and regulatory compliance program.

---

[1] The two violations involved failure to secure from unauthorized removal or limit access to licensed materials located in: a) a nuclear medicine department's hot laboratory; and b) a storage room located within a radiation safety office.

B. Staff Assessment: Effectiveness of the DVA's Inspection Program

Two key factors in the staff's evaluation of the DVA's inspection program were the results of NRC accompaniments of DVA NHPP inspectors and an assessment of the DVA's inspection findings. During the first year of increased NRC oversight, the staff accompanied each NHPP inspector twice and reviewed all of the NHPP's inspection reports and violation citations. Based on direct observations from NRC staff who accompanied the NHPP inspectors, and the results of the staff's review of DVA inspection documentation, both semi-annual inspection teams concluded that the NHPP inspectors conducted performance-based inspections and issued inspection reports and violations in a manner that was consistent with NRC policies and procedures.

The NRC staff also assessed the effectiveness of the DVA's inspection program by comparing the results of DVA inspections at permittee facilities to the results of inspections conducted by NRC Region III staff at non-VA facilities with identical program codes. Department of Veterans Affairs inspection activities involved permittees with the following program codes: 1) 2120 (Medical Institution - Written Directive Required); 2) 2121 (Medical Institution - Written Directive Not Required); 3) 2110 (Medical Institution Broad); and 4) 3610 (Research and Development Broad - Type A). The data gathered from NRC inspections at non-VA facilities related to the same types of programs. Enclosure 4 contains the NRC and DVA data used in the comparison.

Enclosure 4 (Table A) compares the results of all DVA inspections conducted from March 17, 2003, through February 27, 2004, to the results of NRC Region III inspections at non-VA facilities over the same time period. The last two columns provide a comparison of the ratio of the number of violations issued to the number of inspections conducted by both agencies. Of the two categories where both institutions issued violations, i.e., Program Codes 2120 and 2110, the DVA had a higher rate of violations issued per inspection conducted.

Enclosure 4 (Table B) compares the results of all DVA inspections to an equivalent number of inspections conducted by the NRC Region III Office at non-VA facilities. In compiling the NRC data, the staff reviewed the results of the last 14 inspections at non-VA facilities with Program Code 2120, 1 inspection at a Program Code 2121 facility, 10 inspections of Program Code 2110 facilities, and 2 inspections of Program Code 3610 facilities.

The data from Enclosure 4 illustrates that the DVA is identifying and issuing violations, and at a higher rate than the NRC. Based on review of the DVA's inspection reports, the staff noted that the types of violations being cited include issues related to training, survey programs, posting and labeling, and security, which is consistent with the types of findings documented in NRC inspection reports. All of the violations cited have been at a Severity Level IV. Based on a review of the DVA's inspection reports, the NRC staff concurred with the DVA's findings and citations.

In order to gain further insight into the effectiveness of the DVA's inspection program, the staff also reviewed Region I inspection data. Region I provided Region III with a listing of non-VA materials inspections it conducted from March 2003 through December 2003, along with the inspection results. The comparison of Region I's inspection results

to the DVA's inspection results of the same program codes, inspected over the same time frame, resulted in very similar findings to the comparison between the Region III and DVA inspections illustrated in Enclosure 4.

As the DVA continues to gain experience implementing its MML, the NRC staff expects that the rate of cited violations will decrease as the DVA's inspection program matures into a more risk-informed and performance-based program.

C. Staff Assessment: Effectiveness of DVA's Permitting Program

During the first year of increased NRC oversight, the staff reviewed 37 permitting actions completed by the NHPP. This review included interviews of NHPP staff during both semi-annual team inspections to determine whether the DVA's permitting program was consistent with NRC licensing policies and procedures. Permitting actions were evaluated for completeness, consistency, proper isotopes and quantities used, qualifications of authorized users, adequate facilities and equipment, and operating and emergency procedures sufficient to establish the basis for permit actions. Casework was also evaluated for timeliness, adherence to good health physics practices, reference to appropriate regulations, product certifications or other supporting documents, consideration of enforcement history on renewals, pre-licensing visits, supervisory review as indicated, and proper signature authority. The files were checked for retention of necessary documents and supporting data.

The NRC staff also evaluated the DVA's permitting process to determine if permitting actions were conducted pursuant to the MML. This process review also included an assessment of the effectiveness of the licensee's permitting tracking system. Based upon the results of both semi-annual team inspections, the NRC staff concluded that the DVA, through its NHPP, processed permitting actions in a manner consistent with NRC licensing policies, procedures, and guidance. The NRC staff also concluded that the NHPP staff conducted quality technical reviews that were based on sound health physics practices. The staff further determined that the issuance of permitting actions by the DVA was efficient and timely, with no permitting actions held in backlog.

D. Staff Assessment: Allegation and Incident Handling Programs

The NRC staff reviewed the DVA's programs for incident response and the handling of allegations. This included a review of all permittee incidents and any allegations received by the DVA to determine applicability to NRC reporting requirements, the effectiveness of the DVA's incident response and allegation programs, and the effectiveness of associated communications between the NHPP and the NRSC. The staff evaluated five incidents involving the disposal of radioactive materials to landfills, an unusually high TLD reading assigned to a permittee staff member, possession of byproduct material by an unlicensed DVA medical center, and two medical events reported to the NRC by the DVA. Based upon interviews with NHPP staff involved in the response to each non-medical incident, the NRC staff concluded that the events were not reportable and that the DVA responded to each incident in accordance with the MML. The NRC staff also reviewed the circumstances surrounding both medical events and concluded that each event was reported in accordance with 10 CFR Part 35.

During the first six months of the NRC's increased oversight effort, the NRC referred one allegation to the NHPP for follow-up in late June of 2003. The NHPP initiated its investigation in mid-July. Information concerning the allegation was forwarded in early July to the NRSC Chairman by the Director of the NHPP. However, as of September 15, 2003, the allegation had not been communicated to the NRSC membership. The NRC staff concluded that this lack of communication was an oversight on the part of the NHPP and the NRSC Chairman. The allegation was presented to the NRSC membership during the October 30, 2003, Committee meeting. An NRSC working group reviewed the details and conclusions of the investigation conducted by the NHPP. Based on its review of the NHPP investigation, the working group will be making a recommendation to the NRSC to close the allegation since the allegation was not substantiated. The NRC staff concluded that despite the lapse in communication with the NRSC membership, the allegation was processed in accordance with the MML.

The staff reviewed the DVA's SOP for handling allegations and concluded it described an adequate program. However, the staff could not make a determination regarding the DVA's overall effectiveness in implementing its allegation program because the DVA has only received and processed one allegation since the license was issued in March 2003.

E. Staff Assessment: Technical Staffing and Training

The NRC staff evaluated the DVA's staffing level for its radioactive materials program, as well as the technical qualifications and training history of the NHPP staff. In evaluating these elements, the staff interviewed NHPP management, reviewed the DVA training program, and examined the job position requirements related to permitting, compliance, and inspection. The NHPP is staffed with a director, five program managers, and administrative personnel. There has been no staff turnover since the issuance of the MML on March 17, 2003.

The NHPP developed a written training program for its technical staff based on the requirements specified in NRC Inspection Manual Chapter 1246, "Formal Qualification Programs in the Nuclear Materials Safety and Safeguards Program Area." The program includes qualification journals and oral qualification boards. All program managers have completed the NRC "Fundamentals of Inspection" and "Licensing Practice and Procedures" courses, as well as equivalent NRSC approved courses. The NHPP schedules its program managers for other core NRC courses as space becomes available. The NRC staff concluded that the DVA has a well-balanced, sufficiently qualified staff to perform the regulatory duties of an MML. The NHPP has successfully balanced the acquisition of training with the accomplishment of the permitting and inspection function, while successfully implementing a centrally controlled program.

INCREASED OVERSIGHT: OPTIONS

Based on the results of the NRC's assessment of the DVA's effectiveness in implementing its MML, the staff considered the following options regarding NRC oversight of the DVA:

A. **Option 1:** Maintain the current level of increased NRC oversight of the DVA's implementation of its MML for a second year.

B. **Option 2:** Reduce the level of increased NRC oversight of the DVA's implementation of its MML from semi-annual reviews to an annual review.

C. **Option 3:** Terminate the current level of NRC oversight and implement the standard bi-annual review frequency for MMLs as described in Manual Chapter (MC) 2800, "Materials Inspection Program."

ANALYSIS OF OPTIONS

A. Under **Option 1**, the NRC would maintain the current level of increased oversight of the DVA's implementation of its MML for another year, as originally proposed by the staff to the Commission in SECY-02-0160. The staff has concluded that the DVA has demonstrated adequate centralized control of its MML, such that maintaining the same level of increased NRC oversight for one more year would not result in measurable added value or benefit to the agency in terms of effective resource utilization.

B. Under **Option 2**, the NRC would reduce its level of oversight from semi-annual to annual reviews. The NRC accompaniments of DVA inspectors would be reduced from twice per year per inspector, to once per year per inspector. The NRC independent inspections would be reduced from 60 percent of the DVA's higher risk programs per year to 30 percent per year, and the next comprehensive team inspection would be conducted in one year instead of in 6 months. While this option would result in reduced oversight relative to the level of oversight originally proposed by the staff in SECY-02-0160, it represents an increased level of oversight relative to the standard bi-annual frequency for conducting reviews of MML programs, as described in MC 2800. In addition, NRC independent inspections would be conducted at 30 percent of the DVA permittees per year compared to 10 percent per year under the bi-annual review program.

   The results of the two semi-annual reviews of the DVA's performance in implementing its MML indicate that the DVA is effectively exercising a centrally controlled program. However, as noted in the background section of this paper, at the time the MML was issued, the staff was concerned that the DVA lacked the recommended five years of experience in implementing and maintaining a centrally controlled program. Consequently, the MML was issued conditional upon the staff providing the current level of increased oversight. The staff considers it prudent, given the difficulties experienced by the DVA in the past in establishing a centrally controlled program (refer to discussion in background section) to maintain a level of oversight that is above the level of oversight described in MC 2800 for another year. At that point, the staff will again assess the DVA's performance as it relates to maintaining a centrally controlled program and recommend an appropriate level of oversight based on the results of that assessment. Reducing the current level of oversight to the level described in this option acknowledges the DVA's performance to date, while addressing the fact that the DVA does not have five years of experience in successfully implementing and maintaining a centrally controlled program. In the staff's view, this graded approach to the level of

NRC oversight of the DVA's MML program will give the staff further confidence in the DVA's ongoing ability to manage its MML. Assuming the DVA continues to perform in the manner represented by the results of the last two semi-annual reviews, NRC oversight at the normal level for an MML prescribed in MC 2800 would appear warranted.

C. Under **Option 3**, the NRC would terminate its program of increased oversight altogether and evaluate the DVA's implementation of its MML on the standard bi-annual review frequency outlined in MC 2800. Given that the DVA will not have obtained the recommended 5 years of experience in implementing its centrally controlled program until 2005 and for the reasons discussed in option 2, this option is not recommended by the staff

RESOURCES

A. Under **Option 1**, maintaining the current level of increased NRC oversight would require an expenditure of approximately 0.60 FTE.

B. Under **Option 2**, reducing the level of NRC oversight by 50 percent would require an expenditure of approximately 0.30 FTE.

C. Under **Option 3**, eliminating increased NRC oversight would reduce FTE expenditure to approximately 0.20, which is the estimated FTE expenditure for managing an MML under the routine inspection program outlined in MC 2810.

RECOMMENDATION

The staff recommends that the Commission approve Option 2. Staff notes that all of the options are within the current allocated resources.

COORDINATION

The Office of the General Counsel has reviewed this Commission Paper and has no legal objection. The Office of the Chief Financial Officer has reviewed this Commission Paper for resource impacts and has no objections.

/RA Luis A. Reyes for/

William D. Travers
Executive Director
for Operations

Enclosures:
1. Plan for Increased Oversight
2. NRC Inspection Report No. (IR 030-34325/2003-015(DNMS))
3. NRC Inspection Report No. (IR 030-34325/2004-002(DNMS))
4. DVA and NRC Inspection Data

NRC oversight of the DVA's MML program will give the staff further confidence in the DVA's ongoing ability to manage its MML. Assuming the DVA continues to perform in the manner represented by the results of the last two semi-annual reviews, NRC oversight at the normal level for an MML prescribed in MC 2800 would appear warranted.

C. Under **Option 3**, the NRC would terminate its program of increased oversight altogether and evaluate the DVA's implementation of its MML on the standard bi-annual review frequency outlined in MC 2800. Given that the DVA will not have obtained the recommended 5 years of experience in implementing its centrally controlled program until 2005 and for the reasons discussed in option 2, this option is not recommended by the staff

RESOURCES

A. Under **Option 1**, maintaining the current level of increased NRC oversight would require an expenditure of approximately 0.60 FTE.

B. Under **Option 2**, reducing the level of NRC oversight by 50 percent would require an expenditure of approximately 0.30 FTE.

C. Under **Option 3**, eliminating increased NRC oversight would reduce FTE expenditure to approximately 0.20, which is the estimated FTE expenditure for managing an MML under the routine inspection program outlined in MC 2810.

RECOMMENDATION

The staff recommends that the Commission approve Option 2. Staff notes that all of the options are within the current allocated resources.

COORDINATION

The Office of the General Counsel has reviewed this Commission Paper and has no legal objection. The Office of the Chief Financial Officer has reviewed this Commission Paper for resource impacts and has no objections.

/RA Luis A. Reyes for/
William D. Travers
Executive Director
for Operations

Enclosures:
1. Plan for Increased Oversight
2. NRC Inspection Report No. (IR 030-34325/2003-015(DNMS))
3. NRC Inspection Report No. (IR 030-34325/2004-002(DNMS))
4. DVA and NRC Inspection Data

*SEE PREVIOUS CONCURRENCE
Document Name: C:\ORPCheckout\FileNET\ML041180619.wpd
To receive a copy of this document, indicate in the box:"C" = Copy without enclosure "**E**"= Copy with enclosure"**N**"= No copy

OFC	RIII/DNMS		RIII/DNMS	E	RIII/DNMS	C	RIII/ORA		OGC	
NAME	KGNull*		JMadera		MDapas		JCaldwell/GEG for/*		STreby	
DATE	04/08/04		04/08/04		04/09/04		04/15/04		04/26/04	

OFC	IMNS		NMSS		DEDMRS		EDO	
NAME	CLMiller/T..Holahan		MVirgilio		CPaperiello		LAReyes for WDTravers	
DATE	04/23 /04		04/23 /04		04/ /04		05/06/04	

OFFICIAL RECORD COPY