



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

September 16, 2016

**OFFICE OF THE
INSPECTOR GENERAL**

MEMORANDUM TO: Victor M. McCree
Executive Director for Operations

FROM: *Steven E. Zane*
Steven E. Zane
Acting Assistant Inspector General for Audits

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

REFERENCE: DIRECTOR, OFFICE OF NEW REACTORS,
MEMORANDUM DATED AUGUST 19, 2016

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated August 19, 2016. Based on this response, recommendation 9 is closed, while 5, 6, and 7 remain in resolved status. Recommendations 1, 2, 3, 4, 8, and 10 were previously closed. Please provide an updated status of the resolved recommendations by April 14, 2017. If you have questions or concerns, please call me at 415-5915, or Paul Rades, Team Leader, at 415-6228.

Attachment: As stated

cc: R. Lewis, OEDO
H. Rasouli, OEDO
J. Jolicouer, OEDO
J. Bowen, OEDO
EDO_ACS_Distribution

Audit Report

AUDIT OF NRC'S VENDOR INSPECTION PROGRAM

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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 19, 2016:

Actions taken and planned:

The staff continues to make progress on its efforts to resolve issues related to Title 10 of the *Code of Federal Regulations* (10 CFR) Part 21, "Reporting of Defects and Noncompliance." This progress includes specifying acceptance methods for CGD for both power and nonpower nuclear power plant applications. Accordingly, the staff continues working with stakeholders in a public process to support the development of industry guidance documents that will potentially be found acceptable by the NRC. The NRC's acceptability for use would be accomplished through two draft regulatory guides (DGs): DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," and DG-1292, "Dedication of Commercial-Grade Items for Use in Nuclear Power Plants."

Regarding the development of DG-1292, Nuclear Energy Institute (NEI) submitted Electric Power Research Institute (EPRI) 3002002982, "Plant Engineering: Guideline for the Acceptance of Commercial-Grade Items in Nuclear Safety-Related Applications (ADAMS Accession No. ML12213A608) for NRC review and approval. The staff completed its review of the EPRI document and concluded that it is an acceptable means of demonstrating compliance with the NRC's regulations. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in the *Federal Register* (FR DOC #2016-16422) on July 8, 2016. The comment period ends on September 6, 2016. The staff plans to address public comments and issue the final Regulatory Guide by the spring of 2017.

Target Completion Date: Completed.

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Status of Recommendations

Recommendation 5 (Cont'd):

OIG Analysis: This recommendation remains resolved. OIG will close this recommendation after NRC has issued DG-1291 and finalized DG-1292 for publication as a Regulatory Guide. Closure will be contingent upon OIG verification that the guidance clarifies acceptance methods for CGD.

Status: Resolved.

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Status of Recommendations

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

Agency Response Dated
August 19, 2016:

Actions taken and planned:

As noted in staff's update to Recommendation 5, the staff continues to make progress on its efforts to clarify 10 CFR Part 21. The staff's progress includes working with stakeholders in a public process to support the development of industry guidance documents that will potentially be found acceptable by the NRC. The NRC's acceptability for use would be accomplished through two draft DGs: DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," and DG-1292, "Dedication of Commercial-Grade Items for Use in Nuclear Power Plants."

Regarding the development of DG-1292, NEI submitted Electric Power Research Institute (EPRI) 3002002982, "Plant Engineering: Guideline for the Acceptance of Commercial-Grade Items in Nuclear Safety-Related Applications" (Agencywide Documents Access and Management System (ADAMS) Accession No. ML12213A608) for NRC review and approval. The staff completed its review of the EPRI document and concluded that it is an acceptable means of demonstrating compliance with the NRC's regulations. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in the *Federal Register* (FR DOC #2016-16422) on July 8, 2016. The comment period ends on September 6, 2016. The staff plans to address public comments and issue the final Regulatory Guide by the spring of 2017.

Target Completion Date: Completed.

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Status of Recommendations

Recommendation 6 (Cont'd):

OIG Analysis: This recommendation remains resolved. OIG will close this recommendation after NRC has issued DG-1291 and finalized DG-1292 for publication as a Regulatory Guide. Closure will be contingent upon OIG verification that the guidance clarifies sampling expectations for CGD.

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 19, 2016:

Actions taken and planned:

As part of the Project AIM re-baselining effort, the NRC staff recommended termination of the 10 CFR Part 21 rulemaking effort in SECY-16-0009, "Recommendations Resulting from the Integrated Prioritization and Re-Baselining of Agency Activities," January 31, 2016 (ADAMS Accession No. ML16028A189). Specifically, Part 21 rulemaking was listed on the shed list of Enclosure 1, line item 2 (ADAMS Accession No. ML16028A212) to SECY-16-0009 (ADAMS Accession No. ML16028A208). That recommendation was accepted in the April 13, 2016, memo from the Commission to the Executive Director for Operations (ADAMS Accession No. ML16104A158). Therefore, the staff's efforts to revise Title 10 of the *Code of Federal Regulations* (10 CFR) Part 21, "Reporting of Defects and Noncompliance," have ceased.

However, the staff continues working with stakeholders in a public process to support the development of industry guidance documents that will potentially be found acceptable by the NRC. The NRC's acceptability for use would be accomplished through two draft DGs: DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance," and DG-1292, "Dedication of Commercial-Grade Items for Use in Nuclear Power Plants."

Regarding the development of DG-1291, NEI submitted guidance document NEI 14-09, "Guidelines for Implementation of 10 CFR Part 21 Reporting of Defects and Noncompliance, Revision 1," in February 2, 2016 (ADAMS Accession No. ML16054A825) for NRC review and approval. The staff has completed its review of NEI 14-09 and determined that it was an acceptable means of demonstrating compliance with the NRC's regulations. This document will provide adequate

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Status of Recommendations

Recommendation 7 (Cont'd):

guidance to implement the requirements of Part 21 and will supersede NUREG-0302. This approach is consistent with SECY-11-0032, "Consideration of the Cumulative Effects of Regulation in the Rulemaking Process," dated March 2, 2011 (ADAMS Accession No. ML110190027) and SECY-11-0135, "Staff Plans to Develop the Regulatory Basis for Clarifying the Requirements in 10 CFR Part 21, 'Reporting of Defects and Noncompliance,'" dated September 29, 2011 (ADAMS Accession No. ML112430138). DG-1291 is currently under review by staff in the Office of Nuclear Regulatory Research.

Regarding the development of DG-1292, NEI submitted EPRI 3002002982, "Plant Engineering: Guideline for the Acceptance of Commercial-Grade Items in Nuclear Safety-Related Applications" (ADAMS Accession No. ML12213A608) for NRC review and approval. The staff completed its review of the EPRI document and concluded that it is an acceptable means of demonstrating compliance with the NRC's regulations. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in the *Federal Register* (FR DOC #2016-16422) on July 8, 2016. The comment period ends on September 6, 2016. The staff plans to address public comments and issue the final Regulatory Guide by the spring of 2017.

Target Completion Date: Issue DG-1291, "Guidelines for Implementation of 10 CFR Part 21 Evaluating Deviations and Reporting of Defects and Noncompliance," by March 2017.

OIG Analysis:

This recommendation remains resolved. OIG will close this recommendation after staff have issued DG-1291 and finalized DG-1292 for publication as a Regulatory Guide. Closure will be contingent upon OIG verification that the guidance articulates a process that NRC considers acceptable for Part 21 compliance.

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 19, 2016:

Actions taken and planned:

On March 16, 2016, the NRC staff published RIS 2016-01, "Nuclear Energy Institute Guidance for the Use of Accreditation in Lieu of Commercial Grade Surveys for Procurement of Laboratory Calibration and Test Services," (ADAMS Accession No. ML15323A346) to notify addressees of one method found acceptable by the NRC staff for procurement of calibration and testing services performed by domestic and international laboratories for use in safety-related applications. With the issuance of this RIS, the NRC staff has completed all actions associated with Recommendation 9.

Target Completion Date: Completed.

OIG Analysis: Staff actions meet the intent of this recommendation. This recommendation is now closed.

Status: Closed.