

April 7, 2017

MEMORANDUM TO: Dr. Brett M. Baker
Assistant Inspector General for Audits

FROM: Vonna L. Ordaz, Acting Director **/RA/**
Office of New Reactors

SUBJECT: STATUS OF RECOMMENDATIONS AND STAFF RESPONSE
TO THE OFFICE OF THE INSPECTOR GENERAL'S AUDIT OF
THE U.S. NUCLEAR REGULATORY COMMISSION'S VENDOR
INSPECTION PROGRAM (OIG-10-A-20)

This memorandum provides the U.S. Nuclear Regulatory Commission (NRC) staff's updates for the remaining open recommendations from the Office of the Inspector General's (OIG's) audit OIG-10-A-20, "Audit of NRC's Vendor Inspection Program," dated September 28, 2010. The staff continues to implement actions in response to OIG's audit and remains responsive to OIG's recommendations.

Recommendation 1:

Develop an Office of New Reactors (NRO) Vendor Inspection Program planning document that:

- (a) Articulates a clear purpose for the Vendor Inspection Program
- (b) Establishes metrics to evaluate the success of the Vendor Inspection Program

Status: Closed.

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.

Status: Closed.

Recommendation 3:

Develop and document a risk-informed methodology to select vendors for inspection.

Status: Closed.

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Recommendation 4:

Develop and use a vendor outreach/communications plan.

Status: Closed.

Recommendation 5:

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

OIG Analysis dated September 16, 2016:

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.

NRC Staff Update:

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 non-power nuclear power plant applications. Accordingly, the staff continues to work with stakeholders through a public process to support the development of industry guidance documents that the NRC will potentially find acceptable for use in demonstrating compliance with NRC regulations. The NRC's acceptance of the documents for this purpose would be accomplished through draft regulatory guides 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, in June 2012, the Nuclear Energy Institute (NEI) submitted Electric Power Research Institute (EPRI) 3002002982, "Plant Engineering: Guideline for the Acceptance of Commercial-Grade Design and Analysis Computer Programs Used in Nuclear Safety-Related Applications" (Agencywide Documents Access and Management System (ADAMS) Accession No. ML12213A608), to the NRC for 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 regulations. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in Volume 81 of the *Federal Register*, page 44,670 (81 FR 44670), on July 8, 2016. The comment period ended on September 6, 2016. The staff addressed the public comments and sent them to the Office of Nuclear Regulatory Research (RES) in December 2016. The staff plans to issue the final regulatory guide (RG 1.164) in spring 2017.

Target Completion Date: The staff issued DG-1292 on July 8, 2016, and plans to issue the final regulatory guide (RG 1.164) in the spring of 2017.

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Recommendation 6:

Issue regulatory guidance to clarify sampling expectations for CGD.

OIG Analysis dated September 16, 2016:

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.

NRC Staff Update:**Actions taken and planned:**

As noted in the NRC staff's update to Recommendation 5, the staff continues to make progress on its efforts to clarify 10 CFR Part 21. The staff has been working with stakeholders through a public process to support the development of industry guidance documents that the NRC will potentially find acceptable for use in demonstrating compliance with NRC regulations. The NRC's acceptance of the documents for this purpose would be accomplished through DG-1291 and DG-1292.

Regarding the development of DG-1292, NEI submitted EPRI 3002002982 to the NRC for review and approval. The staff completed its review of the EPRI document and concluded that it is an acceptable means of demonstrating compliance with NRC regulations. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in the *Federal Register* (81 FR 44670) on July 8, 2016. The comment period ended on September 6, 2016. The staff addressed public comments and sent them to RES in December 2016. The staff plans to issue the final regulatory guide (RG 1.164) in spring 2017.

Target Completion Date: Completed. The staff issued DG-1292 on July 8, 2016, and plans to issue the final regulatory guide (RG 1.164) in the spring of 2017.

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Recommendation 7:

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

OIG Analysis dated September 16, 2016:

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.

NRC Staff Update:

Actions taken and planned:

The staff continues to work with stakeholders through a public process to support the development of industry guidance documents that the NRC will potentially find acceptable for use in demonstrating compliance with NRC regulations. The NRC's acceptance of these documents for this purpose would be accomplished through DG-1291 and DG-1292.

Regarding the development of DG-1291, in February 2016, NEI submitted guidance document NEI 14-09, Revision 1, "Guidelines for Implementation of 10 CFR Part 21 Reporting of Defects and Noncompliance" (ADAMS Accession No. ML16054A825), to the NRC for review and approval. The staff has completed its review of NEI 14-09 and determined that it is an acceptable means of demonstrating compliance with NRC regulations. This document will provide adequate guidance to implement the requirements of 10 CFR Part 21 and will supersede NUREG-0302, Revision 1, "Remarks Presented (Questions/Answers Discussed) at Public Regional Meetings to Discuss Regulations (10 CFR Part 21) for Reporting of Defects and Noncompliance: July 12–26, 1977," issued October 1977. 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 Title 10 of the *Code of Federal Regulations* Part 21, 'Reporting of Defects and Noncompliance,'" dated September 29, 2011 (ADAMS Accession No. ML112430138). The Office of Nuclear Reactor Regulation (NRR) staff is currently reviewing DG-1291. The staff plans to issue DG-1291 for public comment in the summer of 2017, and the final regulatory guide in the spring of 2018.

Regarding the development of DG-1292, NEI submitted EPRI 3002002982 to the NRC for review and approval. The staff completed its review of the EPRI document and concluded that it is an acceptable means of demonstrating compliance with NRC regulations. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in the *Federal Register* (81 FR 44670) on July 8, 2016. The comment period ended on September 6, 2016. The staff addressed public comments and sent them to RES in December 2016. The staff plans to issue the final regulatory guide (RG 1.164) in the spring 2017.

Target Completion Date: The staff plans to issue DG-1291 for public comment in the summer of 2017, and the final regulatory guide in the spring of 2018.

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Recommendation 8:

Clearly indicate via the NRC public Web site how and when Part 21 has changed.

Status: Closed.

Recommendation 9:

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

Status: Closed.

Recommendation 10:

Develop and implement a formal agencywide strategy and plan to monitor and evaluate counterfeit, fraudulent, and suspect items.

Status: Closed.

Enclosure:

Correspondence History OIG-10-A-20,
“Audit of NRC’s Vendor Inspection Program”

STATUS OF RECOMMENDATIONS AND STAFF RESPONSE TO THE OFFICE OF THE INSPECTOR GENERAL'S AUDIT OF THE U.S. NUCLEAR REGULATORY COMMISSION'S VENDOR INSPECTION PROGRAM (OIG-10-A-20), DATED APRIL 7, 2017

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*via email

NRO-002

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DATE	03/11/2017	03/20/2017	4/7/2017	

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Correspondence History
OIG-10-A-20, "Audit of NRC's Vendor Inspection Program"

Audit Report: Audit of NRC's Vendor Inspection Program (OIG-10-A-20), September, 28, 2010 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML102730627).

Memorandum to the Assistant Inspector General for Audits: Staff Response to the Office of the Inspector General's Audit of the Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), October 30, 2010 (ADAMS Accession No. ML102950601).

Memorandum to the Executive Director for Operations (EDO): Status of Recommendations: Audit of the Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), January 11, 2011 (ADAMS Accession No. ML110130015).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), May 26, 2011 (ADAMS Accession No. ML111290142).

Memorandum to the EDO: Status of Recommendations: Audit of the Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), July 27, 2011 (ADAMS Accession No. ML11209C350).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), January 6, 2012 (ADAMS Accession No. ML12004A0640).

Memorandum to the EDO: Status of Recommendations: Audit of the Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), March 9, 2012 (ADAMS Accession No. ML120690007).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), August 3, 2012 (ADAMS Accession No. ML12207A607).

Memorandum to the EDO: Status of Recommendations: NRC's Vendor Inspection Program (OIG 10-A-20), September 13, 2012 (ADAMS Accession No. ML12257A180).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), February 4, 2013 (ADAMS Accession No. ML13028A364).

Memorandum to the EDO: Status of Recommendations: NRC's Vendor Inspection Program (OIG-10-A-20), March 26, 2013 (ADAMS Accession No. ML13085A004).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory

Enclosure

Commission's Vendor Inspection Program (OIG-10-A-20), July 31, 2013 (ADAMS Accession No. ML13199A511).

Memorandum to the EDO: Status of Recommendations: Audit of NRC's Vendor Inspection Program (OIG 10-A-20), October 17, 2013 (ADAMS Accession No. ML13290A366).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), February 3, 2014 (ADAMS Accession No. ML14029A069).

Memorandum to the EDO: Status of Recommendations: Audit of NRC's Vendor Inspection Program (OIG 10-A-20), March 12, 2014 (ADAMS Accession No. ML14071A050).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), August 6, 2014 (ADAMS Accession No. ML14190B319).

Memorandum to the EDO: Status of Recommendations: Audit of NRC's Vendor Inspection Program (OIG-10-A-20), September 18, 2014 (ADAMS Accession No. ML14261A414).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), January 14, 2015 (ADAMS Accession No. ML14345A672).

Memorandum to the EDO: Status of Recommendations: Audit of NRC's Vendor Inspection Program (OIG 10-A-20), March 10, 2015 (ADAMS Accession No. ML15069A073).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), July 6, 2015 (ADAMS Accession No. ML15154B636).

Memorandum to the EDO: Status of Recommendations: Audit of NRC's Vendor Inspection Program (OIG-10-A-20), August 13, 2015 (ADAMS Accession No. ML15225A090).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), January 7, 2016 (ADAMS Accession No. ML15320A498).

Memorandum to the EDO: Status of Recommendations: Audit of NRC's Vendor Inspection Program (OIG-10-A-20), March 7, 2016 (ADAMS Accession No. ML16067A008).

Memorandum to the Assistant Inspector General for Audits: Status of Recommendations and Staff Response to the Office of the Inspector General's Audit of the U.S. Nuclear Regulatory Commission's Vendor Inspection Program (OIG-10-A-20), August 19, 2016 (ADAMS Accession No. ML16194A294).

Memorandum to the EDO: Status of Recommendations: Audit of NRC's Vendor Inspection Program (OIG-10-A-20), September 16, 2016, (ADAMS Accession No. ML16260A057).