

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

September 15, 1993

NRC INFORMATION NOTICE 93-73: CRIMINAL PROSECUTION OF NUCLEAR SUPPLIERS
FOR WRONGDOING

Addressees

All NRC licensees.

Purpose

The U.S. Nuclear Regulatory Commission (NRC) is issuing this information notice to inform addressees of the results of the criminal prosecutions of two cases of wrongdoing that the NRC staff referred to the U.S. Department of Justice (DOJ). Licensees and their suppliers are also reminded of the penalties that could result from the intentional violation of Federal regulatory requirements and criminal statutes. In particular, suppliers, licensees, and individual employees 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 are not NRC requirements; therefore, no specific action or written response is required.

Description of Circumstances

Case 1: In May of 1993, the president and vice president/manager of Satin American Corporation were sentenced in United States District Court (District of Connecticut) on criminal charges; specifically, Section 371 of Title 18 of the United States Code (18 U.S.C. 371), "Conspiracy to Traffic in Goods Bearing Counterfeit Marks." They had pled guilty to participating in a conspiracy from 1985 to 1987 in which circuit breakers and related equipment were refurbished at their Shelton, Connecticut, facility. This equipment was sold to various NRC licensees and others bearing counterfeit nameplates made to look like those from the original manufacturers. The Satin American president was sentenced to 4 years of imprisonment, which was suspended, and 3 years probation. The conditions of probation were restitution, a \$250,000 fine, 400 hours of community service each year of probation, and barring of the president, Satin American Corporation, and any related or successor companies controlled by him from engaging in nuclear safety-related business for 5 years. The Satin American vice president/manager was sentenced to 3 years of imprisonment, also suspended with 3 years probation, 200 hours of community service each year of probation, a \$5,000 fine, and he was barred from nuclear safety-related business for 3 years. Information on the associated equipment problems can be found in IN 89-45 "Low-Voltage Metalclad

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PDR I & E Notice 93-073

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DOJ

Power Circuit Breakers Refurbished with Substandard Parts," and its Supplements 1 and 2.

Case 2: On November 6, 1992, the president of J and S Machine and Valve and former partner in Coffeyville Valve, Incorporated, was indicted by a grand jury in Tulsa, Oklahoma, for 11 counts citing violations of 18 U.S.C. 371, 2320, 1341, and 1343. These counts included conspiracy, copyright infringement, mail fraud, and wire fraud. The defendant was alleged to have refurbished used valves and affixed counterfeit Crane Company labels in an effort to mislead customers, including NRC licensees, to believe they were receiving unused valves manufactured by Crane. On March 16, 1993, the defendant pled guilty to charges of conspiracy to traffic in counterfeit goods in violation of 18 U.S.C. 371. On May 18, 1993, in United States District Court (Northern District of Oklahoma), the defendant was found guilty. Imposition of sentence was suspended, but the defendant was placed on probation for 3 years and fined \$15,000. Information can be found in IN 92-56, "Counterfeit Valves in the Commercial Grade Supply System."

Discussion

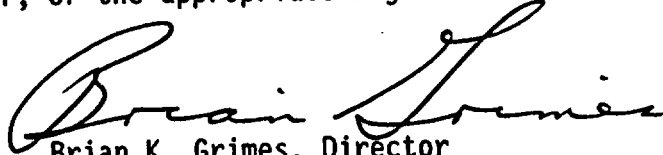
All personnel involved in NRC-regulated activities, including licensees, suppliers, and their employees, have a responsibility to comply with applicable NRC regulatory requirements and other Federal laws. The NRC demands compliance and will seek criminal prosecution of wrongdoing in cases of willful violations of these requirements. As evidenced by the cases cited herein, criminal sanctions may include imprisonment, fines, restitution of monies, and rendering of community services.

In addition, the "Deliberate Misconduct" provisions, in Title 10 of the Code of Federal Regulations [10 CFR 30.10, 40.10, 50.5, 61.9(b), 70.10, and 72.12] allow the NRC to take direct enforcement action against suppliers and/or their responsible officers and/or their employees for deliberately causing a licensee to be in violation of Commission regulations or for providing false information to licensees or the Commission concerning licensed activities.

Furthermore, as indicated in numerous NRC generic communications, in addition to bearing counterfeit markings, much of the equipment in cases such as the ones cited above has been found to have been sold in unsatisfactory condition, or to contain substandard parts, manufacturing processes or workmanship. Some of this equipment has failed in service or testing. Inasmuch as some of this equipment is sold as basic components as defined in 10 CFR Part 21, "Reporting of Defects and Noncompliance," and some of it is represented as new and deviations in the equipment are deliberately not disclosed to the purchasers, directors or responsible officers of suppliers of such equipment could also be subject to civil penalties as described in 10 CFR 21.61. In addition, as provided in Section 21.62 of the revision of 10 CFR Part 21, published November 24, 1992, criminal sanctions could be imposed in accordance with Section 223 of the Atomic Energy Act of 1954, as amended. Although not

required by this notice, 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 one of the technical contacts listed below, the appropriate Office of Nuclear Reactor Regulation project manager, or the appropriate regional office.



Brian K. Grimes, Director
Division of Operating Reactor Support
Office of Nuclear Reactor Regulation

Technical contacts: Stephen D. Alexander, NRR
(301) 504-2995

Ronald K. Frahm, Jr., NRR
(301) 504-2986

Joseph J. Petrosino, NRR
(301) 504-2979

Kevin M. Ramsey, NMSS
(301) 504-2534

Attachments:

1. List of Recently Issued NMSS Information Notices
2. List of Recently Issued NRC Information Notices

LIST OF RECENTLY ISSUED
 NMSS INFORMATION NOTICES

Information Notice No.	Subject	Date of Issuance	Issued to
93-69	Radiography Events at Operating Power Reactors	09/02/93	All holders of OIs or CPs for nuclear power reactors and all radiography licensees.
93-60	Reporting Fuel Cycle and Materials Events to the NRC Operations Center	08/04/93	All fuel cycle and materials licensees.
93-50	Extended Storage of Sealed Sources	07/08/93	All licensees authorized to possess sealed sources.
93-36	Notifications, Reports, and Records of Misadministrations	05/07/93	All U.S. Nuclear Regulatory Commission medical licensees.
93-31	Training of Nurses Responsible for the Care of Patients with Brachytherapy Implants	04/13/93	All U.S. Nuclear Regulatory Commission medical licensees.
93-30	NRC Requirements for Evaluation of Wipe Test Results; Calibration of Count Rate Survey Instruments	04/12/93	All U.S. Nuclear Regulatory Commission medical licensees.
93-19	Slab Hopper Bulging	03/17/93	All nuclear fuel cycle licensees.
93-18	Portable Moisture-Density Gauge User Responsibilities during Field Operations	03/10/93	All U.S. Nuclear Regulatory Commission licensees that possess moisture-density gauges.
93-14	Clarification of 10 CFR 40.22, Small Quantities of Source Material	02/18/93	All Licensees who possess source material.

LIST OF RECENTLY ISSUED
 NRC INFORMATION NOTICES

Information Notice No.	Subject	Date of Issuance	Issued to
93-72	Observations from Recent Shutdown Risk and Outage Management Pilot Team Inspections	09/14/93	All holders of OLs or CPs for nuclear power reactors.
93-71	Fire at Chernobyl Unit 2	09/13/93	All holders of OLs or CPs for nuclear power reactors.
93-70	Degradation of Boraflex Neutron Absorber Coupons	09/10/93	All holders of OLs or CPs for nuclear power reactors.
93-69	Radiography Events at Operating Power Reactors	09/02/93	All holders of OLs or CPs for nuclear power reactors and all radiography licensees.
93-68	Failure of Pump Shaft Coupling Caused by Temper Embrittlement during Manufacture	09/01/93	All holders of OLs or CPs for nuclear power reactors.
92-16, Supp. 2	Loss of Flow from the Residual Heat Removal Pump during Refueling Cavity Draindown	08/23/93	All holders of OLs or CPs for nuclear power reactors.
93-67	Bursting of High Pressure Coolant Injection Steam Line Rupture Discs Injures Plant Personnel	08/16/93	All holders of OLs or CPs for nuclear power reactors.
93-66	Switchover to Hot-Leg Injection Following A Loss-of-Coolant Accident in Pressurized Water Reactors	08/16/93	All holders of OLs or CPs for pressurized water reactors.

OL = Operating License
 CP = Construction Permit

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Original signed by
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2. List of Recently Issued NRC Information Notices

*See previous concurrence.

OFFICE	VIB/DRIL	VIB/DRIL	VIB/DRIL	SC/VIB/DRIL	BC/VIB/DRIL
NAME	SALEXANDER*	RFRAHM*	JPETROSINO*	GCWALINA*	LNORRHOLM*
DATE	6/10/93	6/10/93	6/10/93	6/17/93	6/18/93
COPY	YES	YES	YES	YES	YES
OFFICE	TECHED	D/OE	D/ED/OGC	D/OI	OGCB/DORS/NRR
NAME	JMAIN*	JLIEBERMAN*	JGOLDBERG*	BHAYES*	RJKIESSEL*
DATE	6/11/93	6/30/93	7/07/93	8/02/93	08/23/93
COPY	NO	YES	YES	YES NO	YES NO
OFFICE	DD/DRIL/NRR	D/DRIL/NRR	BC/OGCB/DORS	D/DORS	
NAME		CEROSI*	GMARCUS*	BK GRIMES	
DATE	/ /93	6/29/93	08/24/93	09/10/93	/ /93
COPY	YES NO	NO	YES NO	YES NO	YES NO

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COPY	YES	YES	YES	YES	YES
OFFICE	TECHED	D/OE	D/ED/OGC	D/OI	<i>OGCB/DORS</i>
NAME	JMAIN*	JLIEBERMAN*	JGOLDBERG* <i>X</i>	BHAYES <i>ff for</i>	<i>RSHASSI</i>
DATE	6/11/93	6/30/93	7/07/93	<i>8/02/93</i>	<i>8/23/93 AK</i>
COPY	NO	YES	YES	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	YES NO
OFFICE	DD/DRIL/NRR	D/DRIL/NRR	<i>PCW</i> BC/OGCB/DORS	D/DORS	
NAME		CEROSI*	<i>J</i> JGMARCUS	BKGRIMES <i>gll</i>	
DATE	<i>/</i> /93	6/29/93	<i>8/24/93</i>	7/ /93	<i>/</i> /93
COPY	YES NO	NO	YES NO	YES NO	YES NO

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X OGC REVIEW of NMS5 CITATIONS
 RAISED ISSUE of 10 CFR 61.9(b) - ADD THIS
 TO CITATIONS PER J. GOLDBERG PER TELCON 9/9/93
AK

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DATE	6/10/93	6/10/93	6/10/93	6/17/93	6/18/93
COPY	YES	YES	YES	YES NO	YES NO
OFFICE	TECHED	D/OE	D/ED/OGC	D/OI	
NAME	JMAIN*	JLIEBERMAN	JGOLDBERG	BHAYES	
DATE	6/11/93	6/20/93 with minor change	6/17/93	6/ /93	6/ /93
COPY	NO	YES NO	YES NO	YES NO	YES NO
OFFICE	DO/DRIL/NRR	D/DRIL/NRR	BC/OGCB/DORS	D/DORS	
NAME	RZIMMERMAN	CEROSSE	GMARCUS	BKGRIMES	
DATE	6/ /93	6/29/93	6/ /93	6/ /93	6/ /93
COPY	YES NO	YES NO	YES NO	YES NO	YES NO

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COPY	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO	YES NO	YES NO
OFFICE	TECHED	D/OE	D/ED/OGC	D/OI	
NAME	JMAIN	JLIEBERMAN	JGOLDBERG	BHAYES	
DATE	6/11/93	6/ /93	6/ /93	6/ /93	6/ /93
COPY	YES <input checked="" type="checkbox"/> NO	YES NO	YES NO	YES NO	YES NO
OFFICE	DD/DRIL/NRR	D/DRIL/NRR	BC/OGCB/DORS	D/DORS	
NAME	RZIMMERMAN	CEROSI	GMARCUS	BKGRIMES	
DATE	6/ /93	6/ /93	6/ /93	6/ /93	6/ /93
COPY	YES NO	YES NO	YES NO	YES NO	YES NO