



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

**OFFICE OF THE  
INSPECTOR GENERAL**

March 26, 2013

**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 FEBRUARY 4, 2013

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated February 4, 2013. Based on this response, recommendation 1 is closed, and recommendations 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 August 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: M. Landau, OEDO  
K. Brock, OEDO  
J. Arildsen, OEDO  
C. Jaegers, OEDO

## Audit Report

### AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

#### Status of Recommendations

- Recommendation 1: Develop an Office of New Reactors (NRO) Vendor Inspection Program (VIP) planning document that:
- a. Articulates a clear purpose for the VIP; and
  - b. Establishes metrics to evaluate the success of the VIP.

Agency Response Dated  
February 4, 2013:

NRO continues to implement the VIP plan successfully, which is now at revision five. As part of its commitment to continuous improvement, the staff reviews the plan on a quarterly basis. The staff notes that it continuously reviews the applicability of its IMCs and office instructions, and that the completion of the VIP plan's first revision met the April 2012 timeline.

On March 28, 2012, the staff issued a memorandum to the Executive Director for Operations on the formation of a Vendor Inspection Center of Expertise (COE) to consolidate responsibilities among offices (Agencywide Documents Access & Management System (ADAMS) Accession No. ML12031A191). This included consolidating the agency's VIP in NRO. As part of this effort, which brought three vendor inspectors from the Office of Nuclear Reactor Regulation (NRR) to NRO, the staff formed a team to identify all the procedures, including IMCs and inspection procedures that would need to be revised. The staff has subsequently performed revisions to the VIP plan and it has completed assessments that recommended further procedure revisions.

Further details on the purpose, organization, and responsibilities of the vendor inspection COE are provided in the COE's charter (ADAMS Accession No. ML12045A060) and the corresponding communications plan (ADAMS Accession No. ML12054A278). In addition, the staff completed a COE implementation assessment, which will be issued shortly.

## Audit Report

### AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

#### Status of Recommendations

##### Recommendation 1 (continued):

The staff's update on other VIP actions is noted below for Recommendation 2. The other actions include the proposed RIS; the public Web site, which will allow vendors to register for information updates; and the creation of the vendor database.

##### OIG Analysis:

OIG agrees that NRO has successfully implemented and revised a VIP plan, which also includes performance metrics. OIG also reviewed:

- The VIP Plan Annual Self-Assessment of Metrics for Fiscal Year 2012 dated December 7, 2012, and has confirmed that the agency has established—and periodically reviews—metrics to evaluate the success of the VIP.
- The Vendor Inspection Center of Expertise (COE) charter and communications plan and noted that the Vendor Inspection COE is responsible for coordinating program documents and inspection procedures for vendors impacting both new and existing reactors.

OIG continues to monitor additional actions provided for in the agency's response to this recommendation. These include, but are not limited to, issuance of a proposed Regulatory Information Summary, and final structural development of the NRO vendor Web site. However, these items are also being monitored as part of the remaining open recommendations. Therefore, on the basis of OIG's review of the VIP plan and metrics, this recommendation is considered closed.

##### Status:

Closed.

## Audit Report

### AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

#### Status of Recommendations

Recommendation 2: 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  
February 4, 2013:

The staff created the NRO database as an internal planning tool in March 2012. The database was built using Microsoft SharePoint and it facilitates the vendor selection methodology described in the VIP plan. The database holds over 560 vendors. The staff is still awaiting Office of Management and Budget (OMB) clearance for the RIS and Web site. As noted previously, the NRC is required to obtain approval from OMB before collecting information, per the Paperwork Reduction Act of 1995. The staff did not receive any comments on its *Federal Register* notice for the proposed information collection. Pending successful receipt of OMB clearance, expected in March 2013, the staff plans to publish the Web site the following month and to issue the RIS 6 months later. The staff will update the VIP with revised due dates during the next quarterly review.

OIG Analysis:

The proposed actions to issue a RIS and publish a Web site constitute the agency's proposed methodology to identify vendors that supply safety-related parts and services to the nuclear industry. These actions continue to meet the intent of OIG's recommendation. OIG will close this recommendation upon issuance and OIG review of the proposed RIS and review of the finalized framework of the NRO vendor Web site.

Status:

Resolved.

## Audit Report

### AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

#### Status of Recommendations

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

Agency Response Dated  
February 4, 2013:

Actions taken and planned: The staff continues to make progress on its rulemaking efforts to clarify Title 10 of the *Code of Federal Regulations* (10 CFR) Part 21, "Reporting of Defects and Noncompliance." This progress 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.'"

In December 2012, the staff issued the "Draft Regulatory Basis to Clarify 10 CFR Part 21, 'Reporting of Defects and Noncompliance'" (ADAMS Accession No. ML12248A200). The draft regulatory basis gives the staff's technical analysis on how to best modify the regulations, align regulatory guidance, and ultimately clarify acceptance methods for CGD.

The staff maintains its commitment to keeping its stakeholders informed—which the staff noted previously will allow it to solicit early stakeholder feedback and will be beneficial to the development of the proposed and final rules. The staff sent the draft regulatory basis to its 10 CFR Part 21 subscribers list of over 1,800 subscribers. The staff also posted the draft regulatory basis and associated information on the NRC's Web page at: <http://www.nrc.gov/reactors/new-reactors/oversight/quality-assurance/part-21-rulemaking.html>.

## Audit Report

### AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

#### Status of Recommendations

##### Recommendation 5 (continued):

Finally, the staff hosted a 1-day public meeting on January 24, 2013, to discuss the draft regulatory basis to collect feedback from its stakeholders.

The staff's next major milestone will be to finalize the regulatory basis. The staff expects considerable stakeholder interest and interaction before it can complete this next step in the rulemaking process. The staff's estimate for completing the regulatory basis is September 2013. The staff will undertake regulatory guidance development in parallel with the development of the proposed rule.

##### OIG Analysis:

This recommendation remains resolved. OIG notes that the development of the regulatory basis will occur concurrently with the development of the proposed rule, both to be completed in September 2013. OIG will close this recommendation upon review of the rule and the steps taken by NRO to implement those actions necessary to align the guidance and the regulation to clarify acceptance methods for CGD.

##### Status:

Resolved.

**Audit Report**

**AUDIT OF NRC'S VENDOR INSPECTION PROGRAM**

**OIG-10-A-20**

**Status of Recommendations**

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

Agency Response Dated  
February 4, 2013:

Actions taken and planned: 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 verifies that the next steps—to include implementation of the actions necessary to clarify sampling expectations for CGD—have been performed.

**Status:**

Resolved.

## Audit Report

### AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

#### Status of Recommendations

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

Agency Response Dated  
February 4, 2013:

Actions taken and planned: As noted above for Recommendation 5, the staff continues to make progress on its rulemaking efforts to clarify 10 CFR Part 21, which includes describing a process that the NRC considers acceptable for compliance. Section 1, "Lack of Regulatory Guidance," of Chapter 2, "Evaluating and Reporting," and Section A, "Lack of Regulatory Guidance," of Chapter 3, "Commercial Grade Dedication," of the draft regulatory basis describe the staff's technical analysis of regulatory guidance for 10 CFR Part 21. The staff will undertake regulatory guidance development in parallel with the development of the proposed rule.

OIG Analysis: This recommendation remains resolved. As previously stated, this recommendation will be closed upon OIG review of the issuance of a regulatory basis, as well as 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.



## Audit Report

### AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

OIG-10-A-20

#### 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  
February 4, 2013:

Actions taken and planned: The staff continues to work toward clarifying the requirements for licensees and vendors for how to approve accredited commercial grade calibration laboratories for use in safety related applications.

On January 22, 2013, the staff met with a Nuclear Energy Institute (NEI) representative to discuss the industry's progress. The industry is transitioning project managers in this area, but NEI reaffirmed its commitment to resolving this issue. However, the industry representative noted that the next opportunity to observe the International Laboratory Accreditation Cooperation accreditation process internationally, a key milestone, would likely be in November 2013. This could push the industry's submittal to the NRC to mid-2014.

The staff still plans to issue a SER and a generic communications document within 6 months of receiving an industry submittal. The staff continues to make presentations to stakeholders to clarify the topic.

OIG Analysis: The proposed actions continue to meet the intent of the recommendation. OIG notes with concern that the scheduled completion dates have slipped from 2013 to late 2014 in this response, and that the original completion date was September 2011. OIG requests that NRO provide updated scheduling dates as soon as possible. The recommendation will be closed 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.