Newport News Industrial Corporation
A Subsidiary of Huntington Ingalls Industries

December 6, 2013 Q-GE-13-041

U.S. Nuclear Regulatory Commission
ATTN: Document Control Desk
Washington, DC 20555-0001

Subject: Newport News Industrial "Reply to a Notice of Nonconformance's – NRC Inspection Report No. 99901433/2013-201 and Notice of Nonconformance's"

Reference:

(a) NRC letter to Mr. Doug Sample, Subject: NUCLEAR REGULATORY COMMISSION INSPECTION REPORT NO. 99901433/2013-201, NOTICE OF NONCONFORMANCE, Dated: November 8, 2013.

Enclosure:

(1) Newport News Industrial written statement regarding Notice of Nonconformance's identified in Reference (a).

Newport News Industrial hereby submits its response to NRC Inspection Report No. 99901433/2013-201 and Notice of Nonconformance. The enclosed response addresses Notice of Nonconformance 99901433/2013-201-01 and Notice of Nonconformance 99901433/2013-201-02 in accordance with the directions provided in the referenced Inspection Report.

If you have any questions, please do not hesitate to contact me at (757) 688-0027 or Steve.Napiecek@hii-nns.com.

Sincerely,

Steve Napiecek
Vice President & General Manager
Newport News Industrial

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Newport News Industrial Response to
NRC Inspection Report No. 99901433/2013-201

Nonconformance NON 99901433/2013-201-01

Criterion XVI, "Corrective Action," of Appendix B, "Quality Assurance Program Criteria for Nuclear Power Plants and Fuel Reprocessing Plants," to Title 10 of the *Code of Federal Regulations* (10 CFR) Part 50, "Domestic Licensing of Production and Utilization Facilities," states, in part, that "Measures shall be established to assure that conditions adverse to quality, such as failures, malfunctions, deficiencies, deviations, defective material and equipment, and nonconformances are promptly identified and corrected."

Section 17, "Corrective Action," of NNI's quality-assurance manual (QAM)-100, "Commercial Nuclear Facility Applications Quality Assurance Manual," Revision C, dated April 16, 2013, states, that this section provides for the investigation of the cause and corrective actions necessary to preclude a recurrence, the analysis of processes, procedures, quality records, customer complaints, initiation of appropriate preventive actions, and the implementation and recording of changes in procedures resulting from corrective actions."

Contrary to the above, as of September 20, 2013, NNI failed to have adequate measures in place to assure that customer-identified conditions adverse to quality, such as failures, malfunctions, deficiencies, deviations, defective material and equipment, and nonconformances were promptly identified and corrected to preclude repetition.

Specifically, NNI failed to enter and evaluate in its corrective-action program the Chicago Bridge & Iron (CB&I) inspectors' notice of unsatisfactory conditions (NUCs) identified during fabrication of the AP1000 shield building structural modules for potential conditions adverse to quality.

Reasons for the Nonconformance

NNI performed an apparent cause evaluation under its Corrective Action Program (CAP) to investigate the contributing causes of this Nonconformance, understand the extent of condition and put in place corrective actions to prevent recurrence.

The apparent cause evaluation determined the NNI CAP procedure and process was not sufficiently rigorous to effectively implement and maintain a comprehensive corrective action program.

The CAP has been undergoing continuous improvements since October 2012. NNI procedure SI-QA-23, *Corrective Action Program*, was developed to describe the program and set requirements for execution. The CAP Procedure, SI-QA-23, and the CAP software were rewritten on September 12, 2013 to provide a more robust process for problem identification, screening, evaluation, disposition, and reporting for all Conditions Adverse to Quality (CAQ).

However, this revision to the process did not provide sufficient specific guidance with regard to inclusion of customer complaints to ensure that each, such as the Chicago Bridge & Iron (CB&I) inspectors' Notice of Unsatisfactory Conditions (NUCs), would be entered into and dispositioned through the CAP. No customer complaints had been recently received during the final rollout of the revised CAP program and database. NNI management was focused on ensuring current and new condition reports were being properly entered and thus did not recognize that previously received customer complaints had not been considered for entrance into the CAP database. This resulted in inconsistent handling of these specific customer complaints.

Corrective Actions Taken and the Results Achieved

NNI entered Condition Report # 248 into the Corrective Action Program to document this finding and the results of the apparent cause evaluation.

All Customer Notices of Unsatisfactory Conditions (NUCs) were entered into the corrective action program by generating a Condition Report (CR) for each NUC and performing an evaluation for severity and determination of any condition adverse to quality. Of the 54 legacy NUCs entered into the CAP, the CAP Screening Committee review determined 32 of the CRs represented Conditions Adverse to Quality (CAQ). None of these were identified as Significant Conditions Adverse to Quality (SCAQ). The remaining 22 NUCs were categorized as not meeting the criterion of a CAQ. The responses provided to the customer, at the time the NUCs were dispositioned, were entered into the CAP, for each NUC, to document the resolution and closure actions taken.

The Manager of Technical Services provided an informational memo notifying personnel of the requirement to input customer complaints into the CAP.

Corrective Steps Taken to Avoid Further Nonconformance

NNI procedure SI-QA-23, Corrective Action Program, was updated to incorporate and provide guidance for documenting customer complaints within the corrective action program.

Required personnel were trained on the updates to the affected procedures and the CAP database for documentation of customer complaints.

Date of Full Compliance

Corrective actions identified have been completed.

Nonconformance NON 99901433/2013-201-02

Criterion IV, "Procurement Document Control," of Appendix B to 10 CFR Part 50, states, in part, that "Measures shall be established to assure that applicable [...] requirements which are necessary to assure adequate quality are suitably included or referenced in the documents for procurement of material, equipment, and services [...]".

Criterion VII, "Control of Purchased Material, Equipment, and Services," of Appendix B to 10 CFR 50, states, in part, that "The effectiveness of the control of quality by contractors and subcontractors shall be assessed by the applicant or designee at intervals consistent with the importance, complexity, and quantity of the product or services."

Procedure SI-QA-5, "Supplier Evaluation Program," Revision M, dated July 26, 2012, Section 7.1.4, states, in part, that "Following approval, the Lead Auditor shall complete an Approved Supplier Capabilities form. A copy of the Approved Supplier Capabilities form shall be kept with the ASL [Approved Suppliers List] and a copy shall be forwarded to Purchasing with the evaluation status."

Subsection 8.2700, "Supplier Performance Evaluation," of QAM-100, states, in part, that "Suppliers are reviewed every six months by QA through quality documentations, such as reports of results of receiving, inspection and documents reporting nonconforming conditions." Contrary to the above, as of September 20, 2013, NNI failed to establish proper measures to include or cite requirements which are necessary to assure adequate quality in the documents for procurement of material, equipment, and services. NNI also failed to effectively control the quality of their contractors and subcontractors by assessing the designee at intervals consistent with the importance, complexity, and quantity of the product or services. Specifically,

1. NNI failed to document the restrictions and limitations on the scope of supply as dictated by the results of the audits/survey of DuBose National Energy Services Inc. and Tioga Pipe Supply Co. The results of the audits/survey were placed in NNI's supplier database, "Navision," which generates supplier restrictions and limitations for the ASL and procurement orders. For these two specific suppliers, NNI failed to have adequate controls in place to assure that the restrictions and limitations for the ASL and POs were included when these documents were generated using Navision.

2. NNI failed to perform a supplier performance evaluation of Nelson Stud Welding Inc., which has been an approved supplier since April 30, 2012. During this period, Nelson Stud Welding Inc. provided nonconforming material which was not documented in their performance evaluation to assess the effectiveness of the supplier quality controls.

Reasons for the Nonconformance

NNI performed an apparent cause evaluation under its Corrective Action Program to investigate the contributing causes of this Nonconformance, understand the extent of condition and put in place corrective actions to prevent recurrence.

Although the procedure requirements were reviewed by the audit personnel prior to performing audits, full implementation was still not achieved. The lack of detailed procedural guidance along with conflicts between the Quality Manual and sub-tier procedure were the main contributors to the nonconformance.

Corrective Actions Taken and the Results Achieved

NNI entered Condition Report # 380 into the Corrective Action Program to document this finding and the results of the apparent cause evaluation.

NNI performed a verification to ensure restrictions/limitations, placed on approved suppliers by NNI's final audit reports of the supplier, are properly documented in the Enterprise Resource Planning (ERP) supplier database and that the limitations appear correctly on the supplier purchase orders (PO) as printed through the ERP supplier database. NNI determined that all required restrictions/limitations identified during NNI supplier audits were carried through to the PO requirements for the associated suppliers. Duplicate and/or inappropriate restrictions/limitations, identified in previous limitation fields, were determined to have not carried through to the PO.

NNI reviewed a sample of closed PO's to ensure that the appropriate limitations and restriction on vendors were present. This review determined that all required limitations and restrictions were properly identified and carried over into the PO's.

NNI completed the supplier performance evaluation of the identified supplier. This evaluation identified that no changes to the suppliers quality program were accomplished that would adversely affect the NNI ASL status or products delivered to NNI. All other suppliers on the ASL were determined to have been included in the semi-annual performance evaluation. The supplier quality concern, regarding potential nonconforming material, was documented in this review. The investigation into this concern was presented to the NRC staff for review during the inspection at NNI. As a result of that investigation, NNI revised our acceptance criteria allowances for the current products provided to NNI by the supplier.

Corrective Steps Taken to Avoid Further Noncompliance

The ERP supplier database was modified to remove duplicate and/or inappropriate restriction/limitation fields and information, and to establish a clear location field for entering required restrictions/limitations.

Revision "N" to NNI procedure SI-QA-5, Supplier Evaluation Program, procedure has been completed to provide detail instructions to the audit team for establishing and recording supplier restrictions/limitations and for supplier performance evaluations.

Change Notice "C-2" to NNI Quality Assurance Manuals QAM-100, Commercial Nuclear Facility Applications, has been completed to remove conflicting information with regard to supplier audit performance.

Conduct an effectiveness review on the overall supplier audit process.

Date of Full Compliance

The effectiveness review on the overall supplier audit process will be completed by April 30, 2014 with the results documented on CR # 380.