

# Industry Actions to Address Counterfeit, Fraudulent and Suspect Items

**NEI CFSI Team**

NRC Public Meeting

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NUCLEAR ENERGY INSTITUTE

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STORIED HISTORY  
BRIGHT FUTURE

# Overview

- General status
- Planned revisions to EPRI CFSI guidance in response to SECY-11-0154 Items A-K
- Early returns from industry self-assessment
- Plans for post-implementation monitoring

# NRC-Proposed Proactive Strategies

## Strategy

- A. Develop a plan for implementing proactive CFSI strategies
- B. Develop a method for sharing CFSI Information, including issues identified during receipt inspection and commercial grade dedication
- C. Develop an industry accepted practice for using the corrective action program and nonconformance programs for entering CFSI related to safety related components
- D. Develop an industry accepted practice for using the corrective action program to enter non-safety related CFSI into the corrective action program
- E. Establish an industry CFSI database

## Industry Actions

- Initiated – ongoing
- Clarify and enhance existing guidance
- Clarify and enhance existing guidance
- Clarify and enhance existing guidance
- Expand access to existing industry databases

# NRC-Proposed Proactive Strategies (cont.)

## Strategy

- F. Incorporate industry best practices for quarantining CFSI items and removing them from supply chain without returning them to supplier
- G. Incorporate industry best practices for identifying and informing the industry of CFSI trends
- H. Incorporate industry best practices for enhancing commercial-grade dedication, and receipt inspection practices to account for CFSI
- I. Incorporate industry best practices for product authentication of complex items that will provide additional assurance for preventing CFSI
- J. Incorporate industry best practices for using batch sampling with authentication testing
- K. *Incorporate industry best practices for the use of standardized anti-CFSI language in procurement documents*

## Industry Actions

- Industry self-assessment underway; results to inform enhanced CFSI guidance

## B. Develop a Method for Sharing CFSI Information

### G. Best Practices for Identifying and Informing Industry of CFSI Trends

- Status: Complete
- Licensees use corrective action system to capture issues (including issues identified during receiving and CG dedication). Prompts appropriate reporting
  - INPO Operating Experience
  - EPRI Suspect Counterfeit / Fraudulent Item database
  - 10CFR, Part 21
- NRC has access to licensee corrective action systems and may issue generic notifications

## E. Establish an Industry CFSI Database

- Status: Complete
- EPRI Suspect Counterfeit/Fraudulent Item Database
  - EPRI members
- INPO Operating Experience
  - INPO members and supplier participants

# Establish an Industry CFSI Database

- EPRI Suspect Counterfeit/Fraudulent Item Database
  - Fully implemented and in use by EPRI members
  - Capabilities include proactive notification to U.S. licensees known to have similar items (part / manufacturer-model numbers)
    - Agreements with several commercial industry databases (stocked items, manufacturer-model numbers)

# Establish an Industry CFSI Database

- EPRI Suspect Counterfeit/Fraudulent Item Database (continued)
  - Legal issues limit sharing to EPRI members
    - Presently unable to overcome liabilities and risks of sharing unconfirmed incidents with a broader population of suppliers and the public
    - Exploring quid pro quo sharing with other data sources (significant legal challenges)



# Establish an Industry CFSI Database

- EPRI Suspect Counterfeit/Fraudulent Item Database (continued)
  - Recent IN 2013-02 on Fire Protection Equipment
    - 2 of 8 items in the IN showed matches
    - One at 4 facilities
    - One at a facility that already had the stock code identified as “at risk” due to the UL notice
    - Proactive notifications were made

# Establish an Industry CFSI Database

- INPO Operating Experience
  - Reporting of incidents of counterfeit and fraud in place since a February 2010 directive
  - Licensees have standard practices for processing operating experience reports
  - INPO Supplier participants (26) have access to read and submit OE (signed nondisclosures)
    - Submittal is voluntary for suppliers

# Establish an Industry CFSI Database

- INPO Operating Experience (continued)
  - INPO issued IER L4-12-86 in late 2012
    - Not based on U.S. experience
  - Additional Industry Experience Reports will be issued based upon trends
  - Revised INPO Performance and Operating Criteria quality of procured items
    - CFSI prevention is part of plant evaluation process
    - INPO evaluators are taking EPRI CFSI CBT training

## C & D. Develop an industry accepted practice for using the corrective action program and nonconformance programs for entering CFSI related to safety related and NSR components

- In-process
- Incident identified / entered in the CAP or equivalent process
  - Safety
  - Non-safety
- Quarantine CFSI as appropriate
- Evaluate and disposition CFSI incident
- Report as appropriate
  - Potential deviation i.e., 10 CFR Part 21/10 CFR 50.55e
  - Industry databases

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

- In Process
- EPRI TR 1019163 mark-up drafted to clarify expectations on when an item needs to be quarantined and then what actions can be taken
  - Section 3.2 – brief mention of the need to “quarantine suspected CFSI”
  - Section 7.9.3 – detailed guidance on potential actions and factors to consider when dealing with suspected CFSI (as previously presented)

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

- In Process
- Summary of recommended changes to EPRI 1019163 (CFSI Guideline):
  - The information in EPRI NP-6629, Appendix C, “Identifying Substandard / Fraudulent Items,” should be included in procedures and training for receiving inspectors and warehouse personnel.
  - Training should include photographs and hands-on examples of CFSI, where practical

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

- Additional receipt inspection practices to consider, as appropriate:
  - Compare incoming items to known authentic items (or pictures)
  - Consult personnel who are more knowledgeable of the product when suspicious conditions are observed.
    - Consult with OEM/OES, as appropriate
  - Look for abnormalities in labeling, product marking, and workmanship
  - Ascertain and recognize both legitimate and suspicious manufacturer markings, trademarks, logos, etc.

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

- In process
- Current strategy is to identify procurements which are “at-risk” and specify enhanced inspection and/or testing
- EPRI 1019163, *Counterfeit, Fraudulent, and Substandard Items, Mitigating the Increasing Risk*, will be revised to:
  - Define the term “at-risk” procurement
  - Define the term “Enhanced Inspection/Testing”
  - Integrate these concepts into recommended practices for Purchasing and Receiving to prevent and detect CFSI.



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

- In process
- Existing industry guidance on sampling can be applied to enhanced inspection and testing for “at-risk” items.
- Capable individuals, typically procurement engineers or technically qualified personnel, can apply sampling when specifying the enhanced inspection/testing criteria for at-risk procurements.
- Receiving Inspection will implement the specified inspections/tests in accordance with the prescribed sample plans.
- EPRI 1019163 will be revised to reference industry sample guidance.

## K. Incorporate “Anti-CFSI” language in procurement documents

- Status: In-process
- Boilerplate language is complete and included in EPRI 1019163 (available to public)
  - Vetted by licensee and supplier legal staff who participated in development
  - Can be adjusted to suit individual preferences
- Implementation by licensees is ongoing

# Boilerplate Clause

Seller is hereby notified that the delivery of suspect/counterfeit items is of special concern to (Utility Name). If any items specified in this Order are described using a part or model number, a product description, and/or industry standard referenced in the Order, Seller shall assure that the items supplied by Seller meet all requirements of the latest version of the applicable manufacturer data sheet, description, and/or industry standard unless otherwise specified. If the Seller is not the manufacturer of the goods, the Seller shall make reasonable efforts to assure that the items supplied under this Order are made by the original manufacturer and meet the applicable manufacturer data sheet or industry standard. Should Seller desire to supply an alternate item that may not meet the requirements of this paragraph, Seller shall notify Purchaser of any exceptions and receive Purchaser's written approval prior to shipment of the alternate items to Purchaser.

If suspect/counterfeit items are furnished under this order or are found in any of the goods delivered hereunder, such items will be dispositioned by (Utility Name) and / or the original manufacturer, and may be returned to the Seller in accordance with the warranty provisions applicable to the Order. The Seller shall promptly replace such suspect/counterfeit items with items meeting the requirements of the Order. In the event the Seller knowingly supplied suspect/counterfeit items, the Seller shall be liable for reasonable costs incurred by the Purchaser for the removal, replacement and reinstallation of said goods in accordance with the warranty provisions applicable to the Order.

# Raising Awareness of CFSI Issues

- SECY-11-0154 and NRC Info Notices
- NRC public meetings
- INPO IER 4-12-86
- Industry CFSI self-assessment
- Issuance of updated EPRI CFSI guidance
- Industry forums and workshops
- Trending and communication
  - NRC, EPRI, INPO

# Ongoing Industry CFSI Activities

- Following industry implementation of updated CFSI guidance:
  - Ongoing industry reporting/sharing of CFSI info
  - EPRI activities
    - Maintain CFSI database
    - Training modules & other technical support
  - INPO activities
    - Collect CFSI info from Licensees and Supplier Participants as part of ICES (OE) database
    - Issue IERs as appropriate based on CFSI trends
    - Evaluate CFSI practices as part of periodic INPO Plant Evaluations

# Next Steps

- Assess industry survey results and adjust guidance as necessary
- Provide draft revision of EPRI 1019163 for staff review and feedback
- Finalize CFSI guidance and provide for industry use
- Follow-up SECY paper to Commission