NRC FORM 591S PART 1 U.S. NUCLEAR REGULATORY COMMISSION

SAFETY INSPECTION REPORT AND COMPLIANCE INSPECTION

1. LICENSEE/CERTIFICATE HOLDER	2. NRC/REGIONAL OFFICE
Industrial Nuclear Company, Inc. REPORT NUMBER(S) 710062/2010201	U. S. NRC M/S EBB-3-D-02M Washington, DC 20555-0001

3. LICENSEE/CERTIFICATE NUMBER(S)	4. INSPECTION LOCATION	5. DATE(S) OF INSPECTION
710062	14320 Wicks Blvd., San Leandro, CA	February 2-3, 2010

The inspection was an examination of the activities conducted under your license as they relate to radiation safety and to compliance with the Nuclear Regulatory Commission (NRC) rules and regulations and the conditions of your license of Certificate of Compliance (CoC). The inspection consisted of selective examinations of procedures and representative records, interviews with personnel, and observations by the inspector. The inspection findings are as follows:

☐ 1. Based on the inspection findings, no violation or nonconformances were identified.

☐ 2. Previous violations(s) or nonconformance(s) closed.

☐ 3. The violation(s), specifically described to you by the inspector as non-cited violations, are not being cited because they were self-identified non-repetitive, and corrective action was or is being taken, and the remaining criteria in the NRC Enforcement Policy, NUREG-1600, to exercise discretion, were satisfied.

_____ Non-Cited Violation(s) was/were discussed involving the following requirement(s) and Corrective Actions(s):

☒ 4 During this inspection certain of your activities, as described below and/or attached, were in violation of nonconformance of NRC requirements and are being cited. This for is a NOTICE OF VIOLATION OR NONCONFORMANCE, which may be subject to posting in accordance with 10 CFR19.11.

(Violations, Nonconformances, and Corrective Actions)

10 CFR 71.111, "Instructions, procedures, and drawings," states, in part, that a certificate holder shall prescribe activities affecting quality by documented instructions or procedures of a type appropriate to the circumstances and shall require that these instructions and procedures be followed.

Contrary to the above, during an inspection conducted February 2 and 3, 2010, at the facilities of Industrial Nuclear Company (INC), an NRC certificate holder, the NRC identified the following instances where activities affecting quality were not prescribed in documented instructions or procedures or where procedures prescribing quality activities were not followed:

1. INC Quality Procedure 3.2, Commercial Grade Item Dedication" Revision 1, dated 03/14/2005, states in part, in step 5.1.7, that the Quality Assurance Manager shall assure that procedures are developed and in use to conduct verification activities for all dedication methods. However, no such procedure exists to assure control of the commercial grade dedication process for welding wire used in INC's fabrication activities.

STATEMENT OF CORRECTIVE ACTIONS

☐ I hereby state that, within 30 days, the actions described by me to the Inspector will be taken to correct the violations identified. This statement of corrective actions I made in accordance with the requirements of 10 CRF 2.201 (corrective steps already taken, corrective steps which will be taken date when full compliance will be achieved). I understand that no further written response to NRC will be required, unless specifically requested; OR

☒ Written Response requested in 30 days ☐ Yes ☐ No

TITLE	PRINTED NAME	SIGNATURE	DATE
LICENSEE	Jerry Tucker	Jerry Tucker	2/19/2010
NRC INSPECTOR	Jim Pearson	Jim Pearson	2/19/2010

NRC FORM 591S PART 1 (8-2002)

NRC FORM 591S PART 2 U.S. NUCLEAR REGULATORY COMMISSION

SAFETY INSPECTION REPORT AND COMPLIANCE INSPECTION

1. LICENSEE/CERTIFICATE HOLDER	2. NRC/REGIONAL OFFICE
Industrial Nuclear Company, Inc. REPORT NUMBER(S) 710062/2010201	U. S. NRC, M/S EBB-3-D-02M Washington, DC, 20555-0001

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71-0062	14320 Wicks Blvd., San Leandro, CA	February 2-3, 2010

(Continued)

2. INC Quality Procedure 6.1, "Document Control," Revision 1, dated 03/14/02, states, in part, in step 5.4.2, that following the approval of design drawings per Quality Procedure 3.1, the Document Control clerk shall enter the above information on Attachment 6.4, "Approval and Superseded Drawing Log." However, no such attachment or log exists; therefore, the procedural step as described has not been followed.

This is a Severity Level IV Violation (Supplement V)

NRC FORM 591S PART 2 (8-2002)

INSPECTOR NOTES COVER SHEET

Licensee/Certificate Holder (name and address)	Industrial Nuclear Company, Inc. 14320 Wicks Blvd. San Leandro, CA
Licensee/Certificate Holder contact and phone number	1-510-352-6767
Docket No.	71-0062
Inspection Report No.	71-0062/2010201
Inspection Dates(s)	February 2-3, 2010
Inspection Location(s)	14320 Wicks Blvd., San Leandro, CA
Inspectors	Jim Pearson and Rob Temps
Summary of Findings and Actions	The team identified the following level IV violation during a review of corrective action resulting from a 2008 NRC inspection. (Report No.: 71-0062/2008-201) 10 CFR 71.111, "Instructions, procedures, and drawings," states, in part, that a certificate holder shall prescribe activities affecting quality by documented instructions or procedures of a type appropriate to the circumstances and shall require that these instructions and procedures be followed. Contrary to the above, during an inspection conducted February 2 and 3, 2010, at the facilities of Industrial Nuclear Company (INC), an NRC certificate holder, the NRC identified the following instances where activities affecting quality were not prescribed in documented instructions or procedures or where procedures prescribing quality activities were not followed: 1. INC Quality Procedure 3.2, "Commercial Grade Item Dedication" Revision 1, dated 03/14/2005, states in part, in step 5.1.7, that the Quality Assurance Manager shall assure that procedures are developed and in use to conduct verification activities for all dedication methods. However, currently an inadequate procedure exists which does not assure full control of the commercial grade dedication process for welding wire used in INC's fabrication activities. 2. INC Quality Procedure 6.1, "Document Control," Revision 1, dated 03/14/02, states, in part, in step 5.4.2, that following the approval of design drawings per Quality Procedure 3.1, the Document Control clerk shall enter the above information on Attachment 6.4, "Approval and Superseded Drawing Log." However, no such attachment or log exists; therefore, the procedural step as described has not been followed.
Lead Inspector Signature/Date	Jim Pearson Jim Pearson 02/25/2010
Inspector Notes Approval Section Chief Signature/Date	David W. Pstrak 2/25/2010

IP 86001

Inspection Purpose:

The team's review focused on nonconformance and corrective actions implemented as a result of the 2008 inspection findings. Inspection Procedure IP 86001, Step 02.08 was used as guidance. Step 02.08 states: "Review selected records and interview selected personnel to verify that a nonconformance control program is effectively implemented, and that corrective actions for identified deficiencies are technically sound and completed in a timely manner."

Inspection Results:

The team reviewed INC's corrective actions, designated as A.1, A.2, A.3, A.4, and B in their response to the Notice of Violation issued with Inspection Report 71-0062/2008-201, dated April 30, 2008. A.1 involved the lack of justification that an item dispositioned "Use-As-Is" or "Repair" will comply with design and regulatory requirements and that additional qualification testing is not required. A.2 and A.3 involved non-compliances with regard to the processing of Design Change Notices (DCNs) and maintenance of various controlled document logs for procedures and drawings. Findings A.4 and B involved inadequate training of new program requirements, particularly in the area of auditing, and the suspension of the INC Audit Program during a period of perceived inactivity.

With regard to A.1, the team verified completion of INC's corrective actions as described in their response to the NRC Inspection Report. A sample review of Nonconformance Reports identified no recurrence of this issue.

With regard to A.2, the team reviewed changes made in Quality Procedure (QP) 3.1, "Design Control," that addressed the processing of Drawing Change Notices, and reviewed drawing changes made subsequent to the implementation of the revised QP. No concerns were identified and the changes made to the QP were as described in INC's NOV response.

With regard to A.3, the team reviewed the various document logs required by QP 3.1 and QP 6.1, "Document Control," and noted that while the logs had been corrected as described in INC's NOV response, some log discrepancies still existed. These discrepancies were discussed with the INC QA manager. In addition, the observation that INC's process for keeping track of current and superseded procedures and drawings was overly complex and was likely contributing to the observed discrepancies was also discussed. The team noted that QP 6.1, "Document Control," Revision 1, dated 03/14/02, states, in part, in step 5.4.2, that following the approval of design drawings per Quality Procedure 3.1, the Document Control clerk shall enter the above information on Attachment 6.4, "Approval and Superseded Drawing Log." However, no such attachment or log exists; therefore, the procedural step as described had not been followed. This failure to follow procedure is a violation of the requirements of 10 CFR 71.111 and is cited in the Form 591 attached with these inspector notes. INC initiated corrective action report (CAR) 10-003 to capture and address this violation. INC also stated that they would review their process for control of procedures and drawings to simplify the process and number of tracking logs required.

With regard to A.4, the team reviewed training completed for correction of violation A-4 where INC did not maintain proficiency records for lead auditors. Completed training, associated with the finding's corrective action, was verified complete and adequate for a sample of four INC personnel.

With regard to B, the team reviewed both the 2009 and 2010 internal audit schedules and the 2010 suppliers audit schedule. The team reviewed audit 108-01 (3/14-15/2008 - audit dates) and the associated audit checklist. The review reflected the issuance of four audit findings. The audit plan, the audit, and the audit checklist were all determined to be adequate. All audit findings were noted as closed and were noted to be closed in a timely manner. The team reviewed audit 108-02 (8/7-8/2008 - audit dates) and the associated audit checklist and audit plan. All were noted to be adequate. The team reviewed the audit plan, the audit report, and audit checklist for audit 109-03 (11/9-12/09 - audit dates). All three reviews identified adequate documentation.

The team reviewed Supplier Commercial Grade Survey Reports/Audits # S07-01 and 07-02 Subject: "Manufacturer of Depleted Uranium Shields." The team also reviewed the Certificate of Conformance for a Depleted Uranium Shield supplier. No concerns were identified.

During the inspection, the team's review of INC quality procedures indicated that while INC's procedure QP 3.2 rev. 1 "Commercial Grade Item Dedication" was used to perform testing to upgrade welding wire used in package fabrication, INC did not have adequate procedural guidance detailing the full qualification process. The INC procedure did not reflect all of the steps in the process that was actually being implemented for the qualification of the stainless steel wire. Step 5.1.7 of QP 3.2 indicates a requirement for the INC Quality Assurance Manager to assure that procedures are developed and in use to conduct verification activities for all dedication methods, including the qualification of suppliers as needed. This failure of INC to provide procedural guidance is a violation of the requirements of 10 CFR 71.111 and is cited in the Form 591 attached with these inspector notes. INC initiated corrective action report 10-007 to identify and provide for the correction of this finding.

The team noted that the INC Quality Assurance Manager issued Corrective Action Reports for all inspection findings.