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Mr. William J. Purcell, Director  
Office of Geologic Repositories  
Office of Civilian Radioactive  
Waste Management  
U. S. Department of Energy  
Washington, DC 20585

Dear Mr. Purcell:

The purpose of this letter is to transmit the following three documents for your information:

1. Internal NRC memorandum from Vernon D. Hedges to John J. Linehan, entitled "Observation of BWIP audit for effectiveness of Rockwell's audit and surveillance program, March 25-28, 1986."
2. Internal NRC memorandum from Dale Hedges to Paul Hildenbrand entitled "Appendix 7 visit to discuss suggested changes to the NRC Review Plan, and discuss NRC observations relative to MAC audits."
3. Internal NRC memorandum from Dale Hedges to Jim Kennedy entitled "Discussions with I&E on delegations of authority."

Sincerely,



John J. Linehan, Acting Chief  
Repository Projects Branch  
Division of Waste Management  
Office of Nuclear Material Safety  
and Safeguards

Enclosures:  
As stated

WM Record File  
101.2

WM Project 10  
Docket No.

PDR ✓ w/o encl.  
LPDR ✓ w/o encl.

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WM-10 PDR

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NAME	: DHedges	: JKennedy	: JLinehan	:	:	:	:
DATE	: 07/8/86	: 07/8/86	: 07/8/86	:	:	:	:

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

MAR 16 1986

MEMORANDUM FOR: John J. Linehan, Acting Chief  
Repository Projects Branch, DWM

THRU: James E. Kennedy, Section Leader  
Repository Projects Branch, DWM

FROM: Vernon D. Hedges  
Repository Projects Branch, DWM

SUBJECT: OBSERVATION OF BWIP AUDIT OF THE EFFECTIVENESS OF  
ROCKWELL'S AUDIT AND SURVEILLANCE PROGRAM, MARCH 25-28,  
1986

The purpose of my visit to DOE Richland was to observe the DOE audit of its prime contractor, Rockwell. As prime contractor, Rockwell is responsible for direction of most of the technical work on the project.

I had three objectives for my observation of the DOE audit. They were 1) to determine if the DOE audit was adequate to measure the effectiveness of the Rockwell's QA program implementation, 2) to determine if appropriate corrective measures were instituted for any deviations detected and 3) to form an independent opinion of whether Rockwell's QA program was effectively implemented.

The subject audit was conducted by Management Analysis Company (MAC) personnel who are contracted to DOE. Their audit report is appended to this report as attachment 1.

After a brief entrance meeting on March 25, 1986 with Rockwell personnel, the MAC team of three people split into two teams - one to audit Rockwell's audit program and the second to audit Rockwell's surveillance program. I accompanied the MAC team member who audited the surveillance program. I observed the audit of the Rockwell surveillance program throughout the day on March 25, 1986. During the day, Rockwell personnel explained their surveillance program and the MAC team member reviewed surveillance documentation. I attended a mid-afternoon meeting of the two MAC teams which was to review progress of the audit and make decisions as to further actions. In this meeting I stated a concern I had based upon my reading Rockwell's surveillance documentation. I stated that Rockwell did not make a determination of significance of any deviations found during surveillances; they did not determine the impact of the deviations on any data already collected or activities already completed; and they did not provide for actions to be taken regarding data already collected and/or activities already completed under deviating conditions.

The second day of the audit, I and the other observers (DOE Headquarters and the NRC on site licensing representative) attended DOE presentations on the MAC audit for effectiveness concept, the DOE audit plans for 1986, and Rockwell's training program.

I returned to the audit on March 27, 1986 and was advised that both MAC teams were near completion with only a few loose ends to be attended. I accompanied the MAC team member covering Rockwell's audit program. While the MAC team member was reviewing Rockwell documentation related to the audit program, I read the Rockwell corrective action file, which was a part of the documentation read by the MAC team. In this file I noted a long overdue corrective action request generated by Rockwell QA as a result of findings from Rockwell audits and surveillance not being acted upon by Rockwell management. Specifically, Rockwell's audit and surveillance program had detected the lack of management controls over computer codes (no computer software QA), but due to lack of corrective action, a formal corrective action request was initiated. The corrective action had not been provided and the corrective action request was long overdue. I also observed that Rockwell did not determine which computer codes were in use and if the lack of formal management controls over those codes resulted in data collection or completed activities which would not be defensible in licensing hearings. I expressed my concern to the DOE Chief of Quality Assurance Systems Branch.

I left Richland on the morning of March 28, 1986 and did not attend the DOE exit meeting with Rockwell. Bob Cook did attend the meeting and relayed results to me by phone. The concerns I noted during the audit were reported to Rockwell as concerns and not as deviations. The DOE procedures for audits do not address the handling of concerns.

The DOE audit report (attachment 1) reports that Rockwell's surveillance program was determined to be effectively implemented and the audit program is effective except for 1) control and adequacy of audit scheduling, 2) control of non-BWIP procedures used by BWIP, 3) indoctrination and training in the QA program, 4) compliance with approved procedures, and 5) completeness of personnel qualification records. It is important to note that finding item 1) control and adequacy of audit scheduling resulted because scheduled audits were not conducted.

My conclusions differ from that reported by MAC in the exit meeting and in their formal report (attachment 1). I consider the corrective action for a deviation to not be complete unless a determination is made as to what work has been performed under deviating conditions and an appropriate disposition is made and documented that will result in data or completed work that is defensible in the hearing process. I consider the absence of that decision

process in Rockwell's audit and surveillance program to be a deviation which must be addressed formally by Rockwell.

Given that Rockwell is not conducting audits as scheduled and is not documenting the justification for not conducting the audits (finding #1) I conclude the overall audit system is not functioning as intended. Adding to that the fact that, as I have noted above, deviations detected by Rockwell during audits are not followed up to determine what actions are necessary to ensure that work completed under deviating conditions are appropriately dispositioned and the results defensible in licensing hearings, I consider the overall audit program to be ineffective.

I consider timely management attention to identified deviations in the Rockwell audit and surveillance program as an integral part of the overall audit and surveillance program. The fact that Rockwell management is not responding in a timely manner is a breakdown in the program and should be considered a deviation requiring formal response.

In summary I do not believe the MAC audit of Rockwell's audit and surveillance program was effective in measuring the effectiveness of the audit and surveillance program. My conclusions as to the effectiveness of the Rockwell audit and surveillance program are diametrically opposed to those reached by MAC.

  
Vernon D. Hedges  
Repository Projects Branch  
Division of Waste Management



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

MAY 5 1986

MEMORANDUM FOR: Paul Hildenbrand  
Repository Projects Branch, DWM

FROM: Dale Hedges *LGA*  
Repository Projects Branch, DWM

SUBJECT: APPENDIX 7 VISIT TO DISCUSS SUGGESTED CHANGES TO NRC  
REVIEW PLAN, AND DISCUSS NRC OBSERVATIONS RELATIVE TO MAC  
AUDITS

The purpose of the visit was to discuss the status of the BWIP quality assurance program, discuss any suggested changes to the NRC Review Plan, and to discuss NRC observations relative to audits conducted by MAC for DOE.

The status of the stop work order to Rockwell by DOE was discussed. A plan for restart of work is in development by DOE. It is likely that work will be released for restart in increments.

Recent audits conducted by MAC for DOE and observed by NRC were discussed. I explained the rationale for conclusions I reached in my observations of and reporting on the MAC audit of Rockwell's audit and surveillance program. I had concluded that Rockwell's audit and surveillance programs were ineffective (see trip report). Also discussed were the MAC preparations for audits, selection of personnel for the audit team, and analysis and reporting of results. MAC stated that they plan a revision to the audit process that considers the NRC concerns.

The methods to be used by the DOE to overview and control the project participants quality assurance programs were discussed. Because the DOE is unable to staff with experienced personnel, they are planning to depend heavily on contractors for control of QA programs. The inability of the Chief of Quality Assurance Systems Branch to fill open positions was discussed at length. The bottom line is he cannot establish a high enough grade level to permit recruiting of the experience he needs.

This is a serious matter that exists at each of the projects. NRC experience on nuclear plant projects has proven that utilities which were overdependent upon contractors had significant QA problems. The DOE is forced into dependency upon contractors because the civil service system prevents them from staffing with experienced personnel. This matter must be addressed and resolved by DOE at the highest level.

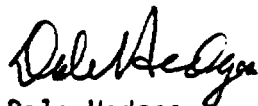
The benefits of having NRC conduct mini-audits of discrete work packages, which are complete or near complete, in the next few months were discussed. the Chief of Quality Assurance Systems Branch stated that such audits could be beneficial to the project. I advised that NRC was formally requesting DOE Headquarters to consider such audits.

The Chief of Quality Assurance Systems Branch was officially acting for the Project Manager who was away from the office. I observed that while filling that position he could no longer be considered "independent" in the QA position. Bob Cook had also observed this situation and mentioned his observation in our exit discussion with Mr. Lawrence.

The need to revise the NRC Review Plan to ensure better understanding for earth science work was discussed. The Chief of Quality Assurance Systems Branch stated that any exceptions to the Review Plan taken by BWIP were reflected in their QA Program Plan which is awaiting DOE Headquarters approval. NRC will not be able to comment on the BWIP QA plan until Headquarters has approved the plan.

The NRC on-site senior licensing representative and I met with M. J. Lawrence, E. S. Goldberg, D. K. Jones, and J. N. Anttonen at the conclusion of my visit to brief them on the discussions. All of the items above were discussed with them. We devoted more time to the subject of staffing and the impact if this situation continues. Mr. Lawrence was well aware of their inability to attract experienced personnel under the civil service system but doesn't have a clear path to resolve it. He did indicate he would take it up with Mr. Rusche.

Mr. Lawrence was supportive of the mini-audit concept.



Dale Hedges  
Repository Projects Branch  
Division of Waste Management



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

JUN 16 1986

MEMORANDUM FOR: Jim Kennedy  
Repository Projects Branch, DWM

FROM: Dale Hedges  
Repository Projects Branch, DWM

SUBJECT: DISCUSSION WITH IE ON DELEGATIONS OF AUTHORITY

While I was at BWIP for an Appendix 7 visit, both Bob Cook and I observed that the Chief of Quality Assurance Systems for BWIP was acting as the Project Manager in the absence of Lee Olson who was on travel status. We observed that this situation raises the question of whether the Chief of Quality Assurance Systems can be "independent" while filling both roles.

The Chief of Quality Assurance Systems suggested that he could delegate his QA role to someone else while he was acting Project Manager. I posed this question to Ted Ankrum by phone on June 3, 1986 and he was supportive of the double delegation. He sees no problem and in fact encourages the Projects to appoint the QA managers to act as Project Managers.

  
Dale Hedges  
Repository Projects Branch  
Division of Waste Management