Enclosure

U. S. NUCLEAR REGULATORY COMMISSION
OBSERVATION AUDIT REPORT NO. 89-7
FOR THE YUCCA MOUNTAIN PROJECT OFFICE
AUDIT NO. 89-5 OF REYNOLDS ELECTRICAL AND ENGINEERING CO., INC.

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SUMMARY

The staff has determined that the U. S. Department of Energy (DOE) Yucca Mountain Project Office (YMPO) Audit No. 89-5 of Reynolds Electrical and Engineering Company, Inc.(REECo) was useful but marginally effective. The audit team seemed well-qualified in quality assurance (QA) and their assignments and checklist items were adequately described in the audit plan. In general, the team satisfactorily assessed the REECo QA procedures and capabilities of the QA staff. The review of the implementation of the program by the line staff, however, was less effective for the following reasons. First, the REECo line staff has implemented almost none of the Level 1 QA program because of the nature and status of their responsibilities in the repository program (i.e., construction of the exploratory shaft). Second, DOE elected to not interview the line staff at REECo to determine their capabilities and understanding of the QA program requirements.

NRC staff agrees with the DOE/YMPO audit team findings that REECO has a sufficient QA program plan in place but that the effectiveness of implementation cannot be determined at this time. The Operations Equipment Department at REECo, however, was an area that the YMPO audit team identified as being ineffective which needs to be upgraded. Also, due to restrictions imposed by the Privacy Act, the NRC staff was unable to determine whether individuals are appropriately qualified.

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For the above reasons, the staff is unable to make a determination on the ability of REECo to implement the QA program at this time. This is one of the conditions we have identified for acceptance of an organization's QA program. DOE should plan on a follow-up audit or surveillance, to be observed by the staff, after some implementation has taken place as a prerequisite for NRC acceptance of the program.

1.0 INTRODUCTION

From September 25 through 29, 1989, members of the NRC staff participated as observers in the DOE/YMPO QA Audit No. 89-5 of REECo conducted in Las Vegas, Nevada. This audit covered only limited implementation of the QA program elements since REECo had not performed any QA Level 1 technical work under the QA program for licensing-related activities.

REECo is responsible for providing support for subsurface and surface construction, drilling, and mining. REECo also assists in the operation and maintenance of the site facilities and performs procurement activities for the YMP when requested.

This report addresses the adequacy of the DOE/YMPO audit and, to a lesser extent, the adequacy of the REECo QA program.

2.0 OBJECTIVES

The objective of the DOE/YMPO audit was to determine the effectiveness of the REECo QA program in meeting the applicable requirements of the 88-9 QA Plan for the YMP. The NRC staff's objective was to gain confidence that DOE and REECo are properly implementing the requirements of their QA programs by evaluating the effectiveness of the DOE/YMPO audit and determining whether the REECo QA program is in accordance with the requirements of the Nevada Nuclear Waste Storage Investigations (NNWSI) Project Quality Assurance Plan NNWSI/88-9 Revision 2 (88-9 QA Plan) and 10 CFR Part 50, Appendix B.

3.0 AUDIT PARTICIPANTS

3.1 NRC

William Belke	Observer
John Gilray	Observer
John Peshel	Observer
Thomas Trbovich	Observer (Center for Nuclear Waste Regulatory Analyses)

3.2 DOE

James Blaylock	Audit Manager	DOE
William H. Camp	Audit Team Leader	SAIC
Amelia Arceo	Auditor	SAIC
Neil D. Cox	Auditor	SAIC
Mario R. Diaz	Auditor	DOE
Catherine E. Hampton	Auditor-in-Training	DOE
Robert H. Klemons	Auditor	SAIC
Frank J. Kratzinger	Auditor	SAIC
Donald E. Miller	Auditor-in-Training	CER
Frederick J. Ruth	Auditor	SAIC

4.0 REVIEW OF THE AUDIT AND AUDITED ORGANIZATION

The NRC staff evaluated the effectiveness of the audit team and the audit of REECo and, to a lesser extent, the acceptability of the REECo QA program. The NRC staff evaluation is based on direct observations of the auditors; discussions with members of the audit team; review of the audit plan, checklists, and background material; and limited discussions with REECo and DOE/YMP QA, technical, and management personnel. The DOE audit was conducted in accordance with procedures WMPO QMP 18-01, "Audit System for the Waste Mangement Project Office," Revision 3, and WMPO QMP 16-03, "Standard Deficiency Reporting System," Revision 1.

NRC staff observations are classified in accordance with the following guidelines:

(a) Level 1

Failure of the audit team to independently identify either:

- Flaws in completed and accepted work important to safety or waste isolation which renders the work unuseable for its intended purpose. (Denotes failure of the QA program to verify quality) or

- A breakdown in the QA program resulting in multiple examples of the same or similar significant deficiencies over an extended period of time in more than one work activity (technical area), or

- Multiple deficiencies of the same or similar significant deficiencies in a single work activity (technical area).

Failure of the audit team to adequately assess a significant area of the QA program or its implementation, such as technical products, applicable 10 CFR Part 50, Appendix B criteria, or quality level classifications, without prior justification, such that the overall effectiveness of the QA program being audited is made indeterminate.

(b) Level 2

Failure of the audit team to independently identify an isolated significant deficiency.

(c) Level 3

Failure of the audit team to independently identify deficiencies that have minor significance, or failure of the audit team to follow applicable audit procedures.

Level 1, 2 and 3 NRC staff observations require a written response from DOE to be resolved.

The NRC staff findings may also include weaknesses (actions or items which are not deficiencies but could be improved), good practices (actions or items which enhance the QA program) and requests for information required to determine if an action or item is deficient. Written responses to weaknesses identified by the NRC staff will be requested when appropriate. In general, weaknesses and items related to requests for information will be examined by the NRC staff in future audits or surveillances.

4.1 Scope of Audit

(a) Programmatic Elements

The QA portion of the audit utilized checklists based on the requirements in the 88-9 QA Plan and the REECo QA Program Plan (QAPP), 568-DOC-115, Revision 7. The checklists covered the QA program controls for all eighteen elements listed below:

1.0 Organization
2.0 Quality Assurance Program
3.0 Scientific Investigation Control and Design Control
4.0 Procurement Document Control
5.0 Instructions, Procedures, Plans and Drawings
6.0 Document Control
7.0 Control of Purchased Items and Services
8.0 Identification and Control of Items, Samples, and Data
9.0 Control of Processes
10.0 Inspection
11.0 Test Control
12.0 Control of Measuring and Test Equipment
13.0 Handling, Shipping, and Storage
14.0 Inspection, Test, and Operating Status
15.0 Control of Nonconforming Items
16.0 Corrective Action
17.0 Quality Assurance Records
18.0 Audits

The scope of the audit is acceptable in that it covered all the 10 CFR Part 50, Appendix B criteria for which REECo has responsibility. These programmatic elements were found acceptable by the NRC staff in their review of the REECo QAPP (ref. Linehan/Stein letter dated October 3, 1989).

(b) Technical Areas

REECo is the prime support contractor for subsurface and surface construction, drilling and mining. REECo will also assist in the operation and maintenance of site facilities. Although there has been little or no work for REECo at the Yucca Mountain site, they

have supported repository design activities of other project organizations, are involved in technical activities at G-tunnel, and have performed prototype air drilling at a site in Utah.

The audit team examined several areas in the technical program (none of which were QA Level 1). The first was REECo's support to design organizations on the project through Technical Assessment Reviews (TARs) and recommendations for design changes.

The audit team also examined a REECo Management Review of the ESF Title II Design Package pertaining to the location and arrangement of the Top Soil Storage Area, Borrow Pit Area, and Drill Hole Wash Road. This package was developed by Holmes and Narver. Given the amount of technical work performed by REECo to date, these areas permitted a limited evaluation of the capabilities of the line staff.

4.2 Timing of the Audit

The NRC staff believes the timing of the QA audit was appropriate. REECo has made a number of improvements in their QA program in the last twelve months, and though implementation was limited, and no QA Level 1 or 2 work had been performed, it was beneficial to assess the adequacy of the improvements to date.

4.3 Examination of Technical Products

As noted earlier, REECo is not responsible for generating design documents, but does support the design activities of other organizations. They perform TARs and recommend design changes when necessary. Accordingly, this portion of the audit was limited to controls associated with TARs and change controls which are reflected in REECo Quality Procedures QP 3.2, "Change Control" and QP 3.3, "Technical Assessment Review." The DOE/YMP auditors interviewed the lead REECo technical supervisor in order to determine his familiarity with the above two procedures and the overall TAR and design change control process. In addition, the auditors reviewed the qualification records of six REECo technical personnel. Special emphasis was placed on auditing the qualifications and training of the REECo personnel designated to take part in the TARs to assess their understanding of QA procedures and QA records associated with the technical reviews. The auditors asked questions on design interface control, including the assignment of responsibility and the establishment of procedures related to design interfaces between responsible design organizations. Also discussed were internal and external design interfaces, field changes that may affect interfaces, control of software, and software verification. The qualification records were complete and the REECo personnel interviewed appeared to be knowledgeable in the REECo design process.

As a result of NRC inquiries during the audit process, it was revealed that REECo, at the request of DOE/YMPO, was involved in a Management Review of ESF

Title II Design Package I developed by Holmes and Narver. This design package pertained to the location and arrangement of the Top Soil Storage Area, Borrow Pit Area, and Drill Hole Wash Road. REECo provided 14 comments to DOE/YMPO in a letter from R. Pritchett to L. Little dated August 23, 1989. After much discussion with REECo and DOE/YMPO personnel, it was determined that Management Reviews are not required to be conducted under the QA control of the 88-9 QA Plan since they are not formal technical verification reviews. Resolutions to the comments generated by REECo will be documented, and design changes, if necessary, will be initiated in accordance with established procedures. Additional checklist questions were developed by the auditor and the audit was expanded to evaluate this Management Review process and confirm QA was not applicable to this process.

The instructions and guidance to conduct the Management Review were provided to the DOE contractors by DOE at an early August 1989 presentation. The presentation involved verbal instructions and several viewgraph handouts. There was no procedure to specifically delineate what the Management Review should consist of i.e., purpose, depth of review, records to be generated, QA involvement, and specific review criteria. The NRC staff believes much of the discussion relating to the Management Review could have been avoided if there was an approved procedure or instruction on how to accomplish a Management Review. The discussions would also have benefitted by the inclusion of a technical specialist on the audit team.

In general, for the technical portion of the audit, based on the limited observations of them by the NRC observer, REECo personnel appeared to be qualified and knowledgeable in the activities they had performed. The REECo comments provided to DOE on the Management Review of the H&N Title II Design Package indicated REECo technical personnel performed an adequate technical review. However, the examination of technical products did not include QA Level 1 or 2 work. Therefore, the scope of the audit was not sufficient to allow NRC staff to make a determination on the ability REECo to implement the QA program.

4.4 Examination of Programmatic Elements

The NRC staff observed the DOE/YMP audit team's evaluation of selected programmatic elements of the REECo QAPP.

(a) Organization and Quality Assurance Program

The DOE auditors utilized the published audit checklists and were thorough in reviewing objective evidence presented. The auditors utilized in-depth questioning and interviewed the REECo QA Manager at length on all Standard Quality Requirement Audit Guidelines. The auditors went beyond the audit checklists in certain areas to ensure REECo activities (organization and assurance sections) met the intent of the REECo QAPP. The area of personnel qualifications was

extensively investigated and the auditors were permitted to review REECo files for actual experience, education, and training qualifications. However, due to the constraints of the Privacy Act, copies of personnel qualifications could not be provided for the auditor's documented record.

The NRC staff requested job descriptions and documentation of the experience and education for the REECo QA Manager and two of the DOE/YMP auditors. Job descriptions were furnished to the NRC staff for the aforementioned positions but records of the individuals' actual education and experience were not furnished due to the constraints imposed by the Privacy Act. The NRC staff will need to review education and experience of individuals to determine if they are qualified. This issue needs to be expeditiously resolved to facilitate NRC acceptance of the DOE QA Program.

The audit was conducted to a revision of the QAPP which had been superseded. The most recent revision to this plan (Revision 8) was issued with an effectivity date of July 28, 1989, while the audit was conducted using Revision 7 of the QAPP as one of the requirements. The revision addressed a number of minor concerns from the staff's review, but also included a requirement that allegations of inadequate quality be resolved in accordance with procedure AP-5.8Q, "Resolutions and Reporting of Quality Concerns" prepared by YMPO. Because the audit was conducted to an earlier revision of the QAPP, REECo's implementation of the allegation system was not audited. In fact, the system had not been implemented. The DOE should correct this in future audits and ensure that revisions to DOE contractor's QAPPs (particularly those concerning the allegation system) are implemented on the effectivity date.

In the REECo QAPP Section 1, paragraph 1.3 requires the REECo QA Manager to maintain a QA Reporting System. The NRC staff requested an explanation of how this QA Reporting System is implemented and what procedure(s) control it. The response was that the QA Reporting System consists of the management methods and requirements for operating the QA Department through weekly and monthly reports to management, DOE/YMPO and Technical and Management Support Services. The NRC staff recommended that the QA Reporting System be more specifically defined either in the REECo QAPP or REECo implementing procedures in order to clearly understand the REECo QAPP requirements and how they are implemented.

During the conduct of the audit, the NRC staff pointed out two inconsistencies in the REECo QAPP. The REECo QAPP lists EG&G as a program participant and identifies Los Alamos National Laboratory (LANL) as the lead technical organization for the Exploratory Shaft Facility. DOE/YMP responded in writing that in the next revision

to the REECo QAPP, they will clarify that EG&G is not a program participant, and that DOE not LANL, is the lead technical organization for the Exploratory Shaft Facility.

The auditors in general, performed a thorough and comprehensive audit, followed the checklists, and were persistent in obtaining objective evidence to verify implementation of the QAPP requirements.

(b) Scientific Investigation Control and Design Control

(See Section 4.3 - "Examination of Technical Products")

(c) Procurement Document Control

The checklist provided sufficient details on areas to be reviewed during the audit. No QA Level 1 or 2 procurements have been made by REECo, therefore, a QA Level 3 subcontract was reviewed. Thorough questions were asked by the auditors on how procedural requirements differ between QA Level 1, 2, and 3 procurements. REECo personnel responses indicated a good understanding of procedural requirements. A thorough evaluation was conducted in this area with no discrepancies being noted. REECo has established an effective procurement document control system which complies with the QAPP, and all personnel interviewed responded appropriately on responsibilities and requirements.

(d) Instructions, Procedures, and Drawings

The auditors for this portion of the audit were effective in utilizing the checklist and in verifying that REECo procedures had been adequately reviewed for technical adequacy and quality requirements. In addition, the auditor examined QP 5.1, "Preparation, Review and Approval of Quality Procedures" and QP 5-3, "Preparation, Review and Approval of Implementing Procedures", and determined they satisfied the 88-9 QA Plan requirements and were being properly implemented by REECo personnel from a QA programmatic aspect. The auditor also sampled a number of quality-related procedures to determine that the documents and revisions thereto were adequately distributed and controlled within REECo.

(e) Inspection and Test Control

The checklists used were adequate to conduct the evaluations. REECo has currently performed no inspections, therefore, implementation could not be verified. Procedures are established to control this activity when QA Level 1 or 2 work is initiated. During the procedure discussions, it was noted by the auditors that Procedure AP 4.1Q now requires the procuring agency to perform receipt inspections for participants. REECo personnel stated this was currently not part of the contract scope, and should have been taken exception to. REECo

management may decide to subcontract inspections. The auditors conducted an effective evaluation of the procedures and knowledge of REECo personnel in this element.

REECo has not been responsible for any tests. Therefore, the test procedure was reviewed, but implementation could not be verified. No discrepancies with the procedure were noted.

(f) Measuring and Test Equipment

This area was evaluated both for YMP program compliance and the possibility of the REECo calibration lab being established as the central mechanical calibration facility for the YMP project participants. The checklist adequately covered the requirements and the auditors conducted a thorough review of the REECo calibration facility. It was noted that 128 pieces of equipment have been calibrated for Level 3 activities on the YMP project. The facility has an established work flow system, standards traceable to National Institute for Standards and Technology, highly experienced calibration personnel, and sufficient procedures to cover the operations performed . No discrepancies were noted in this area, and a recommendation was made to establish the facility as the central mechanical calibration facility.

(g) Handling, Shipping and Storage

Although the audit checklists in these two elements were adequate, and the auditors appeared very familiar with the subjects, implementation could not be verified due to a lack of QA Level 1 or 2 activities being performed. No difficulties were noted with the REECo procedures in this element.

(h) Corrective Action

The checklist used for the review was adequate and the auditors conducted a thorough evaluation and probe of the activities. Verification of implementation was limited to REECo audit 89-001, since there were no QA Level 1 or 2 activities being performed.

REECo Audit 89-001 of the Operation Equipment Department indicated 59 discrepancies out of 86 items reviewed. These findings were mainly programmatic in nature i.e., noncompliance with procedural requirements, information being available but not being put on specified forms, controlled copies of procedures not being sent to the Project Office. The auditors felt that insufficient trend analysis was performed and faulted the QA Manager for not elevating the issue for higher management's attention which resulted in a SDR being issued. The audit team recommended no future work be conducted in this area until this deficiency is resolved.

(i) Audits

The checklist used was adequate to conduct the evaluation. The auditors conducted a very thorough, detailed evaluation of this area. One internal audit, REECo 89-001 was reviewed and several discrepancies were noted which resulted in an SDR.

4.5 Conduct of Audit

The overall conduct of the programmatic portion of the REECo audit was effective and productive. The audit team was well prepared and demonstrated a sound knowledge of the QA aspects of the REECo program. The audit checklists included the important QA controls addressed in the 88-9 QA Plan that are applicable to REECo (see Section 4.1). The audit team used the comprehensive checklists effectively during the interviews with REECo personnel. In general, the team was persistent in their interviews, challenging certain REECo responses when necessary.

The QA programmatic group was well prepared and demonstrated a sound knowledge in their area of expertise. Audit Observer Inquiry forms were responded to in a rapid manner.

The Audit Manager arranged for the audit team leader to conduct pre-audit and post-audit conferences, daily caucuses, and daily REECo review meetings. In almost all instances when the lead auditor presented a finding to REECo management, the auditor who had the finding was present in case further details were required to explain the finding. The Audit Manager was especially helpful in setting up and coordinating meetings, where necessary.

The daily caucuses were effective in providing a forum for discussions of potential findings and for redirecting the audit when necessary. These daily caucus meetings resulted in a better coordination and integration between the programmatic portions of the audit. The programmatic auditors were effective in identifying deficiencies and supported them with adequate objective evidence.

4.6 Qualification of Auditors

The qualifications of the QA auditors on the team were previously accepted by the NRC staff (ref. NRC Observation Audit Report for USGS dated August 22, 1988) or were acceptable based on QMP-02-02, the DOE procedure for qualifying auditors.

4.7 Audit Team Preparation

The QA auditors were well prepared in the areas they were assigned to audit and knowledgeable in the REECo QAPP and implementing procedures. Audit Plan 89-5 overall was complete and included: (1) the audit scope; (2) a list of audit team personnel and observers; (3) a list of all the audit activities; (4) the audit notification letter; (5) the REECo QAPP, and past audit report; and (6) the QA checklists.

4.8 Audit Team Independence

The audit team members did not have prior responsibility for performing the activities they investigated. Members of the team had sufficient independence to carry out their assigned functions in a correct manner without adverse pressure or influence from REECo personnel.

4.9 Review of Previous Audit Findings

The NRC staff reviewed the status of the SDRs and NRC and State of Nevada observations resulting from the August 23 through 28, 1988 audit of REECo.

(a) DOE/YMPO - Identified SDRs

The previous audit generated eight SDR's and determined that REECo was not ready to initiate QA Level 1 work activities for the YMP because REECo could not execute their assigned YMP activities in a manner that would successfully support a licensing review. The eight SDRs were closed out during recent surveillances of REECo by DOE/YMP.

(b) NRC Staff Findings

The NRC staff identified five findings from the August 1988 audit. Four of these five findings have been satisfactorily resolved. The finding that the audit process should include an evaluation of the quality of the product and/or activity could not be resolved since there were no end products of QA Level 1 or 2 activities. This will be tracked as an open item and evaluated in subsequent audits of REECo.

(c) State of Nevada Observations

The NRC staff reviewed the State of Nevada observations resulting from the previous audit (memorandum from S. Zimmerman to Distribution, September 14, 1988). The concerns expressed by these observations appear to have been resolved.

4.10 Summary of NRC Staff Findings

(a) Observations No NRC staff observations relating to audit team deficiencies or audited organization deficiencies were noted.

(b) Weaknesses

- DOE should conduct audits to the latest revision of the QAPP (Section 4.4.a)
- Future audits should include technical staff on the audit team (Section 4.3).

- An instruction or procedure should be developed by YMP to clearly define for participants what a Management Review consists of and how it is to be performed and documented (Section 4.3).

- The constraints imposed by the Privacy Act in restricting review of personnel qualifications needs to be quickly resolved in order for NRC to determine whether individuals performing quality affecting activities are sufficiently qualified (Section 4.4(a)).

- The QAPP indicates that Administrative Procedure AP-5.8Q, "Resolutions and Reporting of Quality Concerns" is in effect. However, when NRC requested a copy for review, AP-5.8Q was still in the preparation and approval stage. AP-5.8Q needs to be reviewed during the next audit or surveillance (Section 4.4(a)).

- The QAPP requires the REECo QA Manager to maintain a QA Reporting System. This system needs to be more clearly defined in the REECo procedures (Section 4.4(a)).

- The QAPP should be revised to clarify the roles of LANL and EG&G (Section 4.4(a).

4.11 Summary - DOE/YMPO Audit Team Findings

The preliminary finding of the audit team is that the REECo QA organization and program appear to be adequate to support QA Level 1 and Level 2 activities, with the exception of those activities pertaining to the Operatious Equipment Department. Corrective Action should be taken to resolve the large number of deficiencies uncovered during a recent REECo audit of this section.

During the course of the audit, the audit team identified five preliminary SDRs pertaining to the REECo QA program.

(a) Criterion 1, "Organization" - The General Manager's position description did not define the minimum experience requirements, the Senior QA position did not have a position description, and sixteen of sixty-five position descriptions did not specify the required work experience.

(b) Criterion 6, "Document Control" - The Master List of Controlled Documents did not contain all the controlled documents in existence, and certain documents were reviewed by QA but did not contain the required QA approval signature.

(c) Criterion 16, "Corrective Action" - In the Operation Equipment Department, corrective action was not initiated on the findings of a recent REECo audit. Fifty-nine of eighty-six overall findings remain open and indicated a failure to effectively respond to YMP QA requirements.

(d) Criterion 17, "QA Records" - Five examples of QA records not being properly designated as non QA records.

(e) Criterion 18, "Audits" - There was no audit schedule developed for audits. Also, on a REECo audit report, a date was missing, auditors performing the audit were not identified, and the audit plan was not included with the audit report.

These are preliminary findings which will be further evaluated by the audit team and the YMPO prior to becoming final. The SDR's are not considered serious enough by the NRC staff to render the REECo QA program unacceptable.

5.0. CONCLUSIONS

The staff has determined that the U. S. Department of Energy (DOE) Yucca Mountain Project Office (YMPO) Audit No. 89-5 of Reynolds Electrical and Engineering Company, Inc. (REECo) was useful but marginally effective. The audit team seemed well-qualified in quality assurance (QA) and their assignments and checklist items were adequately described in the audit plan. In general, the team satisfactorily assessed the REECo QA procedures and capabilities of the QA staff. The review of the implementation of the program by the line staff, however, was less effective for the following reasons. First, the REECo line staff has implemented almost none of the Level 1 QA program because of the nature and status of their responsibilities in the repository program (i.e., construction of the exploratory shaft). Second, DOE elected not to interview the line staff at REECo to determine their capabilities and understanding of the QA program requirements.

NRC staff agrees with the DOE/YMPO audit team findings that REECO has a sufficient QA program plan in place but that the effectiveness of implementation cannot be determined at this time. The Operations Equipment Department at REECo, however, was an area that the YMPO audit team identified as being ineffective which needs to be upgraded. Also, due to restrictions imposed by the Privacy Act, the NRC staff was unable to determine whether individuals are appropriately qualified.

For the above reasons, the staff is unable to make a determination on the ability of REECo to implement the QA program at this time, one of the conditions we have identified for acceptance of an organization's QA program. DOE should plan on a follow-up audit or surveillance, to be observed by the staff, after some implementation has taken place as a prerequisite for NRC acceptance of the program.