

U.S. NUCLEAR REGULATORY COMMISSION  
OFFICE OF INSPECTION AND ENFORCEMENT  
REGION IV

Report No. 99900719/80-01

Program No. 51300

Company: Coast Industrial Supply Company Inc.  
15959 Puima Avenue  
Cerritos, California 90701

Inspection Conducted: August 4 & 7, 1980

Inspector:

Wm. D. Kelley  
Wm. D. Kelley, Contractor Inspector  
Components Section I  
Vendor Inspection Branch

Sept 25, 1980  
Date

Approved by:

D. E. Whitesell  
D. E. Whitesell, Chief  
Components Section I  
Vendor Inspection Branch

09/25/80  
Date

Summary

Inspection on August 4 and 7, 1980, (99900719/80-01)

Areas Inspected: Implementation of 10 CFR 50, Appendix B and applicable codes and standards including, quality assurance program review, procurement document control, reported QA program deficiencies, and conducted an initial management meeting and an exit interview. The inspection involved eleven (11) inspector-hours on site by one (1) NRC inspector.

Results: In the three (3) areas inspected, no deviations, or unresolved items were identified.

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DETAILS SECTIONA. Persons ContactedCoast Industrial Supply Company Inc. (CISCO)

- \*A. Dasaro - Vice President
- \*D. Haselman - Quality Control Manager
- \*T. Prochnow - Sales
- \*R. D. Schult - Vice President-Production

\*Denotes those persons who attended the Exit Interview.

B. Initial Management Meeting1. Objectives

The objectives of this meeting were to accomplish the following:

- a. To meet with the CISCO management and those persons responsible for the administration of the customer accepted Quality Assurance program, and to establish channels of communication.
- b. To determine the extent of the company's involvement in the commercial nuclear business.
- c. To explain NRC direct inspection program including the LCVIP organization, VIB inspection method and documentation.
- d. To describe the NRC evaluation of the ASME inspection system.

2. Method of Accomplishment

The preceding objectives were accomplished by a meeting on August 7, 1980. The following is a summary of the meeting:

- a. Attendees were:
  - A. Dasaro - Vice President
  - D. Haselman - Quality Control Manager
  - T. Prochnow - Sales
  - R. D. Schult - Vice President Production
- b. The VIB organization was described and its relationship to NRC Region IV and the NRC Headquarters component of the Office of Inspection and Enforcement.

- c. The LCVIP function was described including the reasons for its establishment, its objectives, its implementation structure, and the more significant program changes.
- d. The conduct of VIB inspections was described and how the inspections results are documented and reported, and what the responses to reports, should include. How proprietary information is handled, the Public Document Room, and the White Book were also explained.
- e. The purpose, scope, and status of the NRC's two year program to evaluate the ASME inspection system as an acceptable independent third party was discussed.
- f. The company's contribution to the nuclear industry was discussed including current and projected activities, the status of the ASME certification of authorization, and the third party inspection services.

### 3. Results

Management acknowledged the NRC presentation as being understood by them, and provided the inspector with the following information concerning the company's activities and products.

- a. In May of 1979, CISCO was purchased by Stanco Industries, Inc. and moved from its former location at 4494 E 49th street, Los Angeles, California, to its present location at 15959 Puima Avenue, Cerritos, California, the move started in January 1980, and was completed in March 1980.
- b. CISCO does not hold ASME Certificates of Authorization or a Quality System Certificate.
- c. CISCO manufactures bolts, studs, and O-ring gaskets in accordance with the requirements of their customer purchase specifications.
- d. CISCO purchases stock metallic materials from various material manufacturers and material suppliers as defined in Section III, Article NCA 3812 and NCA 3813, and converts such material into components, i.e., nuts, bolts, studs and O-ring gaskets. When required by purchase specifications, they subcontract heat treatment, destructive testing such as impact and/or physical properties, nondestructive testing, and chemical analysis when required to verify conformance to material specifications.

- e. CISCO informed the inspector that they are getting out of the nuclear business, and will not bid on nuclear work in the future.

C. Quality Assurance Program Review

1. Objectives

The objectives of this area of the special inspection were to ascertain whether the QA Program developed by CISCO is documented in a Quality Assurance Manual, and measures have been provided for controlling quality activities, in a manner consistent with NRC rules and regulations and contract commitments. Also to ascertain whether the program provides the following:

- a. Management's policy statements concerning QA.
- b. Delineates how the QA organization is structured, to achieve appropriate independence from scheduling and costs, the freedom and independence to identify quality problems, initiate appropriate resolutions, and verify corrective action.
- c. Whether the duties and authority of the QA staff is clearly delineated in writing, and that they have access to a level of management that can ensure effective implementation of the QA program elements, and to enforce positive and timely corrective action.
- d. Detailed written procedures are properly reviewed, approved, released, and issued to control quality activities, as appropriate.
- e. A training and indoctrination program to improve or maintain the proficiency of personnel performing quality activities, and personnel verifying that quality activities have been correctly performed.

2. Method of Accomplishment

The preceding objectives were accomplished by:

- a. Review of CISCO's Quality Control Manual (QCM), Revision C, dated September 29, 1978.

- b. Review of appropriate organization charts contained in the manual.
- c. Review of documents concerning the authority, duties, independence and freedom of the Quality Assurance staff.
- d. Review of Statement Responsibility and Authority, in the Quality Control Manual.
- e. Review of documents to verify that they had been reviewed and approved by authorized personnel.
- f. Interviews with cognizant personnel.

### 3. Findings

The evidence demonstrates that the QA program has been documented in writing and defines the duties, authority, and organizational independence and freedom, of the QA staff. The QA staff has access to a level of management to ensure effective implementation of the program and timely and positive corrective action of enforcement items. The quality assurance program had been approved by the customers.

Within this area of the special inspection no deviations or unresolved items were identified.

### D. Procurement Document Control

#### 1. Objectives

The objectives of this area of the special inspection were to verify that:

- a. Procedures had been prepared and approved which prescribes a system for procurement document control, which is consistent with NRC rules and regulations, and the vendor's contract commitments.
- b. Also to verify that procurement document control requirements are being properly implemented by the vendor.

#### 2. Method of Accomplishment

The objectives of this area of the inspection were accomplished by:

- a. Review of Section III of the QCM to verify that the vendor had established procedures which prescribes a system for procurement document control.

## b. Review of the following documents:

- (1) Customer's procurement documents P. O. No. 49689 dated July 17, 1978.
- (2) Technical documents and CISCO's purchase requisition and purchase orders,

to verify that the procurement procedures are being properly implemented, interface control of procurement documents properly performed in accordance with requirements, and procurement documents are reviewed to ensure compliance with the QC program commitments.

- c. Reviewed the purchase documents listed in paragraph b. above to verify that the scope of work to be performed is identified, the technical requirements are specified, test and inspection criteria are identified, special instructions and requirements identified, and procurement documents are reviewed prior to release for bid and/or contract award.
- d. Interviews with personnel to verify that they are knowledgeable in the procedures applicable to procurement document control.

3. Findings

- a. The inspector verified that Section III, of the QCM, prescribes a system of checks and balances for controlling the purchase documents for goods and services, which is consistent with the NRC regulations and CISCO's contract commitments.
- b. The documents reviewed supports a finding that the requirements of the QCM are being followed.
- c. In this area of the special inspection, no deviations or unresolved items were noted.

E. Reported QA Program Deficiencies1. Background

On September 6, 1979, a licensee phoned NRC III, to report that bolts, with diameters larger than one-inch, supplied by Coast Industrial Supply Company, Inc. (CISCO), of Los Angeles, California, to Midland

Nuclear Facilities 1 and 2, may not have adequate documentation to verify that the bolting materials comply with Section III of the ASME Code.

This problem was initially identified by Bechtel during their audit of CISCO in June, 1979. During a routine NRC inspection of Bechtel's Power Division, the inspection plan included the development of additional information concerning this matter. The results of this inspection is detailed in VIB Report No. 99900522/80-01. However, the information concerning the vendor's corrective action and actions initiated to prevent recurrence were not available in the Bechtel office, and a special inspection of CISCO's QA program, to develop information to the extent possible concerning the disposition these problems was initiated.

## 2. Objectives

The objectives of the inspection were to ascertain the following:

- a. Whether the Bechtel audit findings might have generic impact, or contract oriented;
- b. The corrective action implemented to verify the acceptability of the bolting material;
- c. The action initiated to prevent recurrence; and
- d. The generic impact of the reported noncompliance material.

## 3. Method of Accomplishment

The foregoing objectives were achieved as follows:

- a. Review of the Bechtel's Audit Finding Reports (AFR) No. 1 through 6, dated June 21, 1979, concerning a breakdown in the QA Program which may have resulted in procurement of material which may not be code acceptable.
- b. Review of Bechtel's "Report of Audit Material Manufacturer's and Material Supplier's Quality System Program No. PSQ-306M," of CISCO, conducted by Bechtel's auditor on April 24, 1978. It was noted that the audit scope and summary indicated "S" (satisfactory) on fifteen (15) items, with one item listed as N/A. It was also noted that CISCO was identified as a material manufacturer, which does not appear to be germane with its activities.

- c. Review of Bechtel's Order No. 7220F32424Q dated November 22, 1978, a field material requisition for bolts over one (1) inch diameter. It specified that the "Supplier shall certify with ASME Section III, NF2000. Purchased from a Bechtel approved supplier, for a non NA 8000 application."
- d. Review of a Bechtel inter-office memorandum to distribution dated June 28, 1979, Subject: NCA-3800 Audit of Cost Industrial Supply Company (CISCO), Vernon, California, reporting the scope and results of a meeting between Bechtel and CISCO on June 27, 1979, to discuss the QA Program deficiencies noted during Bechtel's audit concluded June 21, 1979, and to resolve appropriate corrective action.
- e. Review of the Purchase Orders from CISCO's other nuclear customers, ordering bolts in sizes of one (1) inch and larger in diameter as follows:
- (1) Associated Piping and Engineering Corporation - P. O. No. 49689 dated July 17, 1978; and 50522, dated November 17, 1978, Section III, Class 2 (S-76 addenda).
  - (2) Bingham Willamette, P. O. No. 1-52073, dated November 15, 1978, Section III, Class 3 (W-74, addenda).
  - (3) Nuclear Valve Division, P. O. No. 15335, dated February 2, 8, 1978, Section III, Class 3 (W-74, addenda).
  - (4) Wright-Schuhart and Harbour, P. O. No. 215-10783Q, dated September 6, 1978, Section III, Class 2.
- f. Review of Bechtel's interoffice memorandum.
- Subject: Problem Investigation Report No. 161A, CISCO bolting (SQUAR 79-7), dated March 11, 1980. The memo identified five (5) Bechtel nuclear jobs and reported that no bolting material greater than one (1) inch in diameter had been purchased from CISCO, also stating that all projects had been notified, investigation made, and CISCO customer's contacted where necessary, and recommending Investigation Report 161A to be closed.
- g. Review of letter from Associated Pipe to CISCO dated August 17, 1979, in response to letter from CISCO relating to the material problem and advising CISCO that the material supplied them by CISCO was evaluated and found acceptable. Letters from three (3) other customers to CISCO all stating the bolting materials supplied them was verified to be acceptable.



- h. Review of the Section III, Subsection NCA, Article NCA 1221.1, and ASME Code Cases N242-79 and N242.1-80, to ascertain the code allowable alternate method for verifying the acceptability for code items of material not certified in accordance with NCA 3867.4.
- i. Discussions with CISCO cognizant personnel and responsible management.

#### 4. Findings

- a. It appears that the breakdown in CISCO's QA program, identified by Bechtel's audit of June 21, 1979, was satisfactorily resolved during the management meeting of CISCO and Bechtel held in Vernon, California on June 27, 1979.
- b. No deviations or unresolved items were identified.

#### 5. Generic Impact

From the documents reviewed, it was determined that CISCO did submit a written notification of the problem. The letter was dated August 31, 1979, but was inadvertently sent to the Region V, Public Affairs Office. The inspector was informed that the notification was mailed at the request of Bechtel. In the documents reviewed, there was no evidence that 10 CFR 21 had been invoked on CISCO by its nuclear customer's contracts.

It was also verified that CISCO had notified other nuclear customers concerning the documentation of its bolting material, and had received responses from some of them that the documentation of the bolting material furnished them had been found acceptable.

#### F. Exit Interview

At the conclusion of the inspection on August 7, 1980, the inspector met with the company's management, identified in paragraph A, for the purpose of informing them as to the results of the inspection. During this meeting management was informed no deviations or unresolved items were identified.

The company's management acknowledged the inspector's statement and had no additional comments.