



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE
INSPECTOR GENERAL**

September 13, 2012

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

FROM: Stephen D. Dingbaum */RA/*
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: NRC'S VENDOR
INSPECTION PROGRAM (OIG 10-A-20)

REFERENCE: DIRECTOR, OFFICE OF NEW REACTORS,
MEMORANDUM DATED AUGUST 3, 2012

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated August 3, 2012. Based on this response, recommendations 1, 2, 5, 6, 7, and 9 are resolved. Recommendations 3, 4, 8, and 10 were previously closed. Please provide an updated status of the resolved recommendations by February 6, 2013. If you have questions or concerns, please call me at 415-5915, or RK Wild, Team Leader, at 415-5948.

Attachment: As stated

cc: N. Mamish, OEDO
K. Brock, OEDO
J. Arildsen, OEDO
C. Jaegers, OEDO

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AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

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Status of Recommendations

<u>Recommendation 1:</u>	<p>Develop an Office of New Reactors (NRO) Vendor Inspection Program (VIP) planning document that:</p> <ol style="list-style-type: none">a. Articulates a clear purpose for the VIP; andb. Establishes metrics to evaluate the success of the VIP.
Agency Response Dated August 3, 2012:	<p>NRO continues to successfully implement the VIP plan. As part of NRO's commitment to continuous improvement, the staff reviews the plan on a quarterly basis. For the next plan update, the staff expects to adjust the target dates associated with the three actions in Appendix A, entitled "Strategy for Vendor Identification." The staff continues to work towards completion of these actions, which include: a proposed RIS and a public website that allows vendors to register for information updates. However, the NRC is required to obtain approval from the Office of Management and Budget (OMB) before undertaking to collect information, per the Paperwork Reduction Act of 1995. The staff is finalizing the documentation necessary for clearance and expects to submit the request to OMB by September 21, 2012.</p>
OIG Analysis:	<p>The proposed action continues to partially meet the intent of OIG's recommendation. OIG notes with concern that there is no mention of the updated revised Inspection Manual Chapters (IMCs) and linkages noted in NRO's January 6, 2012, memorandum and no updated information relating to the vendor database. OIG requests that an updated schedule for deployment of the database be provided as soon as possible as well as detailed information on the Regulatory Information Summary (RIS), which was not mentioned in previous audit followup memoranda. OIG will close this recommendation upon issuance and OIG review of the proposed RIS as noted on page A-1 of the "Vendor Inspection Program Plan," dated November 2011. Closure of this recommendation remains contingent upon OIG review of the RIS, the NRO vendor Web site, and activation/review of the NRO database.</p>

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Status of Recommendations

Recommendation 1 (continued):

Status: Resolved.

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Status of Recommendations

<u>Recommendation 2:</u>	Develop and document a methodology to identify vendors that supply safety-related parts and services to the nuclear industry with Appendix B quality assurance programs.
Agency Response Dated August 3, 2012:	The staff created a database of vendors based upon available information. The database lists over 560 vendors, and is being used to inform the selection of current vendor inspections. As noted above, the staff is working towards OMB clearance necessary to complete the actions of Appendix A of the "Vendor Inspection Program Plan" to further supplement the database. As noted above, the staff will update the VIP during the next quarterly review and expects to adjust the target dates in Appendix A accordingly.
OIG Analysis:	The proposed action continues to meet the intent of OIG's recommendation. OIG will close this recommendation upon issuance and OIG review of the proposed RIS cited on page A-1 of the "Vendor Inspection Program Plan," OIG review of the NRO vendor Web site, and activation of the NRO database. OIG continues to note with concern the slip in the schedule from April-June 2012 to sometime after September 2012 for the RIS, database, and Web site. OIG therefore requests an updated projected schedule as soon as possible.
Status:	Resolved.

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Status of Recommendations

Recommendation 5: Align NRC guidance and regulations to clarify acceptance methods for commercial-grade dedication (CGD).

Agency Response Dated August 3, 2012: The staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21. The rulemaking effort includes clarifying acceptance methods for CGD. The staff's efforts remain consistent with its proposal in Commission paper SECY-11-0135, "Staff Plans To Develop the Regulatory Basis for Clarifying the Requirements in Title 10 of the *Code of Federal Regulations* Part 21, 'Reporting of Defects and Noncompliance.'"

The staff's next major milestone is the development of a draft regulatory basis, which the staff plans to finalize by September 28, 2012. The draft regulatory basis, which will be made public, will allow the staff to solicit early stakeholder feedback and will be beneficial for the development of the proposed and final rules.

The staff also hosted a public meeting on January 26, 2012, to discuss the rulemaking. Staff continues to give presentations on the rulemaking efforts, most notably at the vendor workshop for new reactor construction on June 28, 2012, which drew just under 600 attendees.

Finally, the staff coordinated with the Office of Nuclear Regulatory Research to create two draft guides (DG): DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," and DG-1292, "Dedication of Commercial Grade Items." These guides will be developed as the regulatory guidance to be presented to the Commission with the proposed rule.

OIG Analysis: This recommendation remains resolved. OIG notes the development of a draft regulatory basis as well as the draft guides for CGD. OIG will close this recommendation when OIG determines that the next steps—to include implementation of those actions necessary to align the

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Status of Recommendations

Recommendation 5 (continued):

guidance and the regulation to clarify acceptance methods for CGD—has been performed.

Status: Resolved.

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Status of Recommendations

Recommendation 6: Issue regulatory guidance to clarify sampling expectations for CGD.

Agency Response Dated August 3, 2012: As noted above for Recommendation 5, the staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21 including development of guidance documents. The rulemaking effort includes clarifying sampling expectations for CGD.

OIG Analysis: This recommendation remains resolved. As noted previously, this recommendation will be closed when OIG receives the Commission paper, and determines that the next steps—to include implementation of the actions necessary to clarify sampling expectations for CGD—have been performed.

Status: Resolved.

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Status of Recommendations

Recommendation 7: Issue regulatory guidance describing a process that NRC considers acceptable for compliance with Part 21.

Agency Response Dated August 3, 2012: As noted above for Recommendation 5, the staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21 including development of guidance documents. The rulemaking effort includes describing a process that the NRC considers acceptable for compliance.

OIG Analysis: This recommendation remains resolved. As previously stated, this recommendation will be closed upon OIG review of the issuance of a regulatory basis, publication of a proposed rule and draft regulatory guides, and the issuance of a final rule and final regulatory guides. Closure will also be contingent upon OIG's final review of implemented actions NRC considers acceptable for compliance with Part 21 as previously indicated.

Status: Resolved.

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Status of Recommendations

Recommendation 9: Develop guidance that clarifies the requirements for vendors on how to approve accredited commercial-grade calibration laboratories for safety-related applications.

Agency Response Dated August 3, 2012: The staff continues to work towards clarifying the requirements for vendors on how to approve accredited commercial-grade calibration laboratories for safety-related applications.

In its last update to OIG, the staff noted that it anticipated an industry submittal in May 2012. However, industry has revised its schedule, and its submittal is contingent upon its development of a process for continuous monitoring and observation of the following International Laboratory Acceptance Cooperative (ILAC) activities:

- Evaluation of the ILAC process and procedure evaluation
- Accrediting body evaluations and laboratory certification
- Coordination with the Electric Power Research Institute on dedication process

Industry has completed its observation of training and qualification of evaluators and the approval process for accrediting bodies. The staff still plans to issue a SER and generic communications within 6 months of receiving an industry submittal.

On July 26, 2012, the staff observed a Quality Assurance Task Force meeting, at the Nuclear Energy Institute in Washington, D.C., to follow the industry's progress on its proposal for expanded use of internationally accredited calibration and testing laboratories.

OIG Analysis: The proposed actions meet the intent of the recommendation. The recommendation will be closed

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Status of Recommendations

Recommendation 9 (continued):

after OIG reviews the proposed safety evaluation report (SER) and related generic communications to determine if they clarify the vendor requirements noted in the recommendation.

Status: Resolved.