

UNITED STATES
NUCLEAR REGULATORY COMMISSION
OFFICE OF NUCLEAR REACTOR REGULATION
WASHINGTON, D.C. 20555

August 24, 1990

NRC INFORMATION NOTICE NO. 89-18, SUPPLEMENT 1: CRIMINAL PROSECUTION OF
WRONGDOING COMMITTED BY
SUPPLIERS OF NUCLEAR PRODUCTS
OR SERVICES

Addressees:

All holders of operating licenses or construction permits for nuclear power reactors.

Purpose:

This information notice is intended to inform addressees of the results of the criminal prosecution of a case of wrongdoing that the NRC referred to the U.S. Department of Justice (DOJ). This matter was initially identified during a licensee-performed vendor audit and was subsequently reported to the NRC. This information notice also reminds licensees and their suppliers of the penalties that could result from the intentional violation of federal regulatory requirements and criminal statutes. In particular, both the supplier and individual employees of the supplier could be subject to criminal prosecution by the DOJ if they intentionally violate federal regulatory requirements. It is expected that recipients will review the information notice and consider actions, as appropriate, to avoid similar problems. However, suggestions contained in this information notice do not constitute NRC requirements; therefore, no specific action or written response is required.

Description of Circumstances:

On March 29, 1988, the NRC staff received a 10 CFR Part 21 report from the Wolf Creek Nuclear Operating Corporation (WCNOC) regarding suspect vendor activities that WCNOC personnel discovered during a licensee-performed vendor audit. WCNOC suspected that the owner of Planned Maintenance Systems (PMS), Mr. Rodney C. Hanner, may have altered a commercial-grade Certificate of Compliance (CoC) issued by Gould Incorporated, Electric Fuse Division (Gould). The NRC reviewed the report and referred the issue to its Office of Investigations (OI), which initiated an investigation. During subsequent discussions, Mr. Hanner revealed that he falsified the Gould commercial-grade CoC to resemble a Class 1E CoC.

The NRC subpoenaed PMS records and from the review of the records identified numerous concerns regarding NRC-licensed facilities and Department of Energy (DOE) facilities. The NRC issued Information Notice 88-19, "Questionable Certification of Class 1E Components," on April 26, 1988, to inform addressees of questionable certifications of Class 1E components furnished by PMS and referred those issues concerning DOE facilities to DOE.

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The NRC performed an inspection on May 16 - 18, 1988, at the PMS facility in Mount Vernon, Illinois. The DOE staff performed an independent investigation of the matters that related to its facilities.


As a result of investigations by the two U.S. Government agencies, the matter was referred to the DOJ and resulted in a Federal Grand Jury indictment of Mr. Hanner on 44 counts citing violations of Title 18 of the United States Code (USC), Sections 287, 1001, 1341, 1343 and 1344. These counts included the following: bank fraud, false claims, mail fraud and making false statements to the NRC and DOE. Mr. Hanner subsequently pleaded guilty to 12 of the 44 counts through a "Plea Agreement" accepted by the U.S. District Court, Southern District of Illinois, on January 8, 1990. On March 12, 1990, Mr. Hanner was sentenced by a Federal Judge in the U.S. District Court in Benton, Illinois, to a 5-month term in a Federal Prison, to be followed by a 5-month term of community confinement to be served at the Substance Abuse Center in Marion, Illinois. Upon release from confinement, Mr. Hanner will be placed on 4 years of supervised release and probation. The Federal Judge also ordered that Mr. Hanner make restitution in the total amount of \$125,616.65 to several NRC licensees and DOE facilities. The Judgment and Commitment Order are enclosed.

Discussion:

Five NRC licensees and two DOE facilities were named in the enclosed Judgment and Commitment Order to receive restitution from Mr. Hanner (NRC Information Notices No. 89-18, "Criminal Prosecution of Wrongdoing Committed By Suppliers of Nuclear Products or Services," and 90-46, "Criminal Prosecution of Wrongdoing Committed By Suppliers of Molded-Case Circuit Breakers and Related Components," identified other examples of restitution awarded to NRC licensees from conviction of vendors). All personnel involved in NRC-regulated activities (including suppliers and vendors) have a responsibility to comply with applicable NRC regulatory requirements and other Federal laws. The NRC expects and demands compliance and will seek criminal prosecution of wrongdoing in cases of intentional or willful violations of these requirements. As evidenced by the case described in this information notice, criminal sanctions may include imprisonment, fines, restitution of monies, and/or rendering of community services.

Addressees may wish to distribute copies of this information notice to their employees and suppliers.

This information notice requires no specific action or written response. If you have any questions about the information in this notice, please contact the technical or investigatory contacts listed below or the appropriate NRR project manager.


Charles E. Rossi, Director
Division of Operational Events Assessment
Office of Nuclear Reactor Regulation

Technical Contact: Joseph J. Petrosino, NRR
(301) 492-0979

Investigatory Contact: Virginia VanCleave, OI:RIV
(817) 860-8286

Attachments:

1. U.S. District Court, Southern District of Illinois,
Judgment and Commitment Order
2. List of Recently Issued NRC Information Notices

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF ILLINOIS

FILED
1990 MAR 15 AM 11:03
STUART J. HARE
CLERK U.S. DISTRICT COURT
SOUTHERN DISTRICT OF ILLINOIS
BENTON DR. SPRINGFIELD, ILLINOIS

UNITED STATES OF AMERICA,)
)
 Plaintiff,)
)
 vs.)
)
 RODNEY CARTER HANNER,)
)
 Defendant.)

CRIMINAL NO. 89-40062
Imposition of Sentence
March 12, 1990

JUDGMENT AND COMMITMENT ORDER

The defendant pleaded GUILTY to Counts 1, 6, 7, 15, 17, 18, 21, 22, 33, 37, 39 and 44.

Accordingly, the defendant is adjudged guilty of such counts, which involve the following offenses:

- Bank Fraud, 18 U.S.C. 1344, (Count 1);
- Making False Statements & Representations to an Agency of the United States, 18 U.S.C. 1001, (Counts 6, 7, 15, 33 and 39);
- Mail Fraud, 18 U.S.C. 1341, (Counts 17, 18, 21, 22 and 37);
- Making False Claims against an Agency of the United States, 18 U.S.C. 287, (Count 44).

The sentence is imposed pursuant to the Sentencing Reform Act of 1984.

IT IS ORDERED AND ADJUDGED that as to Counts 18, 33, 37 and 39 of the indictment, the defendant is hereby committed to the custody of the U. S. Bureau of Prisons for imprisonment for a term of five (5) months, to be followed by a five (5) month term of community confinement to be served at the Substance Abuse Center in Marion, Illinois. Upon release from confinement defendant is placed on 3 years supervised release, upon the following special terms and conditions:

- 1) that defendant comply with the provisions of Form 7A of the U. S. Probation Office;
- 2) that defendant not possess a firearm or any other dangerous weapon; and
- 3) that defendant make restitution in the amount of \$125,616.65 as follows:
 - a. As to Count 4 - \$6,495.00 to Sacramento Municipal Utility District, Sacramento, California;
 - b. As to Count 5 - \$4,620.00 to Sacramento Municipal Utility District, Sacramento, California;
 - c. As to Counts 6 and 7 - \$2,285.50 to Sacramento Municipal Utility District, Sacramento, California;
 - d. As to Counts 8 and 10 - \$5,388.50 to Sacramento Municipal Utility District, Sacramento, California;

- e. As to Count 9 - \$6,432.00 to Sacramento Municipal Utility District, Sacramento, California;
- f. As to Counts 11, 12, 13 and 14: \$3,250.00, \$33,750.00 and \$15,047.50 to Sacramento Municipal Utility District, Sacramento, California;
- g. As to Counts 17 and 18 - \$1,553.37 and \$3,078.63 to Tennessee Valley Authority, Knoxville, Tennessee;
- h. As to Counts 21 and 22 - \$14,615.75 and \$75.00 to Tennessee Valley Authority, Knoxville, Tennessee;
- i. As to Count 25 - \$2,250.00 to Rochester Gas and Electric Company, Rochester, New York;
- j. As to Count 26 - \$3,180.00 to Illinois Power Company, Clinton, Illinois;
- k. As to Count 27 - \$588.50 to New York Power Authority, Lycoming, New York;
- l. As to Count 28 - \$4,510.70 to New York Power Authority, Lycoming, New York;
- m. As to Count 29 - \$525.00 to New York Power Authority, Lycoming, New York;
- n. As to Count 37 - \$3,371.20 to Knolls Atomic Power Laboratory, % U. S. Department of Energy, P. O. Box 40, Bethel Park, Pennsylvania; and
- o. As to Count 44 - \$14,600.00 to UNC Nuclear Industries, % U. S. Department of Energy, P. O. Box 40, Bethel Park, Pennsylvania.

IT IS FURTHER ORDERED AND ADJUDGED that as to Counts 1, 6, 7, 15, 17, 21, 22 and 44, imposition of sentence is suspended and the defendant is placed on probation for a period of one (1) year as to each count, on the same special terms and conditions as imposed on defendant's term of supervised release.

IT IS FURTHER ORDERED AND ADJUDGED that the probation imposed on Counts 1, 6, 7, 15, 17, 21, 22 and 44 shall run concurrently with each other and consecutively to the supervised release imposed on counts 18, 33, 37 and 39.

IT IS FURTHER ORDERED that defendant shall pay a \$600.00 special assessment pursuant to the Comprehensive Crime control Act of 1984;

IT IS FURTHER ORDERED that the defendant shall voluntarily surrender to the designated institution as directed by the U. S. Bureau of Prisons.

IT IS FURTHER ORDERED that Counts 2, 3, 4, 5, 8, 9, 10, 11, 12, 13, 14, 16, 19, 20, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 34, 35, 36, 38, 40, 41, 42 and 43 are DISMISSED.


James L. Foreman, Chief Judge
March 15, 1990

CERTIFIED TRUE COPY

By Wickie McGuire
Deputy Clerk

Date 3-26-90

ec'd 3-16-90 EL

LIST OF RECENTLY ISSUED
 NRC INFORMATION NOTICES

Information Notice No.	Subject	Date of Issuance	Issued to
90-53	Potential Failures of Auxiliary Steam Piping and the Possible Effects on the Operability of Vital Equipment	8/16/90	All holders of OLs or CPs for nuclear power reactors.
90-52	Retention of Broken Charpy Specimens	8/14/90	All holders of OLs or CPs for nuclear power reactors.
90-51	Failures of Voltage-Dropping Resistors in the Power Supply Circuitry of Electric Governor Systems	8/8/90	All holders of OLs or CPs for nuclear power reactors.
90-50	Minimization of Methane Gas in Plant Systems and Radwaste Shipping Containers	8/8/90	All holders of OLs or CPs for nuclear power reactors.
90-49	Stress Corrosion Cracking in PWR Steam Generator Tubes	8/6/90	All holders of OLs or CPs for pressurized-water reactors.
90-48	Enforcement Policy for Hot Particle Exposures	8/2/90	All holders of OLs or CPs for nuclear power reactors.
90-47	Unplanned Radiation Exposures to Personnel Extremities Due to Improper Handling of Potentially Highly Radioactive Sources	7/27/90	All holders of OLs or CPs for nuclear power reactors, holders of licenses for permanently shutdown facilities with fuel onsite and research and test reactors.
90-46	Criminal Prosecution of Wrongdoing Committed by Suppliers of Molded-Case Circuit Breakers and Related Components	7/16/90	All holders of OLs or CPs for nuclear power reactors.

OL = Operating License
 CP = Construction Permit

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

**OFFICIAL BUSINESS
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