



NSSS, Inc.
A DIVESCO COMPANY



September 27, 1989

Mr. E. William Erach, Chief
Vendor Inspection Branch
U.S. Nuclear Regulatory Commission
Washington, D.C. 20555

RE: Docket No. 99901117/88-01

Dear Mr. Brach:

This letter is in response to the Nuclear Regulatory Commission's Inspection Report and related Notice of Nonconformance as communicated to us through your letter dated August 10, 1989.

As a result of the inspection as performed by Jeffrey B. Jacobson, we have analyzed the cause and taken investigative actions for determining the extent of the identified deficiency. This we considered necessary in order to develop and implement effective corrective action and to preclude recurrence.

Our understanding of the nonconformance is that we have not established an adequate basis for ensuring that items sold to nuclear facilities are in conformance with purchaser specification requirements. Because no purchase order requirements were imposed by us when procuring bulk purchases, our materials are considered commercial items even though they may have been originally manufactured and supplied as safety-related. And since, in the instances mentioned in your report, we did not obtain certifications from the original manufacturer or through testing, we have been cited for failure to properly upgrade these components.

ANALYSIS:

The cause of the cited condition has been determined to be a deficiency in NSSS, Inc.'s Quality Assurance Program. The program is silent in specifically identifying the extent to which NSSS, Inc. can accept Safety-Related orders which specify 10CFR50, Appendix B, and 10CFR21 requirements. It is also silent as to the limit of our ability to certify these items as meeting the technical and quality requirements imposed by the purchasers in procurement documents.

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NSSS, Inc. does understand the NRC's position concerning our limitations pertaining to the sale and certification of items and equipment as "safety-related" and the reasoning for stating the nonconformance. It has never been our intention to misrepresent the items and equipment sold to nuclear facilities and believe that no confusion has existed with our clients regarding this.

Our Quality Program clearly states that new and un-installed items and equipment are procured in bulk from licensees, ex-licensees, and NSSS vendors for resale to the nuclear industry. The quality related activities governed by our Quality Assurance program are limited to the receipt, handling, storage, maintenance and shipping of materials. The policies and procedures for controlling these activities comply with the applicable criteria of 10CFR50, Appendix B.

The certifications which have been provided, in response to purchase order requirements, were intended to confirm that the items and equipment being supplied were, to the best of our knowledge, in compliance with the purchase order and that we have complied with the requirements of our Quality Program as it relates to the items supplied. We have accepted the responsibilities for 10CFR21 as it relates to those quality activities covered by our program which could affect the item or equipment supplied. Because we are neither the manufacturer nor the original purchaser of these items, we will not certify them as "Safety-Related".

INVESTIGATION:

Investigative actions have been performed internally to determine the extent of the condition cited in your report. This was done to insure that corrective actions taken were both appropriate and effective.

All sales by NSSS, Inc. to the nuclear industry were reviewed and evaluated. This review resulted in the identification of a total of 25 orders in which the purchaser specified both 10CFR50, Appendix B, and 10CFR21 as requirements. Nine of these 25 orders were previously reviewed by the NRC during the inspection. Six of the remaining 16 orders had either original manufacturer's documentation provided, or, had recertification provided by the original manufacturer.

Sales and their related paperwork were also reviewed for identifying the utilities and/or their agents that may have received certifications from us as to form, fit and function. This resulted in the identification of 13 utilities or agents.

CORRECTIVE ACTION:

The following steps have been taken, or are in process, for the purpose of correcting the conditions identified in your report and from our further investigative action:

- 1) All utilities and their agents that have previously received certifications from NSSS, Inc. stating material to be exact in form, fit and function, were sent a letter clarifying the basis of such statements. This letter was sent out between August 12, 1988 and August 22, 1988.
- 2) Four purchase orders were cited in your report as non-conforming. Letters were sent to the utilities which were affected by these orders, notifying them of the NRC's concern. Original notification took place in a letter dated August 22, 1988. A follow-up letter was sent to them on August 24, 1989 indicating that we were in receipt of your report and stating the specific comments made applicable to their orders.
- 3) Your report noted that for one purchase order, the certifications and material specs for the item were not available for review. These documents have been received and are now on file.
- 4) For all utilities identified during the NRC inspection and those identified by our own investigative review, as having been supplied with materials from NSSS, Inc. on purchase orders imposing both 10CFR50, Appendix B, and 10CFR21, a letter was sent. This letter, dated September 25, 1989, had an attachment which listed the purchase order numbers of all sales supplied by us to that facility with those requirements.

PREVENTION OF RECURRENCE:

Based on the results of the above referenced investigation and the identified cause, the following measures have been taken or are in process for the purpose of preventing recurrence:

- 1) A meeting has been held with all NSSS, Inc. personnel to discuss the NRC report and specifically our position regarding the sale and certification of items and equipment sold to the nuclear industry. Training has begun to additionally instill within each employee both the capabilities and limitations of our quality program. This education process will continue to be reinforced periodically.

- 2) A revision of our Nuclear Quality Program is underway to clarify our capabilities and limitations regarding orders received for safety-related items. Our limited scope will be addressed to avoid any misinterpretations as to the types of orders that can be accepted and the extent that we can certify our services.

The revised program will clearly state that purchase orders imposing the requirements of 10CFR50, Appendix B, and 10CFR21 can be accepted only if:

- a) documentation is available from the original manufacturer, or
- b) recertifications are obtained from the manufacturer, or,
- c) certifications are obtained from a testing facility approved by the utility.

Certifications issued by NSSS, Inc. on orders for safety-related materials will state "...not being supplied and certified as nuclear safety-related."

The revision to the Nuclear Quality Assurance Program is currently in process and scheduled for completion by October 31, 1989. However, to expedite corrective measures, a management directive has been issued by the President of NSSS, Inc., effective immediately, addressing the acceptance of safety-related purchase orders and the limitations and wording of certifications issued.

IN CLOSING:

Our company has indeed learned alot over the course of the past five years, but it did not happen overnight. Our knowledge of the codes and regulations governing the industry has been obtained through a multitude of sources. A key source has been the comments and suggestions of the NRC staff which has helped clarify and enhance our quality program.

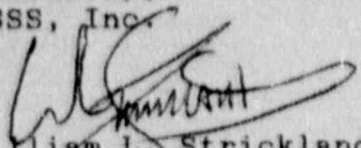
Thus, the policies which we have established applicable to the quality function within our business, coupled with the implementing procedures, has progressed from its initial embryonic stage to its current level of maturity. We welcome any additional comments or suggestions you may have to add to the improvement of our quality assurance program.

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Should you have any questions concerning this response, we will be pleased to discuss it further with you.

Sincerely,
NSSS, Inc.



William L. Strickland
President