

# Update on Industry Activities Related to Counterfeit, Fraudulent and Suspect Items (CFSI)

NRC Public Meeting  
August 16, 2012

# SECY-11-0154

- NRC issued SECY-11-0154 “An Agencywide Approach to Counterfeit, Fraudulent and Suspect Items” on October 28, 2011
- Included 19 Planned Actions to address 24 Issues
  - *Industry process enhancements and best practices*
  - Regulatory Guidance
  - Communication
  - Training
  - *Industry oversight for detecting & preventing CFSI*



# Agenda

- Industry Strategy – Pilot Program
- Self Assessment
- Proactive Strategy Assessment
- Barriers / Challenges



## Pilot Program

- Initial industry response to CFSI began in 2007
- 2012 - Pilot program selected from Core Team
  - 20 Operating Plants
  - 5 New Plant Projects

## Self Assessment

- Self Assessment
  - EPRI Guidelines (1019163 and 1021493)
  - NRC identified proactive strategies (SECY 11-0154)



# Proactive Strategy Assessment



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***Develop a method for sharing CFSI Information, including issues identified during receipt inspection and commercial grade dedication***

- CFSI reported to INPO as OE. SR reported under Part 21.
  - INPO performance assessments help institutionalize
- EPRI Suspect CFI database online (for members)
- Voluntary initiative to report substandard items (SR & NSR) to EPRI. (72% operating plants reporting)
  - EPRI Substandard Incident Review Team review
- No automatic notifications to suppliers\*
- Limited supplier reporting at this time\*
- Limited supplier awareness & access to INPO documents\*



***Develop an industry accepted practice for using the corrective action program and nonconformance programs for entering CFSI related to safety related components***

- Existing processes include CAP, NCR, and Receipt Inspection (RI) that address these conditions.
- CFSI is treated as a nonconforming item or condition adverse to quality as appropriate.
- Specific means are left to the discretion of the user.
- Procedure enhancements being developed for improved coding by Pilot Group (RI and CAP)\*



***Develop an industry accepted practice for using the corrective action program to enter non-safety related CFSI into the corrective action program***

- Existing processes include CAP, NCR, and Receiving Inspection that address these conditions.
- CFSI is treated as a nonconforming item or condition adverse to quality as appropriate.
- Specific means are left to the discretion of the user.
- Procedure enhancements being developed for improved coding by Pilot Group (RI and CAP)\*





## ***Establish an industry CFSI database***

- Database for CFSI currently maintained by EPRI.
- EPRI will share contents of EPRI database with NRC if requested for their use.
- Access to EPRI database noted in previous issue\*
- Legal issues associated with sharing of information which need to be addressed\*



***Incorporate industry best practices for quarantining CFSI items and removing them from supply chain without returning them to supplier***

- Processes exist for quarantine and/or segregation of items for ALL nonconforming items.
- Significant legal and financial concerns for not returning an item. Must be resolved by purchaser and supplier on a case by case basis\*
- Concerns that additional controls could potentially discourage reporting and subsequent trend analysis\*

## ***Incorporate industry best practices for identifying and informing the industry of CFSI trends***

- INPO OE for sharing of confirmed instances.
- INPO performance assessments help institutionalize.
- Consider routine interface to exchange data with NRC, DOE and others as appropriate\*
- Limited automatic notifications based on reporting\*
- Limited supplier reporting at this time\*
- Limited supplier awareness & access to INPO documents\*



## ***Incorporate industry best practices for enhancing commercial-grade dedication, and receipt inspection practices to account for CFSI***

- *EPRI Guidance for performance of CGD includes appropriate controls. Document revision will reference information on CFSI.*
- *Receipt Inspection best practices were addressed through Comprehensive Improvement Initiative. Supplier performance verified through NUPIC.*
- *EPRI Self Assessment Checklist can assist in identification of potential gaps.*

***Incorporate industry best practices for enhancing commercial-grade dedication, and receipt inspection practices to account for CFSI***

- *Training being provided by EPRI for Receipt Inspection techniques for identifying CFSI.*
- *EPRI Supply Chain Management Guideline being developed and will address CFSI\**

***Incorporate industry best practices for product authentication of complex items that will provide additional assurance for preventing CFSI***

- Existing processes are in place to detect and prevent CFSI.
  - Concerns regarding the terms “product authentication” and “complex items” require further discussion.



## ***Incorporate industry best practices for using batch sampling with authentication testing***

- Existing processes are in place to detect and prevent CFSI.
  - Concerns regarding the term “authentication testing” require further discussion.
- EPRI Sampling guidance was revised to address previous NRC concerns





## ***Incorporate industry best practices for the use of standardized anti-CFSI language in procurement documents***

- Standard procurement clause has been developed with input from several suppliers and included in EPRI 1019163, Appendix B.
  - Base language has been implemented by several licensees



## ***Develop a plan for implementing "proactive" CFSI strategies***

- Resolution of these issues requires involvement of broad stakeholder groups (Legal, Licensing, Procurement, etc.).
- Core Team to review the results of the pilot self assessment and develop action plan.
- Input from additional stakeholders will be considered.
- Consider NRC endorsement of EPRI Guideline 1019163 and Self Assessment EPRI 1021493



## Conclusion

- Actions to enhance CFSI protections must be soundly and broadly based
- Further industry interactions with NRC planned

