

**Sargent & Lundy** LLC

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Project No. 00037-000  
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Reply to Notice of Nonconformance  
NRC Inspection Report 99900507/2002-201

United States Nuclear Regulatory Commission  
Document Control Desk  
Washington, DC 20555-001  
Attention: Mr. T. R. Quay, Mail Stop O6F2

Gentlemen:

On December 9-12, 2002, Mr. Kamalakar Naidu of the NRC performed an inspection at Sargent & Lundy (S&L). The results of this inspection are contained in Inspection Report 99900507/2002-201 transmitted by a letter from Theodore Quay dated February 19, 2003. As a result of the inspection, three nonconformances were issued to S&L. Attached is a description of the actions being taken to correct the nonconformances and prevent recurrence.

I want to assure you that I and the executive management of S&L take the cited nonconformances very seriously. As a result of these findings we have re-examined and revised our approach to the management of QA records to ensure that our procedures, processes, and performance exceed the requirements. I will continue to personally follow the implementation of our internal actions.

Please call me at the above number or our Quality Assurance Manager, Randy Kurtz, at (312) 269-6562 if you have any questions.

Very truly yours,



Paul L. Wattelet  
Chairman, President, & CEO

PLW:mas

Copies:

Attachment

T. R. Quay (NRC) (1/1)

R. L. Kurtz (1/1)

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Nonconformance 99900507/2002-201-01

Finding:

Criterion V, "Instructions, Procedures, and Drawings," of 10 CFR Part 50, Appendix B, requires, in part, that activities affecting quality be prescribed by documented instructions, procedures, or drawings, of a type appropriate to the circumstances and shall be accomplished in accordance with those instructions, procedures and drawings.

Paragraph 4.1.1 of ASD-001, Revision 4, dated June 6, 2001, "Collection, Processing, Storage, Retrieval and Disposition of Quality Assurance Records," stated in part, "Temporary storage of all records during processing shall be in lockable 1-hour fire-rated metal cabinets."

Contrary to the above, S&L temporarily stored in-process quality assurance records in a security box that was not at all fire-rated.

Response:

S&L acknowledges the validity of this finding. Between May 10, 2000 and November 22, 2002 nuclear QA records that were being processed were stored in containers that had less than a 1-hour fire rating. S&L discovered this error (see Mr. Naidu's copy of PIP No. 2002-0723) and these records were transferred to a room that had a 1-hour fire rating. Subsequently, on January 24, 2003, three 1-hour fire-rated cabinets were delivered to S&L and are being used to store records prior to completion of processing.

The cause of this error was that the person responsible for closing PIP No. 2000-0315 and the Lead Auditor responsible for verifying the actions did not ensure that the containers assigned in 2000 to store nuclear QA records had the appropriate rating (see Nonconformance 99900507/2002-201-03). This is attributed to inadequate work practice.

An investigation into other PIPs closed or verified by these two individuals, as discussed in the response to Nonconformance 99900507/2002-201-03, found that these were isolated errors. Consequently, the corrective and preventive actions for this nonconformance were limited to procuring the new cabinets and coaching the two individuals concerning the need to understand and implement PIP dispositions.

Nonconformance 99900507/2002-201-02

Finding:

Criterion XVIII, "Audits," of 10 CFR 50, Appendix B, requires, in part, that a comprehensive system of planned and periodic audits be carried out to verify compliance with all aspects of the quality assurance program.

Paragraph 2.6 of S&L implementing Procedure QAS-1700, stated, in part, "The following shall be considered under the auspices of SL-TR-1A during preparation of the matrix: Regularly scheduled audits shall be conducted at least biennially for projects supporting plants in the operating or decommissioning phase, company-wide activities, functional groups supporting projects and gaseous diffusion plants."

Also, Paragraph 3.1.6 of SOP-1701 states, in part, that the audit shall:

- "Verify that the policies, procedures, and instructions necessary for the implementation of S&L's Quality Policy and Program Plan (SL-QAP) and Nuclear QA Program Topical Report

(SL-TR-1A) or applicable supplier's QA program and procedures are established prior to the start of activities they control;

- "Determine the degree of compliance with those requirements by personnel performing quality functions; and
- "Determine the degree of compliance on each project or supplier with project instructions, standards, procedures, and other applicable documents, such as codes and national standards that provide guidance for the project/supplier."

Contrary to the above, at the time of this inspection, S&L QA had not conducted a quality assurance audit since April, 2000.

Response:

S&L acknowledges the validity of this finding as it relates to the collection, preservation, storage, retrieval, and maintenance of nuclear QA records. The reason that a specific audit of the records area was not scheduled in 2001 and 2002 is that the submittal of records was addressed in various audits and overall audits of the Finance and Administration (F & A) Group were performed in September/October, 2000 and October/November, 2001. The Administrative Services Division, whose responsibilities include the processing and retrieval of records, is a part of F & A. Record processing and retrieval was only incidentally addressed in these last two audits, however. This deficiency was discovered by S&L and documented in PIP No. 2002-0726.

This error is attributed to inadequate work prioritization by the Audit Coordinator and inadequate management of the coordinator. Audit Coordinator responsibilities have been re-assigned and the new Audit Coordinator has been instructed concerning this planning failure. In addition, the Quality Assurance Manager will exercise closer supervision of future audit planning.

The criteria for scheduling audits as described in Chapter 18.00 of SL-TR-1A were adequately described in procedures. Nonetheless, as an additional measure to lessen the probability of recurrence, Procedure QAS-1700 was revised on 2/26/03 to add additional details concerning audit scheduling (copy attached).

An audit of the records area has been scheduled for June 2003.

Nonconformance 99900507/2002-201-03

Finding:

Criterion XVI, "Corrective Action," of 10 CFR 50, Appendix B, requires, in part, that measures be established to assure that conditions adverse to quality, such as failures ... and nonconformances are promptly identified and corrected.

SOP-1401, "Performance Improvement Process," [PIP] Revision 5, dated April 2, 2001, described the process for identifying and addressing quality problems, improvement opportunities, and best practices through S&L's continuous quality improvement program. Paragraph 3.5, "PIP Closure," of Procedure SOP-1401, stated, in part, "The Responsible Person for closure shall assure that all corrective actions have been implemented by scheduled completion date prior to completing the Closure Section in the PIP Database.

Contrary to this requirement, PIP No. 2000-0315 was closed without implementing the recommended corrective action, which was to replace the temporary records storage container with a fire-rated container. Without verifying that the "Mosler GSA-approved security storage" was in fact a 1-hour fire-rated storage cabinet, the "Responsible Person" closed the finding in PIP No. 2000-0315.

Response:

S&L acknowledges the validity of this finding. The "Responsible Person" responsible for closure of the PIP and the Lead Auditor responsible for verifying the closure both failed to ensure that the containers being supplied in 2000 to store nuclear QA records had a fire rating as directed in the PIP disposition. The inadequate closure of PIP No. 2000-0315 was discovered by S&L and documented in PIP No. 2002-0723.

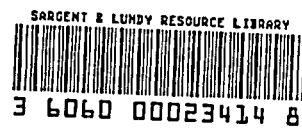
As part of cause determination, S&L performed an extent of condition investigation for other PIPs closed by this "Responsible Person" or verified closed by this Lead Auditor to determine whether any others are deficient. The sample size was PIPs issued in 2000, 2001 and 2002. It was determined that the "Responsible Person" had closed no other PIPs during this time period. The other PIPs verified to be closed by the Lead Auditor during this time period were reviewed by a second Lead Auditor. Each of the PIPs was properly closed. Therefore, no generic corrective or preventive actions have been taken with regard to work practice or auditor qualification.

The "Responsible Person" and the Lead Auditor have been coached concerning the error.



AUDIT, SURVEILLANCE, AND EVALUATION PLANNING AND SCHEDULING

APPROVED: R. L. Kurtz



1. PURPOSE

This standard describes the requirements for planning and scheduling of Sargent & Lundy (S&L) audits, surveillances, and evaluations.

2. RESPONSIBILITIES

- 2.1. *The Quality Assurance Manager is responsible for approving the Audit and Surveillance Matrix and audit schedules.*
- 2.2. *The Quality Services Manager is responsible for reviewing the audit schedule and interfacing with the Quality Assurance Manager in regard to the selection of team personnel.*
- 2.3. *The Audit Coordinator is responsible for developing and maintaining an audit/surveillance/evaluation schedule for internal and external activities. This responsibility also includes development and maintenance of the Audit and Planning Matrix.*

3. PLANNING

3.1. *The following shall be considered during both initial and revised schedule planning:*

- *The Audit Coordinator shall interface with team leaders or review finalized audit/surveillance/evaluation reports to ascertain whether any resultant issues require incorporation into the planning and scheduling process*
- *Through interface or document review, the Audit Coordinator shall monitor PIPs to ascertain whether any resultant issues require incorporation into the planning and scheduling process.*
- *The Audit Coordinator and Quality Services Manager shall interface in regard to initial or annual audit, surveillance, or evaluations related active supplier's accepted QA Programs.*
- *The Audit Coordinator and Quality Assurance Manager shall interface in regard to resultant information from the Quality Council*
- *The Audit Coordinator shall review the Nuclear Qualified Suppliers List (NQSL) posted on the S&L LAN within the NPT sections of WIKS.*
- *The Audit Coordinator shall utilize the Audit and Surveillance Planning Matrix as an input to assure the applicable criteria of 10CFR50, Appendix B and ISO 9001:2000 will be addressed upon conclusion of the yearly activities*

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3.2. The *Audit Coordinator* shall ensure that an Audit and Surveillance Planning Matrix is prepared and updated *commensurate with the approved schedule*. The purpose of the planning matrix is to assure that S&L project groups, functional groups, and suppliers performing quality-related activities under S&L's quality system are audited to verify appropriate implementation of the applicable criteria of 10CFR50, Appendix B and ISO 9001:2000.

3.3. The planning matrix shall identify the general areas, projects, and suppliers to be evaluated. In addition, it shall identify whether an audit, or surveillance, or *evaluation* is to be performed, the designated Team Leader, *whether a technical specialist(s) is required*, and those criteria of 10CFR50 Appendix B and ISO 9001:2000, either planned or actual, related to each effort.

#### 4. SCHEDULING

4.1. The *Audit Coordinator* shall annually develop an internal and external audit/surveillance/evaluation schedule to provide coverage and coordination with on-going Quality Assurance Program activities. Audits/surveillances/evaluations will be scheduled at a frequency commensurate with the status and importance of such activities. The schedule shall be prepared such that, for activities that are not under the auspices of SL-TR-1A, each sub-clause of SL-QAP is audited annually.

4.2. The following shall be considered, for the scheduling of activities:

- External audits of active suppliers on the Nuclear Qualified Suppliers List (NQSL) shall be conducted at least triennially, when so indicated on the applicable acceptance plan.
- Biennial audits shall be conducted for company-wide activities relating to Project Management, Procurement, Records, System of Processes, and Safeguards/Security.
- Annual audits shall be conducted of access authorization and for fitness for duty activities conducted by the Company. The scope of these audits will not include a review of credit history, psychologist assessment, and psychologist work. In alternating years, this audit may be conducted with the biennial safeguards/security audit
- An annual surveillance of corrective action shall be conducted.
- An annual Quality System Management Assessment of SL-TR-1A and ISO-9001 management reviews shall be conducted
- An annual audit will be conducted of the audit process.
- Annual audits or surveillances shall be conducted of the primary S&L satellite facilities (e.g. Wilmington, Chattanooga, Houston). The frequency for these audits or surveillances may be extended by the S&L Quality Assurance Manager with written justification

- Regularly scheduled audits shall be conducted at least biennially for projects supporting plants in the operating or decommissioning phase, company-wide activities, functional groups supporting projects, and gaseous diffusion plants. *The selection of projects for audit or surveillance will be based on a combination of past performance history related to either the client or S&L project management team, project activity, importance to the Company, and/or input from project management.*
  - Projects supporting *radioactive material packaging or independent spent fuel storage installations (ISFSIs)* shall be audited at least annually.
  - Plants in the construction phase shall be audited annually or once during the life of an activity having a duration of less than one year.
  - Limited-scope activities shall be included depending on their importance to safety.
  - Large projects should be audited in the early stages to review the status of program preparation and implementation. *Input for determining the large projects shall be via project management.*
  - A surveillance(s) conducted by a Lead Auditor may be performed in lieu of an audit, or part(s) of an audit, provided a Lead Auditor evaluates the surveillance(s) as examining the same activity to be audited and the surveillance(s) is performed within the same biennial or annual audit period. Surveillances may not be used to ensure coverage of the ISO-9001 sub-clauses.
- 4.3. *Audits and surveillances having defined performance frequencies will, in general, be scheduled based on the previous entrance date. Nuclear projects with non-continuous workloads may have their audit frequency extended consistent with their period of inactivity. For purposes of this procedure, inactivity is considered to be less than five man-months per month of managed task work.*
- 4.4. *The Quality Services Manager shall be provided with the annual schedule, including subsequent changes, for review. As part of the review, the Quality Services Manager shall interface with the Quality Assurance Manager in regard to the determination and selection of team personnel. Assignment of team personnel shall be based on independence of direct responsibility for performance of the activities to be reviewed and the personnel having sufficient authority and organizational freedom to make the process meaningful and effective. To the extent practical, a different Audit Team Leader shall be chosen than the Audit Team Leader who last audited the applicable project, activity, or functional group.*
- 4.5. *An initial audit schedule may be issued at the beginning of each year prior to the completion of the Audit and Surveillance Planning Matrix from the previous year. This is to ensure compliance with Section 3.1.1 of SOP-1701.*

*The reason this option may be chosen is that audits started in the previous year may not be completed prior to the start of the first audit or surveillance of the new year. Consequently, the matrix for the previous year cannot be completed and a review conducted to ensure that each applicable criterion and element was in fact audited. If any were not audited, corrective action shall be initiated per SOP-1401 and the schedule/matrix for the new year adjusted accordingly.*

*If this option is chosen, the matrix for the new year shall be complete prior to the issuance of the second revision of the audit schedule or the end of the first quarter, whichever occurs earlier.*

5. SCHEDULE REVISION

- 5.1. *The Audit Coordinator shall minimally update the schedule on a quarterly calendar basis. However, the audit schedule is dynamic and shall be updated as the bases for the schedule changes*
- 5.2. As determined by the QA Manager, regularly scheduled audits shall be supplemented by special audits or surveillances for one or more of the following conditions:
- Significant changes in the S&L organization or Standard Operating Procedures.
  - Apparent weaknesses in the QA Program or their implementation.
  - It is suspected that the quality of an item is in jeopardy due to deficiencies in the QA Program.
  - A systematic, independent assessment of program effectiveness is considered necessary.
- 5.3. Since S&L's work is client-dependent, an audit may be rescheduled if the project has been delayed or accelerated by the client. The Quality Assurance Manager must approve the postponement of an audit.

6. RECORDS

The approved Audit and Surveillance Matrix, including revisions, shall be submitted as a *Quality Record* for storage in accordance with SOP-1602.

7. REFERENCES

- 7.1. SL-QAP, Quality Policy and Program Plan
- 7.2. SL-TR-1A, S&L Nuclear QA Program Topical Report
- 7.3. SOP-1401, Performance Improvement Process
- 7.4. SOP-1602, *Records Control*
- 7.5. NRC Regulatory Guide 1.144, Revision 1, September 1980 - Auditing of Quality Assurance Programs for Nuclear Power Plants (ANSI/ASME N45 2.12 - 1977)