

August 3, 2012

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

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

SUBJECT: STATUS OF RECOMMENDATIONS AND STAFF RESPONSE TO
THE OFFICE OF THE INSPECTOR GENERAL'S AUDIT OF THE
U.S. NUCLEAR REGULATORY COMMISSION'S VENDOR
INSPECTION PROGRAM (OIG-10-A-20)

This memorandum provides the U.S. Nuclear Regulatory Commission (NRC) staff's updates for the remaining open recommendations from the Office of the Inspector General's (OIG) audit OIG-10-A-20, "Audit of NRC's Vendor Inspection Program," dated September 28, 2010. The staff continues to implement actions in response to OIG's audit and remains responsive to OIG's recommendations. Enclosure 1 to this memorandum presents a history of correspondence for this audit.

Recommendation 1:

Develop an Office of New Reactors (NRO) Vendor Inspection Program (VIP) planning document that:

- a. Articulates a clear purpose for the VIP; and
- b. Establishes metrics to evaluate the success of the VIP.

OIG analysis dated March 9, 2012:

The proposed action meets the intent of OIG's recommendation. OIG will close this recommendation upon issue and OIG review of the proposed Regulatory Information Summary (RIS) as noted on page A-1 of the "Vendor Inspection Program Plan," dated November 2011. Additionally, closure will also be contingent upon OIG review of the NRO vendor Web site and activation of the NRO database, all scheduled for the period April-June 2012.

Status: Resolved

CONTACT: Victor Hall, NRO/DCIP
301-415-2915

Update:

Actions taken: NRO continues to successfully implement the VIP plan. As part of NRO's commitment to continuous improvement, the staff reviews the plan on a quarterly basis. For the next plan update, the staff expects to adjust the target dates associated with the three actions in Appendix A, entitled "Strategy for Vendor Identification."

The staff continues to work towards completion of these actions, which include: a proposed RIS and a public website that allows vendors to register for information updates. However, the NRC is required to obtain approval from the Office of Management and Budget (OMB) before undertaking to collect information, per the Paperwork Reduction Act of 1995. The staff is finalizing the documentation necessary for clearance and expects to submit the request to OMB by September 21, 2012.

Recommendation 2:

Develop and document a methodology to identify vendors that supply safety-related parts and services to the nuclear industry with Appendix B quality assurance programs.

OIG analysis dated March 9, 2012:

The proposed action meets the intent of OIG's recommendation. OIG will close this recommendation upon issue and OIG review of the proposed RIS cited on page A-1 of the "Vendor Inspection Program Plan," OIG review of the NRO vendor Web site, and activation of the NRO database, all scheduled for the period April–June 2012.

Status: Resolved.

Update:

Actions taken: The staff created a database of vendors based upon available information. The database lists over 560 vendors and is being used to inform the selection of current vendor inspections. As noted above, the staff is working towards OMB clearance necessary to complete the actions of Appendix A of the "Vendor Inspection Program Plan" to further supplement the database. As noted above, the staff will update the VIP during the next quarterly review and expects to adjust the target dates in Appendix A accordingly.

Recommendation 3:

Develop and document a risk-informed methodology to select vendors for inspection.

Status: Closed.

Recommendation 4:

Develop and use a vendor outreach/communications plan.

Status: Closed.

Recommendation 5:

Align NRC guidance and regulations to clarify acceptance methods for commercial-grade dedication (CGD).

OIG Analysis dated March 9, 2012:

This recommendation remains resolved. OIG notes the staff's issuance of the Commission paper, SECY-11-0135, "Staff Plans To Develop the Regulatory Basis for Clarifying the Requirements in Title 10 of the *Code of Federal Regulations* (10 CFR) Part 21, 'Reporting of Defects and Noncompliance.'" Developing a Commission paper with options for clarifying 10 CFR Part 21 requirements is an important initial step towards completion of the recommendation. However, the steps taken after the Commission paper—the issuance of a regulatory basis, publication of a proposed rule and draft regulatory guides, and the issuance of a final rule and final regulatory guides—are also important. This recommendation will be closed when OIG determines that the next steps—to include implementation of those actions necessary to align the guidance and the regulation to clarify acceptance methods for CGD has been performed.

Status: Resolved.

Update:

Actions taken and planned: The staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21. The rulemaking effort includes clarifying acceptance methods for CGD. The staff's efforts remain consistent with its proposal in Commission paper SECY-11-0135, "Staff Plans To Develop the Regulatory Basis for Clarifying the Requirements in Title 10 of the *Code of Federal Regulations* Part 21, 'Reporting of Defects and Noncompliance.'"

The staff's next major milestone is the development of a draft regulatory basis, which the staff plans to finalize by September 28, 2012. The draft regulatory basis, which will be made public, will allow the staff to solicit early stakeholder feedback and will be beneficial for the development of the proposed and final rules.

The staff also hosted a public meeting on January 26, 2012, to discuss the rulemaking. Staff continues to give presentations on the rulemaking efforts, most notably at the vendor workshop for new reactor construction on June 28, 2012, which drew just under 600 attendees.

Finally, the staff coordinated with the Office of Nuclear Regulatory Research to create two draft guides (DG): DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," and DG-1292, "Dedication of Commercial Grade Items." These guides will be developed as the regulatory guidance to be presented to the Commission with the proposed rule.

Recommendation 6:

Issue regulatory guidance to clarify sampling expectations for CGD.

OIG analysis dated March 9, 2012:

This recommendation remains resolved. OIG notes the staff's additional efforts to coordinate changes to Part 21 between NRO and the Office of Nuclear Reactor Regulations. As we noted earlier, developing a Commission paper with options for clarifying 10 CFR Part 21 requirements is an important initial step towards completion of the recommendation; however, the steps taken after the Commission paper is developed are also important. This recommendation will be closed when OIG receives the Commission paper, and determines that the next steps—to include implementation of the actions necessary to clarify sampling expectations for CGD—has been performed.

Status: Resolved.

Update:

Actions taken and planned: As noted above for Recommendation 5, the staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21 including development of guidance documents. The rulemaking effort includes clarifying sampling expectations for CGD.

Recommendation 7:

Issue regulatory guidance describing a process that NRC considers acceptable for compliance with Part 21.

OIG analysis dated March 9, 2012:

This recommendation remains resolved. OIG notes the staff's issuance of the Commission paper, SECY-11-0135. Developing a Commission paper with options for clarifying 10 CFR Part 21 requirements is an important initial step towards completion of the recommendation. However, the steps taken after the Commission paper—the issuance of a regulatory basis, publication of a proposed rule and draft regulatory guides, and the issuance of a final rule and final regulatory guides—are also important. This recommendation will be closed when OIG determines that the next steps—to include implementation of the actions necessary to describe a process that NRC considers acceptable for compliance with Part 21—has been performed.

Status: Resolved.

Update:

Actions taken and planned: As noted above for Recommendation 5, the staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21 including development of guidance documents. The rulemaking effort includes describing a process that the NRC considers acceptable for compliance.

Recommendation 8:

Clearly indicate via the NRC public Web site how and when Part 21 has changed.

Status: Closed.

Recommendation 9:

Develop guidance that clarifies the requirements for vendors on how to approve accredited commercial-grade calibration laboratories for safety-related applications.

OIG analysis dated March 9, 2012:

The proposed actions meet the intent of the recommendation. The recommendation will be closed after OIG reviews the proposed safety evaluation report (SER) and related generic communications to determine if they fulfill OIG's recommendation.

Status: Resolved.

Update:

Actions taken and planned: The staff continues to work towards clarifying the requirements for vendors on how to approve accredited commercial-grade calibration laboratories for safety-related applications.

In its last update to OIG, the staff noted that it anticipated an industry submittal in May 2012. However, industry has revised its schedule, and its submittal is contingent upon its development of a process for continuous monitoring and observation of the following International Laboratory Acceptance Cooperative (ILAC) activities:

- Evaluation of the ILAC process and procedure evaluation
- Accrediting body evaluations and laboratory certification
- Coordination with the Electric Power Research Institute on dedication process

Industry has completed its observation of training and qualification of evaluators and the approval process for accrediting bodies. The staff still plans to issue a SER and generic communications within 6 months of receiving an industry submittal.

On July 26, 2012, the staff observed a Quality Assurance Task Force meeting, at the Nuclear Energy Institute in Washington, D.C., to follow the industry's progress on its proposal for expanded use of internationally accredited calibration and testing laboratories.

Recommendation 10:

Develop and implement a formal agencywide strategy and plan in order to monitor and evaluate Counterfeit, Fraudulent, and Suspect items.

Status: Closed.

Enclosures:

As stated

cc: Chairman Macfarlane
Commissioner Svinicki
Commissioner Apostolakis
Commissioner Magwood
Commissioner Ostendorff
SECY
EDO

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NRO-002

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NAME	CHsu	LDudes	SKirkwood	GTracy (GHolahan for)
DATE	07/25/2012	07/27/2012	07/25/2012	08/03/2012

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- ADAMS Accession No: ML111290142
- January 6, 2012 – *Memo to the Assistant Inspector General for Audits*: STATUS OF RECOMMENDATIONS AND STAFF RESPONSE TO THE OFFICE OF THE INSPECTOR GENERAL'S AUDIT OF THE U.S. NUCLEAR REGULATORY COMMISSION'S VENDOR INSPECTION PROGRAM (OIG-10-A-20)
 - ADAMS Accession No: ML11355A069
- March 9, 2012 – *Memo to the EDO*: STATUS OF RECOMMENDATIONS: AUDIT OF THE NUCLEAR REGULATORY COMMISSION'S VENDOR INSPECTION PROGRAM (OIG-10-A-20)
 - ADAMS Accession No: ML120690007

Enclosure 1