




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

April 25, 2022

MEMORANDUM TO: Robert J. Feitel
Inspector General

FROM: Daniel H. Dorman  Signed by Dorman, Dan
Executive Director for Operations on 04/25/22

SUBJECT: RESPONSE TO THE OFFICE OF THE INSPECTOR GENERAL'S
SPECIAL INQUIRY INTO COUNTERFEIT, FRAUDULENT, AND
SUSPECT ITEMS IN OPERATING NUCLEAR POWER PLANTS
(OIG Case No. 20-022)

On February 18, 2022, I tasked the staff to take several actions in response to findings from the Office of the Inspector General (OIG) about counterfeit, fraudulent, and suspect items (CFSI) that could be found in facilities, devices, or activities regulated by the U.S. Nuclear Regulatory Commission (NRC) (Agencywide Documents Access and Management System (ADAMS) Accession No. ML22048A484). Per my tasking, the staff conducted a review of the information presented in the special inquiry report to assess whether there are immediate safety concerns at nuclear power plants and for materials and waste facilities. To provide a broader perspective, the staff supplemented the information in the OIG reports with data from recent operating experience sources. The Office of Nuclear Reactor Regulation staff performed this review in accordance with the risk-informed approaches identified in LIC-504, "Integrated Risk-Informed Decisionmaking Process for Emergent Issues" (ADAMS Accession No. ML19235D401). Based on the review, the staff determined that there is no evidence that CFSI have adversely challenged the safety of reactor facilities; defense-in-depth measures at reactor facilities are adequate to mitigate potential failures introduced by CFSI; and failures introduced from any potential CFSI in systems, structures, or components would have an overall small increase in risk, minimal impact on safety margin, and negligible impact to the public health and safety. In addition, for facilities regulated under the Office of Nuclear Material Safety and Safeguards (NMSS) programs the staff determined that CFSI issues are adequately minimized or mitigated. For these programs, adherence to the requirements and the defense-in-depth measures provides confidence that CFSI will either be prevented or mitigated in a timely manner if issues arise. Therefore, the staff concludes there are no immediate safety concerns due to CFSI at reactor facilities and facilities regulated under NMSS programs.

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The staff then assessed the risk posed by CFSI and considered program improvements that should be implemented to enhance the NRC's oversight of CFSI. The assessment was informed by the findings identified in both OIG Case No. 20-022, "Special Inquiry into Counterfeit, Fraudulent, and Suspect Items in Operating Nuclear Power Plants" dated February 9, 2022 (ADAMS Accession No. ML22040A111), and OIG-22-A-06, "Audit of the Nuclear Regulatory Commission's Oversight of Counterfeit, Fraudulent, and Suspect Items at Nuclear Power Reactors," dated February 9, 2022 (ADAMS Accession No. ML 22040A058). The staff performed this assessment using a safety case approach in consideration of data gathered in support of the staff's response (ADAMS Accession No. ML22060A153) to items 1 and 2 of my tasking memorandum. The staff also conducted a review of the allegations process to verify proper handling of allegations cited in the special inquiry and to determine if any revisions to the allegation process are necessary as required by item 4 of my tasking memorandum.

Based on the assessment results, the staff determined that the NRC's regulatory framework, which incorporates risk-informed approaches and defense-in-depth principles, and the implementation of a comprehensive oversight program provide confidence that licensees and certificate of compliance holders have adequately prevented or mitigated risks posed by CFSI. The staff recognized areas where the OIG reports provide opportunities for the agency to make incremental improvements to the implementation of existing programs and processes. Consistent with the items identified in the subject reports, and in the interest of continual improvement, we will enhance the NRC's performance of oversight related to CFSI in several areas based on staff's recommendations, including improvements aimed at strengthening knowledge and awareness of the NRC's regulatory requirements for defect reporting. Most of these proposed enhancements are encompassed by the actions already planned and underway as described in the staff's response (ADAMS Accession No. ML22077A775) to OIG-22-A-06. Based on further review of the allegations process, the staff recognized the opportunity to assess the clarity of information on the public allegations web page and make any needed changes to better describe how concerns that do not meet the criteria for being classified as allegations are processed.

Enclosures:

1. Evaluation of Special Inquiry
Report Findings on CFSI for Immediate
Safety Concerns at NPPs & Nuclear
Materials Facilities
2. Letter to Daniel Dorman – NRC
Assessment regarding Mitigation of
Risk Posed by CFSI

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INQUIRY INTO COUNTERFEIT, FRAUDULENT, AND SUSPECT ITEMS IN
OPERATING NUCLEAR POWER PLANTS (OIG Case No. 20-022) DATED:
April 25, 2022

DISTRIBUTION: OIG-20-022 (OEDO-22-00124)

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**ADAMS Accession Nos.: PKG: ML22099A011, Memo: Encl 1: ML22060A153,
Encl 2: ML22080A111**

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