



OFFICE OF THE
INSPECTOR GENERAL

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

August 13, 2015

MEMORANDUM TO: Mark A. Satorius
Executive Director for Operations

FROM: Stephen D. Dingbaum */RA/*
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: AUDIT OF NRC'S
VENDOR INSPECTION PROGRAM (OIG-10-A-20)

REFERENCE: DIRECTOR, OFFICE OF NEW REACTORS,
MEMORANDUM DATED JULY 6, 2015

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated July 6, 2015. Based on this response, recommendations 5, 6, 7, and 9 remain in resolved status. Recommendations 1, 2, 3, 4, 8, and 10 were previously closed. Please provide an updated status of the resolved recommendations by January 8, 2016. If you have questions or concerns, please call me at 415-5915, or R.K. Wild, Team Leader, at 415-5948.

Attachment: As stated

cc: M. Galloway, OEDO
J. Jolicoeur, OEDO
J. Arildsen, OEDO
B. Pham, OEDO
G. Tracy, NRO
EDO_ACS Distribution

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 5: Align NRC guidance and regulations to clarify acceptance methods for commercial-grade dedication (CGD).

Agency Response
Dated July 6, 2015:

Actions taken and planned:

The staff continues to make progress on its rulemaking efforts to revise Title 10 of the *Code of Federal Regulations* (10 CFR) Part 21, "Reporting of Defects and Noncompliance." This progress includes specifying acceptance methods for CGD for both power and non-power nuclear power plant applications. Accordingly, in March 2015, the staff issued Revision 1 of the Draft Regulatory Basis (Agencywide Documents Access and Management System (ADAMS) Accession No. ML14135A207) to clarify 10 CFR Part 21 for public comment, and held a public meeting for interested stakeholder on April 28, 2015. The staff plans on issuance of the final regulatory basis to 10 CFR Part 21 in July 2015. In addition, the staff has been working with the nuclear industry in a public process to support the development of industry guidance documents that will potentially be found acceptable by the NRC. The NRC's approval for use would be accomplished through two regulatory guides. The staff has coordinated with the Office of Nuclear Regulatory Research to create two draft guides: Draft Regulatory Guide (DG) DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," and DG-1292, "Dedication of Commercial Grade Items."

Regarding the development of DG-1291, the Nuclear Energy Institute (NEI) submitted for staff review a guidance document on the evaluation and reporting of defects and noncompliance NEI 14-09, Revision 0, "Guidelines for Implementation of 10 CFR Part 21 Reporting of Defects and Noncompliance," in August 2014 (ADAMS) Accession No. ML14245A415). The staff is currently reviewing NEI 14-09 and plans on meeting with stakeholders in the near future to discuss amending certain language found in this document. Specifically, issues that need to be resolved include the point of discovery as it relates to the identification of deviations

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 5 (cont.):

and evaluating of defects for operating reactors in licensee event reports (LERs). Since the staff believes that Part 21 rule language changes are necessary prior to finding NEI 14-09 as an acceptable means of demonstrating compliance with the NRC's regulations, staff will be working in parallel on the development of DG-1291 and the proposed rule. This approach is consistent with SECY-11-0032 and SECY-11-0135.

Regarding the development of DG-1292, NEI submitted for staff review a draft of the guide, Revision 1 to Electric Power Research Institute (EPRI) NP-5652 and TR-102260, "Plant Engineering: Guideline for the Acceptance of Commercial-Grade Items in Nuclear Safety-Related Applications" (ADAMS Accession No. ML14265A198). Revision 1 to EPRI NP-5652 and TR-102260 is currently under an expedited review by staff. If the staff concludes that the revision is an acceptable means of demonstrating compliance with the NRC's regulations, then the document will be found acceptable for use through DG-1292 prior to issuance of the rule. The staff is scheduled to complete this review by the summer of 2016.

The staff's updated schedule is included in the table below.

Milestones	Target Date
Make Final NMSS Site Visit at Fuels Facilities (COMPLETE)	September 27, 2013
Hold NMSS Public Meeting to Include Potential Solutions to Policy	March 6, 2014
Begin Concurrence of Draft Revision 1 of the Regulatory Basis (COMPLETE)	March 31, 2014
Issue Draft Revision 1 of the Regulatory Basis (COMPLETE)	March 2015
Hold Public Meetings to Discuss Draft Revision 1 of the Regulatory Basis (COMPLETE)	April 2015
Issue Regulatory Basis	July 2015
Issue DG-1292	Summer 2016
Issue Proposed Rule with DG-1291	January 2017

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 5 (cont.):

Target Completion Date: Issue DG-1292, "Dedication of Commercial Grade Items" by summer of 2016. Issue proposed rule and DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," in January 2017. Issue final rule in June 2018.

Point of Contact: Antoinette Sakadales, NRO/DCIP/QVIB
301-415-6441

OIG Analysis:

On the basis of the agency's ongoing actions, this recommendation remains resolved. OIG will close this recommendation upon review of the final version of the Regulatory Basis, DG-1292 and NEI 14-09. Specifically, closure will be contingent upon OIG review of the steps taken by NRO to implement those actions necessary to align the guidance and the regulation to clarify acceptance methods for CGD.

Status:

Resolved.

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 6: Issue regulatory guidance to clarify sampling expectations for CGD.

Agency Response
Dated July 6, 2015:

Actions taken and planned:

As noted in staff's update to Recommendation 5, the staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21. The rulemaking will revise 10 CFR Part 21 language and should prevent interpretations that could potentially allow less than full conformity with Section 206 of the Energy Reorganization Act. The staff's progress includes working with the nuclear industry in a public process to support the development of guidance documents that will potentially be found acceptable by the NRC. The NRC's approval would be accomplished through two regulatory guides. The staff has coordinated with the Office of Nuclear Regulatory Research to create two draft guides: DG-1291 and DG-1292.

Regarding the development of DG-1292, NEI submitted for staff review Revision 1 to Electric Power Research Institute (EPRI) NP-5652 and TR-102260, "Plant Engineering: Guideline for the Acceptance of Commercial-Grade Items in Nuclear Safety-Related Applications" (ADAMS Accession No. ML14265A198). Revision 1 to EPRI NP-5652 and TR-102260 is currently under an expedited review by staff. If the staff concludes that the revision is an acceptable means of demonstrating compliance with the NRC's regulations, then the document will be found acceptable for use through DG-1292 prior to issuance of the rule. The staff is scheduled to complete this review by the summer of 2016.

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 6 (cont.):

Target Completion Date:

Issue DG-1292, "Dedication of Commercial Grade Items" by summer of 2016. Issue proposed rule and DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," in January 2017. Issue final rule in June 2018.

Point of Contact: Antoinette Sakadales, NRO/DCIP/QVIB
301-415-6441

OIG Analysis:

This recommendation remains resolved and will be closed when OIG reviews the final versions of EPRI NP-5652 and TR-102260, and DG-1292 to determine if they contain the updated actions deemed necessary to clarify sampling expectations for CGD.

Status:

Resolved.

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 7: Issue regulatory guidance describing a process that NRC considers acceptable for compliance with Part 21.

Agency Response
Dated July 6, 2015:

Actions taken and planned:

As noted in staff's updates to Recommendations 5 and 6, the staff continues to make progress on its rulemaking efforts to revise 10 CFR Part 21, which includes describing a process that the NRC considers acceptable for compliance to the regulations.

The staff has coordinated with the Office of Nuclear Regulatory Research to create two draft guides: DG-1291 and DG-1292. Regarding the development of DG-1291, NEI authored a guidance document on the evaluation and reporting process NEI 14-09, Revision 0, "Guidelines for Implementation of 10 CFR Part 21 Reporting of Defects and Noncompliance," in August 2014 (ADAMS Accession No. ML14245A415). NEI 14-09 is currently under staff review. If the staff agrees that NEI 14-09 is an acceptable means of demonstrating compliance with the NRC's regulations, the document will be found acceptable through DG-1291 in parallel with the development of the proposed rule.

Target Completion Date:

Issue DG-1292, "Dedication of Commercial Grade Items" by summer of 2016. Issue proposed rule and DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," in January 2017. Issue final rule in June 2018.

Point of Contact: Antoinette Sakadales, NRO/DCIP/QVIB
301-415-6441

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 7 (cont.):

OIG Analysis: This recommendation remains resolved. OIG will continue to review agency actions as they are completed. Closure will also be contingent upon OIG's final review of implemented actions NRC considers acceptable for compliance with Part 21, including DG-1291, DG-1292, and the final rulemaking.

Status: Resolved.

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 9: Develop guidance that clarifies the requirements for vendors on how to approve accredited commercial-grade calibration laboratories for safety-related applications.

Agency Response
Dated July 6, 2015:

Actions taken and planned:

By letter dated February 9, 2015 (ADAMS Accession No. ML14322A535), the NRC staff transmitted its safety evaluation of the guidelines developed by the NEI and contained in NEI 14-05, "Guidelines for the Use of Accreditation in Lieu of Commercial Grade Surveys for Procurement of Laboratory Calibration and Test Services," Revision 1. The NRC found this document presents an acceptable methodology for licensees and suppliers of basic components to use the accreditation provided by International Laboratory Accreditation Cooperation in lieu of performing a commercial-grade survey when procuring calibration and testing services from domestic and international laboratories.

The NRC staff also completed the Regulatory Issue Summary (RIS) that will be used to notify licensees and suppliers of basic components of the NRC's endorsement of NEI 14-05. The RIS is currently in the review process.

Target Completion Date:

According to the guidelines provided by the Generic Communications Branch in the Division of Policy and Rulemaking of the Office of Nuclear Reactor Regulation, the goal is to issue a RIS. Currently, the NRC staff expects to issue the RIS by November 2015.

Point of Contact: Yamir Diaz-Castillo, NRO/DCIP/MVIB
301-415-2228

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

Status of Recommendations

Recommendation 9 (cont.):

OIG Analysis: The proposed actions continue to meet the intent of the recommendation. OIG notes the staff's acceptance of NEI draft 14-05 as an acceptable methodology for use in ILAC accreditation. The recommendation will be closed after OIG reviews NEI 14-05 and the draft RIS approving NEI 14-05 to determine if the new guidance clarifies vendor requirements as described in the recommendation.

Status: Resolved.