

JLSHEPHERD & ASSOCIATES

1010 ARROYO AVE., SAN FERNANDO, CALIFORNIA 91340-1822

818-898-2361 FAX 818-361-8095

September 11, 2006

U. S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555

J. L. Shepherd & Associates
Docket No. 71-0122
Audit Report 71-0122/2006-201
REPLY TO NOTICE OF NONCONFORMANCE

Dear Sirs:

On July 25-27, 2006, inspectors from NMSS/SFPO conducted an inspection at the facilities of J. L. Shepherd & Associates ("JLS&A") at 1010 Arroyo Avenue, San Fernando, California. They issued an inspection report on August 18. As summarized in the cover letter to that report, the inspectors found that "JLS&A was adequately implementing the [Quality Assurance Program], and that corrective actions for the violation cited in the 2004 NRC inspection report were adequate"; however, the report also identified two procedural "nonconformances" with "commitments in JLS&A's NRC-approved CAP," and accordingly issued a Notice of Nonconformance and requested a written response within 30 days. This letter is JLS&A's response to that Notice.

1. The Notice of Nonconformance

The NRC characterized JLS&A's nonconformance as follows:

"10CFR71.111, Instructions, Procedures and Drawings, requires in part that activities affecting quality be prescribed in instructions or procedures of a type appropriate to the circumstances and shall require that these be followed.

Contrary to this requirement the NRC identified the following examples where the JLS&A Quality Assurance Program Plan (QAPP) or the Quality Assurance Manual/Quality Procedures (QAMQP'S) were not followed:

1. Paragraph 1.4 of the QAPP states that proficiency re-evaluations be performed and documented on an annual basis. Contrary to the QAPP requirement, as of the inspection on July 27, 2006, documentation of the most recent annual re-evaluation of a lead auditor's qualifications had not

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been performed within one year of the last re-evaluation that was dated September 27, 2004.

2. QAM/QP 2.0, paragraph 4.3, requires the training coordinator to document the qualifications of instructors. Contrary to this requirement JLS&A was unable to produce written evidence showing that the qualifications of instructors had been documented as required by QAM/QP 2.0.

2. JLS&A's Responses to Notice of Nonconformance

a. Lead Auditor Requalifications

JLS&A does not dispute either that ¶1.4 of the Quality Assurance Program Plan, as in effect at the time of the inspection, required annual proficiency requalification of lead auditors and documentation thereof, or that such requalification and documentation had not been performed within a year for all lead auditors as of the time of the inspection.

(1) Causation: The immediate cause of the failure to fully perform and document annual proficiency qualifications for lead auditors was that neither the Training Coordinator nor the Quality Assurance Manager, in the press of other business, timely reviewed the status of lead auditor qualifications to ensure that they were current. The underlying causes were threefold: first, current JLS&A instructions make the QA Manager solely responsible for qualification and requalification of lead auditors, and make no provision for him to obtain even administrative help to assure that qualification and requalification activities are timely completed. Current QAM/QP 2.0, para. 4.3 requires the Training Coordinator to maintain a record of training received by employees, but it contains no mention of qualification or requalification of Lead Auditors. Indeed, the only person given specific responsibility of any type in connection with Lead Auditors, in QAM/QP 2.0 or in QAM/QP 2.1 and 2.3, is the QA Manager. While it is appropriate for the QA Manager to be responsible for qualification and requalification of lead auditors in view of the importance of their work, the procedures need to permit delegation of, at least, responsibility for notifying the QA Manager and affected lead auditors of the need for requalification, and for maintaining records of such requalifications in readily accessible form. Second, while QAM/QP 2.1, para. 5.3 makes the QA Manager responsible for evaluation and qualification of Lead Auditors, and sets forth qualification requirements in Enclosure 1, neither it nor any other JLS&A instruction sets in place a mechanism for assuring that they have been timely updated. Third, the press of other work, though real, is not a sufficient excuse for failure to maintain qualifications, though it may be linked to the issue of the reasonableness of re-qualification intervals. Neither the QA Manager nor the Training Coordinator was sufficiently attentive to this requirement. However, this is not as fundamental a cause as those relating to the absence of a system for assuring the timely conduct of re-qualifications.

(2) Corrective Actions to Date and results: Three steps have been undertaken to date.

- First, The Training Coordinator has reviewed the training qualifications of all eight lead auditors since the inspection and determined that four of them were in compliance at the time of the inspection. The qualifications of the others are being updated, and pending their full

reaccreditation none of them will be permitted to perform lead auditor work outside the scope of valid existing accreditations.

- Second, JLS&A recognizes that a more dependable “tickler” or “suspension” process must be put in place to assure timely review and compliance with lead auditor, and other, training requirements. Therefore, QAM/QP 2.1 and 2.3 will be amended to establish to assure that clear documentation exists to make both the Training Coordinator and the QA Manager timely aware of the status of individual Lead Auditors’ qualifications and of deadlines for renewal, and to further establish responsibilities for assuring requalification in accordance with QAM/QP 2.1.
- JLS&A has evaluated the issue of appropriate requalification intervals and believes that the one-year interval currently in the JLS&A QAPP is needlessly restrictive for incumbent auditors who have demonstrated their proficiency at a task with relatively stable competence criteria in a stable work environment. Thus JLS&A will revise, prospectively, the for requalification of lead auditors, following initial qualification, to once every two years and will amend QAPP ¶ 1.4 and QAM/QP 2.1 ¶ 5.4.2 and Enclosure 1 accordingly. This amendment will be completed by October 31.

• (3) Remaining Corrective Steps to Avoid Further Noncompliances: There are no steps contemplated beyond the three described in item (2) above.

(4) Date When Corrective Action will be complete: The corrective actions outlined above will all be completed by October 31, 2006.

b. Documentation of Instructor Qualifications

JLS&A does not dispute that the qualifications of training instructors were not documented in accordance with the requirements of QAM/QP 2.0. That procedure, at ¶ 4.3, requires the Training Coordinator to maintain a record of training received by employees. However, neither it nor any other instruction provides more detail about the type of records the Training Coordinator is required to keep. Individual files or notebooks containing individual training materials and records had been maintained by JLS&A by the Training Coordinator. However, these did not display, in summary form, the status of instructor qualifications such as area of expertise, basis for that expertise, and formal notation of approval to conduct training in a given area, as are required. Nor did they permit aggregate review. And in any event, as of the day of the inspection, the files had been temporarily misplaced.

(1) Causation: There were two immediate causes for this nonconformance. First, the present Training Coordinator and QA Manager failed to realize that the training-record notebooks had been misplaced. Second, the present Training Coordinator and her predecessors at the operational level, and the QA Manager at the oversight level, had failed to recognize that the system of notebooks in which training records had been kept did not provide a ready means of determining, either on individual or aggregate bases, the status of trainer qualifications relative to requirements. The root cause of the problem is a combination of insufficient guidance in QAM/QP 2.0, ¶ 4.3 or elsewhere to specify the actual qualification requirements for instructors or any requirements for their compilation and display, or to provide for QA review of them. QAM/QP 2.3, ¶ 5.3 contains material pertaining to instructor qualifications and ¶ 5.2

instructs the Training Coordinator to “approve instructor personnel based upon qualification.” But none of these provisions contains any further guidance as to format or content of instructor qualifications. Similarly, while QA is required by ¶ 4.3 to ensure that training activities are carried out, there is no designation of QA responsibility to assure that training of instructors has been properly specified or carried out.

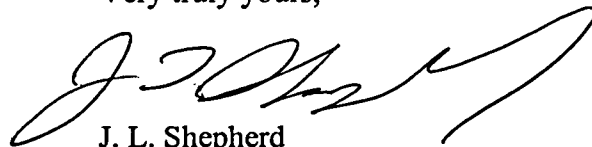
(2) Corrective Actions to Date and results: Existing training outlines and qualifications files have been located and properly filed. QAM/QP 2.0 and 2.3 are being revised to assure that mechanisms exist for (1) establishing appropriate qualifications for instructors and appropriate bases for them, (2) their proper documentation and organization, (3) appropriate linkage between the functions of the Training Coordinator and the QA Manager, and (4) display of their status and timely reminders of need for renewal of qualifications.

(3) Remaining Corrective Steps to Avoid Further Noncompliances: Revisions of QAM/QP 2.0 and 2.3 to implement item (2) are underway, and all pertinent personnel -- QA Manager, Training Coordinator, instructors and responsible managers -- will participate in their internal review process and in subsequent briefings on their implementation.

(4) Date When Corrective Action will be complete: The revisions outlined in items (2) and (3) above will be complete by October 31, other than post-issuance implementation briefings and necessary updating of documentation, which will be carried out on an ongoing basis.

JLS&A believes that this letter is responsive to the request in the Staff’s Notice of Nonconformance of August 18. If you have any further questions, please do not hesitate to call me or our QA Manager, Bill Brown, at 818.898.2361.

Very truly yours,



J. L. Shepherd
President, J. L. Shepherd & Associates

cc: Robert J. Lewis
[Chief, Transportation and Storage Safety and Inspection Section, Spent Fuel
Project Office]
Robert Temps
Donald R. Neely
Donald P. Irwin, Esq.