

NRC FORM 591S PART 1

U.S. NUCLEAR REGULATORY COMMISSION

(6-2002)
10 CFR 2.201

SAFETY INSPECTION REPORT AND COMPLIANCE INSPECTION

1. LICENSEE/CERTIFICATE HOLDER
Nuclear Fuel Services, Inc.
1205 Banner Hill Rd.
Erwin, TN 376502. NRC/REGIONAL OFFICE
Spent Fuel Project Office
M/S 013D13
Washington, DC 10555-0001

REPORT NUMBER(S) 71-0249/2006-201

3. LICENSEE/CERTIFICATE NUMBER(S)

71-0249

4. INSPECTION LOCATION

Erwin, TN

5. DATE(S) OF INSPECTION

September 11-13, 2006

The inspection was an examination of the activities conducted under your license as they relate to radiation safety and to compliance with the Nuclear Regulatory Commission (NRC) rules and regulations and the conditions of your license or Certificate of Compliance (CoC). The inspection consisted of selective examinations of procedures and representative records, interviews with personnel, and observations by the inspector. The inspection findings are as follows:

- ☐ 1. Based on the inspection findings, no violations or nonconformances were identified.
- ☐ 2. Previous violation(s) or nonconformance(s) closed.
- ☐ 3. The violation(s), specifically described to you by the inspector as non-cited violations, are not being cited because they were self-identified, non-repetitive, and corrective action was or is being taken, and the remaining criteria in the NRC Enforcement Policy, NUREG-1600, to exercise discretion, were satisfied.

_____ Non-Cited Violation(s) was/were discussed involving the following requirement(s) and Corrective Action(s):

- ☒ 4. During this inspection certain of your activities, as described below and/or attached, were in violation or nonconformance of NRC requirements and are being cited. This form is a NOTICE OF VIOLATION OR NONCONFORMANCE, which may be subject to posting in accordance with 10 CFR 18.11.

(Violations, Nonconformances, and Corrective Actions)

Procedure NFS-RM-008, "Document Control Procedure," Revision 6, Section 6.b, states, in part, that a distribution sheet is prepared and maintained identifying the document being distributed, number of copies made, to whom issued, and date of issuance. Section 6.c states, in part, that the copy number is written in red ink on the front of each copy. Section 6.e states, in part, that a master file of the current original document and the distribution sheet is maintained for each controlled document in the controlling department, and that these documents may be entered into the vital record systems for microfilming as instructed by the area manager/director.



10 CFR 71.111 states, in part, that a certificate holder shall prescribe activities affecting quality by documented procedures and shall require that these procedures be followed. The NRC identified on September 12, 2006, that, contrary to this requirement, the above requirements from NFS-RM-008 were not implemented by NFS, a certificate holder, when Revision 4 to NFS-GH-49, "Implementing Procedure for Transportation QA Program," was issued. NFS's failure to perform the required actions of NFS-RM-008 when issuing Revision 4 to NFS-GH-49 is considered a Violation of NRC requirements.

STATEMENT OF CORRECTIVE ACTIONS

- ☐ I hereby state that, within 30 days, the actions described by me to the inspector will be taken to correct the violations identified. This statement of corrective actions is made in accordance with the requirements of 10 CFR 2.201 (corrective steps already taken, corrective steps which will be taken date when full compliance will be achieved). I understand that no further written response to NRC will be required, unless specifically requested; OR
- ☒ Written Response requested in 30 days ☒ YES ☐ NO

TITLE	PRINTED NAME	SIGNATURE	DATE
LICENSEE	B. Marie Moore	B. Marie Moore	9/25/06
NRC INSPECTOR	Frank Jacobs	Frank Jacobs	9/21/06

INSPECTOR NOTES COVER SHEET

Licensee/Certificate Holder (name and address)	Nuclear Fuel Services, Inc. 1205 Banner Hill Rd. Erwin, TN 37650
Licensee/Certificate Holder contact and phone number	Rik Droke 423-743-1741
Docket No.	071-0249
Inspection Report No.	2006-201
Inspection Date(s)	September 11-13, 2006
Inspection Location(s)	Erwin, TN
Inspectors	Frank Jacobs, Robert Temps, Larry Campbell
Summary of Findings and Actions	<p>The purpose of the inspection was to verify that NFS had taken appropriate corrective action for the concerns identified during the previous NRC inspection in March 2005 (ref. ML051160008) that resulted in the issuance of a Notice of Violation with four Level IV non-compliances.</p> <p>Based on the current inspection, the team determined that, overall, NFS took adequate actions to address the March 2005 inspection issues. However, the team did identify a concern regarding document control that resulted in the citation of a Level IV Notice of Violation as documented in the attached Inspector Notes.</p>
Lead Inspector Signature/Date	Frank Jacobs  9/22/06
Inspector Notes Approval Section Chief Signature/Date	Robert Lewis  9/22/06

INSPECTOR NOTES: SECTIONS 02.02 THROUGH 02.10 OF IP 86001 WERE PERFORMED WHERE APPROPRIATE TO THE ACTIVITY UNDER REVIEW.

Review of NFS Corrective Actions

The issues involved in the four violations cited in the March 2005 inspection report were entered into the NFS problem identification system as Problem Report (PR) 5164. The team reviewed PR 5164 and the eight commitments/corrective actions associated with that PR. The PR was statused as "Resolution In-progress" since one of the eight corrective actions was only 10% complete; the other seven corrective actions indicated 100% complete. The one incomplete corrective action involved the development of computer software related to the requisition process. This corrective action grew out of concerns in the March 2005 inspection related to the listing and qualification of vendors/suppliers on the NFS Approved Vendor List (AVL). The team noted that this long term corrective action has been delayed and is now scheduled for completion in 2007.

The team noted that NFS took action in response to the March 2005 inspection findings to support placement of Champion Industries on the AVL. NFS performed two audits of the vendor who has supplied packaging design services as well as packaging components to NFS. The team noted that NFS has performed very limited Part 71 procurement, essentially only three purchase orders, since March 2005. The team reviewed the three purchase orders and determined that they were acceptable and in compliance with changes made in procurement procedures to address concerns identified during the March 2005 inspection. The team performed a sample review of the training records for six personnel involved in procurement activities and determined that they had received training on procedures applicable to the areas they are involved with.

The team determined that there has been essentially no change in the AVL process since the March 2005 inspection. The vendor qualification/requalification process described in procedure NFS-GH-49, "Implementing Procedure for Transportation Quality Assurance Program," Revision 3, and procedure NFS-Q-222, "Guidance for the Conduct of Vendor Qualification/Requalification," Revision 0, does not address that vendor qualification methods used should be consistent with the importance to safety of the product or service being procured. While NFS is currently procuring only limited and routine material, the procedures may be inadequate for future qualification of new service and material suppliers. The team discussed with NFS management how the procedures could provide additional guidance on the use of each qualification method, and on the basis for selection of a particular qualification method or combination of methods.

The team reviewed the corrective actions for concerns that had been identified with regard to NFS's NRC-approved Transportation Quality Assurance (QA) Plan and internal audits of compliance with the plan. Two such audit reports, conducted November 2005 and September 2006, were reviewed and determined to be acceptable and the team noted that the audit checklists used were thorough. The team also reviewed audit-related procedures, as well as the lead auditor qualification and training records for the individual conducting the above audits, and determined that they were acceptable.

The team identified a concern with regard to corrective actions associated with Commitment ID 2220, one of the eight corrective actions associated with PR 5164. The corrective action completion status was shown as 100%. The associated corrective action was to make changes in several steps of procedure NFS-PUR-A-054 and to then issue the changes in Revision 3 to the document. The team identified that Revision 3 was never issued even though the corrective action indicated 100% completion. In actuality, a new procurement procedure had been issued that addressed the issues that would have been contained in Revision 3 to NFS-PUR-A-054. However, the commitment report was never updated to reflect what had actually occurred.

The team reviewed NFS-6H-922, "The NFS Problem Identification, Resolution and Correction System (PIRCS)," and assessed that it does not provide guidance on how corrective action commitments, once assigned, should be closed out. Specifically, it contains no guidance on whether required actions related to commitments must be implemented before commitment closure or if they can be closed based on the intent to implement an action. This observation was discussed with NFS management. The team learned that in the following week, NRC Region II inspection personnel would be at the site performing an inspection that included NFS's corrective action program. The team discussed their observation, with regard to corrective action closure, with the Region II team leader for that inspection and it was agreed that Region II would incorporate this information into their inspection.

Document Control

During the inspection, the team was provided a controlled hard copy of procedure NFS-GH-49, "Implementing Procedure for Transportation Quality Assurance Program," Revision 3. While reviewing document controls for Part 71-related procedures, the team noted that Revision 4 of NFS-GH-49 had been implemented September 8, 2005, and questioned why a controlled copy book still contained the superceded Revision 3. The team determined that when Revision 4 was issued, no distribution sheet had been prepared and no controlled hard copies had been distributed. Further, the team determined that the NFS individual responsible for initiating the distribution sheet made a decision not to initiate the sheet because Revision 4 to procedure NFS-GH-49 was in the electronic procedure system. NFS initiated PR 8287, dated September 13, 2006, to document this condition. Also, on September 13, 2006, NFS notified all holders of the controlled copies of Revision 3 to NFS-GH-49 that Revision 3 should be replaced by Revision 4.

Procedure NFS-RM-008, "Document Control Procedure," Revision 6, Section 6.b, states, in part, that a distribution sheet is prepared and maintained identifying the document being distributed, number of copies made, to whom issued, and date of issuance. Section 6.c states, in part, that the copy number is written in red ink on the front of each copy. Section 6.e states, in part, that a master file of the current original document and the distribution sheet is maintained for each controlled document in the controlling department, and that these documents may be entered into the vital record systems for microfilming as instructed by the area manager/director.

10 CFR 71.111 states, in part, that a certificate holder shall prescribe activities affecting quality by documented procedures and shall require that these procedures be followed. The NRC identified on September 12, 2006, that, contrary to this requirement, the above requirements from NFS-RM-008 were not implemented by NFS, a certificate holder, when Revision 4 to NFS-

GH-49, "Implementing Procedure for Transportation QA Program," was issued. NFS's failure to perform the required actions of NFS-RM-008 when issuing Revision 4 to NFS-GH-49 is considered a Violation of NRC requirements.

Other Issues

The team reviewed facility postings to assess NFS compliance with the requirements of 10 CFR Part 21.6, and noted that Section 206 of the Energy Reorganization Act of 1974 was not posted as required. The team determined that Section 206 had been previously posted. However, due to recent construction activities affecting the bulletin board where the notice had been posted, Section 206 had been taken down but not replaced subsequent to completion of the activities. This issue was discussed with NFS management who stated the issue would be addressed and corrected. This issue constitutes a violation of minor significance that is not subject to enforcement action in accordance with Section IV of the Enforcement Policy.