

May 26, 2011

MEMORANDUM TO: Richard A. Rasmussen, Chief  
Quality and Vendor Branch 2  
Division of Construction Inspection  
& Operational Programs  
Office of New Reactors

FROM: Andrea T. Keim, Reactor Engineer  
Quality and Vendor Branch 2  
Division of Construction Inspection  
& Operational Programs  
Office of New Reactors

SUBJECT: MEETING NOTICE TO DISCUSS NRC ASSESSMENT OF  
REGULATIONS AND GUIDANCE FOR THE PREVENTION OF  
COUNTERFEIT, FRAUDULENT, AND SUSPECT ITEMS FROM  
ENTERING THE NUCLEAR SUPPLY CHAIN (REVISION 1)

DATE & TIME: Thursday, June 30, 2011  
1:00 p.m.–5:00 p.m.

LOCATION: The Legacy Hotel & Meeting Center  
1775 Rockville Pike  
Salon II  
Rockville, MD 2085

PURPOSE: Meet with representatives of industry and stakeholders to summarize  
and discuss the NRC's assessment of regulations and guidance for the  
prevention of counterfeit, fraudulent and suspect items from entering  
the nuclear supply chain.

CATEGORY\*: This is a Category 3 Public Meeting. The public is invited to participate  
in this meeting by providing comments and asking questions  
throughout the meeting. Individuals planning to attend the meeting in  
person or by phone are encouraged to contact, Andrea Keim at  
andrea.keim@nrc.gov

The NRC provides reasonable accommodations to individuals with  
disabilities where appropriate. If you need a reasonable  
accommodation to participate in this meeting (e.g., sign language), or  
need this meeting notice or other information from the meeting in  
another format, please notify the NRC meeting contact by June 27,  
2011, so that arrangements can be made.

CONTACT: Andrea Keim, NRO/DCIP/CQVB  
(301) 415-1671

Because meetings are sometimes canceled or rescheduled as a result of unforeseen circumstances, please confirm the meeting schedule as the meeting date approaches.

Teleconferencing: Interested members of the public unable to travel to the NRC Headquarters may participate by telephone via a toll-free teleconference. To use the telephone bridge, call the toll-free number, 1-888-324-0241; at the prompt, enter the pass code: 27917.

**PARTICIPANTS:** Participants from the NRC include members of the Office of New Reactors (NRO), The Office of Nuclear Reactor Regulation (NRR), The Office of the General Council, Office of Federal and State Materials and Environmental Management Programs, Office of Nuclear Material Safety and Safeguards, Office of Nuclear Security and Incident Response.

NRC

Daniel Pasquale, NRO  
Douglas Bollock, NRO  
Garrett Newman, NRO  
Eugene Huang, NRO  
Jeffrey Jacobson, NRO  
Stacy Smith, NRO  
Richard Rasmussen, NRO, et al.

External Participants

NEI, et al.  
Other Industry  
Representatives  
Other Stakeholders

**Enclosures:**

1. Agenda
2. Discussion Topics
3. "GAPS" Identified by the CFSI Working Group
4. NRC Slides (ML111741157)
5. CFSI Parts Industry Perspective (ML111800549)

cc w/encl: See next page

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**ADAMS Accession No.:** ML111400360 NRC-001

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<b>DATE</b>	05/26/2011	05/26/2011

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**AGENDA**  
**NRO PUBLIC Meeting**  
**Location: The Legacy Hotel & Meeting Center**  
**1775 Rockville Pike**  
**Salon II**  
**Rockville, MD 2085**  
**June 30, 2011**

1:00 p.m. – 1:05 p.m.	Counterfeit, Fraudulent and Suspect Items (CFSI) Steering Committee – Sponsorship Kick-off
1:05 p.m. – 1:30 p.m.	Opening Remarks – Development of an Agencywide CFSI Response Strategy
1:30 p.m. – 2:00 p.m.	Potential Gaps Identified by CFSI Working Groups
2:00 p.m. – 3:00 p.m.	Industry - Perspective and Practices
3:00 p.m. – 3:15 p.m.	Break
3:15 p.m. – 4:50 p.m.	Round Table discussion
4:50 p.m. – 5:00 p.m.	Discussion Summary and Closing Remarks

(Times in the agenda are approximate)

## **Counterfeit, Fraudulent and Suspect Items Public Meeting – Discussion Topics**

- Methods being employed in the nuclear industry to detect Counterfeit, Fraudulent, and Suspect items (CFSI), including detection at the sub-vendor level and during commercial grade dedication activities
- Reporting requirements/practices/thresholds for CFSI, including how CFSI information is shared internal/external to the nuclear industry and reported to the NRC (including all NRC regulated activities)
- Response protocols once CFSI is detected/reported, including at licensees, suppliers, and within the NRC (including legal/judicial actions)
- Regulatory Guide 5.71 expectations regarding quality controls imposed on suppliers of critical digital assets, including controls for testing, design, manufacture, storage, purchasing of components, etc.
- Possible NRC inspections of vendors supplying critical digital assets

## “GAPS” IDENTIFIED BY THE CFSI WORKING GROUPS

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- 1) Current reporting requirements only require the reporting of defects and failures to comply that could lead to a substantial safety hazard and significant events driven by equipment failures [*Communication Working Group*]:
  - i) Basic components that are determined to be CFSIs but do not constitute a substantial safety hazard or cause reportable event would not be required to be reported
- 2) Lack of clarity whether CFSI constitutes a deviation, failure to comply, or condition adverse to quality as defined in existing rules and guidance [*Communication Working Group*]:
  - i) Part 21 evaluation may not be conducted for basic components
  - ii) Corrective action may not be taken and repetition may not be precluded for significant issues
- 3) Current interpretation of Part 21 only applies to basic components (items that have passed receipt inspection or completed the dedication process.) [*Communication Working Group*]:
  - i) CFSI identified during receipt inspection and dedication may not be evaluated for reportability under Part 21
- 4) 10 CFR 50, Appendix B, Criteria XV, XVI, and current guidance do not explicitly require licenses and vendors to enter CFSI occurrences identified during receipt inspection and dedication processes in their nonconformance or corrective action programs. [*Communication Working Group*]
- 5) NRC staff is unaware of a repository that licensees and suppliers can refer to for examples of confirmed fraudulent items to utilize during receipt inspection and dedication. [*Communication Working Group*]
- 6) There is no current staff guidance for NRC actions when a licensee, supplier, distributor and/or manufacturer identify CFSI and the NRC becomes aware of it. [*Response Working Group*]
- 7) There is no requirement for a licensee facility or vendor to quarantine suspected CFSI materials for further analysis, regulatory/law enforcement purposes. [*Response Working Group*]
- 8) NRC does not have internal guidance/instructions explicitly addressing how the staff evaluates and shares CFSI information [*Communication Working Group*]:
  - i) Internally to management and affected staff
  - ii) Externally to licensees/vendors, other domestic and international agencies, and stakeholders
- 9) The NRC does not currently perform procurement, Commercial-Grade Dedication, or Part 21 inspections at operating power plants to ensure licensees are adequately screening for CFSI during receipt inspection and commercial grade dedication activities. [*Response Working Group*]
- 10) CFSI is not specifically included in NRC inspection guidance. [*Response Working Group*]:
  - i) NRC inspectors are not directed to look for the possibility of CFSI, or to look at a vendor/licensee's program for detecting and preventing CFSI.

## “GAPS” IDENTIFIED BY THE CFSI WORKING GROUPS

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- 11) Guidance on how suppliers of Critical Digital Assets implement the supplier controls contained in Regulatory Guide 5.71 [*Cyber Security Supply Chain Working Group*]
- 12) NRC inspection authority for non-safety related critical digital assets (Regulatory Guide 5.71) [*Cyber Security Supply Chain Working Group*]
- 13) NRC inspectors and investigators lack jurisdictional authority outside the U.S. which can limit the NRC’s ability to take action against suppliers of CFSI outside U.S. borders. [*Response Working Group*]
- 14) There currently is no regulatory guidance or requirements for the authentication and testing of components necessary to identify a counterfeit or fraudulently identified item. [*Supply Chain Working Group*]
- 15) There is no NRC guidance that specifically addresses the need for licensees or suppliers to implement programs to identify fraudulent documentation. [*Supply Chain Working Group*]
- 16) Current NRC requirements do not require licensees to pass down contractual requirements for supplier CFSI programs to identify and eliminate fraudulent goods obtained from sub-suppliers. [*Supply Chain Working Group*]
- 17) NRC inspection guidance on cyber security controls passed down by licensees (Regulatory Guide 5.71) [*Cyber Security Supply Chain Working Group*]
- 18) Guidance for QA treatment of critical digital assets (Regulatory Guide 5.71) [*Cyber Security Supply Chain Working Group*]
- 19) 10 CFR 50 Appendix B, Criterion XVI does not require cause determination for conditions adverse to quality. [*Communication Working Group*]
- 20) No regulatory guidance for implementing measures to prevent CFSI associated with RTNSS (Regulatory Treatment of Non-Safety Systems). [*Supply Chain Working Group*]
- 21) There is a lack of regulatory requirements associated with the procurement of non-safety-related critical infrastructure equipment. [*Supply Chain Working Group*]
- 22) There is a lack of regulatory requirements associated with the procurement of NRC regulated non-reactor items (e.g. IROFS, medical, industrial). [*Supply Chain Working Group*]
- 23) There are no NRC quality control requirements at uranium enrichment and fuel fabrication facilities that could prevent the introduction of CFSI. [*Supply Chain Working Group*]