



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

**OFFICE OF THE
INSPECTOR GENERAL**

November 1, 2017

MEMORANDUM TO: Victor M. McCree
Executive Director for Operations

FROM: Dr. Brett M. Baker */RA/*
Assistant Inspector General for Audits

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

REFERENCE: ACTING DIRECTOR, OFFICE OF NEW REACTORS,
MEMORANDUM DATED OCTOBER 10, 2017

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated October 10, 2017. Based on this response, recommendations 5 and 6 are now closed. Recommendation 7 remains in resolved status. Recommendations 1, 2, 3, 4, 8, 9, and 10 were previously closed. Please provide an updated status of the resolved recommendation by June 9, 2018. If you have questions or concerns, please call me at (301) 415-5915, or Paul Rades, Team Leader, at (301) 415-6228.

Attachment: As stated

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

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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
October 10, 2017:

Actions taken and planned:

In June of 2017, the staff issued Regulatory Guide (RG) 1.164, Rev. 0, "Dedication of Commercial-Grade Items for use in Nuclear Power Plants," dated June 17, 2017). RG 1.164 was previously issued as Draft Guide (DG) 1292, dated July 2016. 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" 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. EPRI 3002002982 replaces the original commercial-grade dedication (CGD) guidance from 1988 to reflect lessons learned and address challenges that have been identified through expanded use of the original guidance. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in Volume 81 of the *Federal Register* (FR), page 44,670 (81 FR 44670), on July 8, 2016. The comment period ended on September 6, 2016. As finalized, RG 1.164 approves the use of EPRI 3002002982 with the exceptions or clarifications listed in Section C, "STAFF REGULATORY GUIDANCE," of RG 1.164. EPRI 3002002982 provides guidance and examples on how to use and or develop a combination of acceptance methods as part of the CGD of items and services for use in nuclear power plants. Section 4.6, "Select Acceptance Methods and Develop and Document

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Status of Recommendations

Recommendation 5 (cont'd):

Acceptance Criteria," of EPRI 3002002982 provides the guidance to the industry of how to select and utilize one or more of the four dedication acceptance methods when performing CGD. Furthermore, Section 5, "COMMERCIAL-GRADE DEDICATION PROCESS," of EPRI 3002002982 provides more detailed information for each of the steps involved in the CGD process.

Target Completion Date: The staff issued the final RG 1.164 in June 2017.

Point of Contact: Antoinette Sakadales, NRO/DCIP/QVIB-3
(301) 415-6441

OIG Analysis: This recommendation is closed based on agency issuing Regulatory Guide (RG) 1.164 and approval of EPRI guidance as noted above.

Status: Closed.

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Status of Recommendations

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

Agency Response Dated
October 10, 2017:

Actions taken and planned:

In June of 2017, the staff issued Regulatory Guide 1.164, Rev. 0, "Dedication of Commercial-Grade Items for use in Nuclear Power Plants," dated June 17, 2017. RG 1.164 was previously issued as DG 1292, dated July 2016. Regarding the development of DG-1292, in June 2012, the NEI submitted EPRI 3002002982, "Plant Engineering: Guideline for the Acceptance of Commercial-Grade Design and Analysis Computer Programs Used in Nuclear Safety-Related Applications," 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 found that the EPRI document provides guidance for developing a sampling technical evaluation, use of a nationally recognized industry standard regarding sample size, and traceability for items or materials sampled. The staff issued DG-1292, which proposes the endorsement of EPRI 3002002982, for public comment in Volume 81 of the FR, page 44,670 (81 FR 44670), on July 8, 2016. The comment period ended on September 6, 2016. As finalized, RG 1.164 approves the use of EPRI 3002002982 with the exceptions or clarifications listed in Section C, "STAFF REGULATORY GUIDANCE," of RG 1.164. EPRI 3002002982, addresses the acceptance of commercial-grade dedication of items in nuclear power plants. Specifically, Section 7.4, "Use of Sampling," of EPRI 3002002982 provides detailed guidance and examples on the use of sampling and the development of sampling plans to accept commercial-grade items.

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Status of Recommendations

Recommendation 6 (cont'd):

Target Completion Date: The staff issued the final RG 1.164 in June 2017.

Point of Contact: Antoinette Sakadales, NRO/DCIP/QVIB-3
(301) 415-6441

OIG Analysis: This recommendation is now closed based on agency issuing of RG 1.164 and updated EPRI guidance.

Status: Closed.

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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
October 10, 2017:

Actions taken and planned:

In July of 2017, the NRC issued DG-1291, "Evaluating Deviations and Reporting Defects and Noncompliance Under Title 10 of the Code of Federal Regulations (10 CFR) Part 21" to describe methods that the staff of the NRC considers to be acceptable for complying with the provisions of 10 CFR Part 21 "Reporting of Defects and Noncompliance." 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" to the NRC for review and approval. The staff has completed its review of NEI 14-09 and proposes in DG 1291 to determine that NEI 14-09 is an acceptable means of demonstrating compliance with NRC regulations. NEI 14-09 provides 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, 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. The staff issued DG-1291 for public comment on August 4, 2017, and plans to issue the final RG in the spring of 2018.

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Status of Recommendations

Recommendation 7 (Cont'd):

In June of 2017, the staff issued Regulatory Guide 1.164, Rev. 0, "Dedication of Commercial-Grade Items for use in Nuclear Power Plants" (June 17, 2017). Regulatory Guide 1.164 was previously issued as DG 1292, dated July 2016. Regarding the development of DG 1292, in June 2012, the NEI submitted EPRI 3002002982, "Plant Engineering: Guideline for the Acceptance of Commercial Grade Design and Analysis Computer Programs Used in Nuclear Safety Related Applications", to the NRC for review and approval. The staff completed its review of the EPRI document and concluded in DG-1292 that it is an acceptable means of demonstrating compliance with the NRC regulations. The definition and CGD process align with Part 21. The staff issued DG 1292, which proposes the endorsement of EPRI 3002002982, for public comment in Volume 81 of the FR, page 44,670 (81 FR 44670), on July 8, 2016. The comment period ended on September 6, 2016. The staff received 9 comment submissions and a total of 29 individual comments. Comments were evaluated by the staff and incorporated as necessary.

Target Completion Date: The staff issued DG-1291 for public comment on August 4, 2017, and plans to issue the final RG in the spring of 2018.

Point of Contact:

Antoinette Sakadales, NRO/DCIP/QVIB-3
(301) 415-6441

OIG Analysis:

This recommendation remains resolved. OIG will close this recommendation after staff have finalized DG-1291 and issued the resultant Regulatory Guide. Closure will be

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Status of Recommendations

Recommendation 7 (cont'd):

contingent upon OIG verification that the guidance articulates a process that NRC considers acceptable for Part 21 compliance.

Status: Resolved.