

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF NEW JERSEY

UNITED STATES OF AMERICA,
Petitioner,
v.
MEREDITH CORPORATION,
Hillside, New Jersey,
Respondent.

DECLARATION OF E. WILLIAM BRACH

I, E. William Brach, do hereby declare that the following is true and correct to the best of my ability under penalty of perjury:

1. I make the following statements from my own personal knowledge or from knowledge received in my official capacity and relied upon by me in the ordinary course of my duties.

2. I am the Chief of the Vendor Inspection Branch (VIB) at the U.S. Nuclear Regulatory Commission ("NRC" or "Commission"). As Chief of the Vendor Inspection Branch, I am responsible for developing and directing the inspection program for materials, components, and services supplied to the commercial nuclear power industry by architect engineers, constructors, independent inspection agencies, nuclear steam system suppliers, and other companies. The primary purpose of the program is to assess the adequacy of licensee procurement programs and

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interfaces with vendors through direct NRC inspection of vendors. Inspections are based on information from a variety of sources including, but not limited to, reactor event reports, vendor reports of defects, reports from NRC regional offices, allegations from members of the public, media reports, and issues identified by the NRC through its inspection programs at other licensed facilities. The NRC's vendor inspection staff performed 92 separate inspections in fiscal year 1988.

3. Section 21.41 of 10 CFR Part 21 requires that each entity subject to Part 21 permit authorized representatives of the NRC to inspect its records, premises, activities, and basic components as necessary to effectuate the purposes of Part 21. Meredith Corporation, Pressure Vessel Nuclear (PVN) of 460 Hillside Avenue, Hillside, New Jersey, supplies material (e.g., castings, forgings, plate fittings, pipe, fasteners) to nuclear industry customers for use in safety-related applications. These materials are "basic components" of a facility or activity licensed under the Atomic Energy Act, as defined in Section 206 of the Energy Reorganization Act, 42 U.S.C. 5846, and 10 CFR 21.3. Therefore, PVN is subject to the regulations of 10 CFR Part 21. To establish that PVN has complied with the requirements of Part 21, the NRC inspectors are required to be provided access to PVN's records and facilities. Compliance is established by reviewing purchase order documentation to determine whether PVN has detected and adequately evaluated all deviations or that PVN has notified customers or the NRC of deviations they could not

evaluate. Deviations are defined in section 21.3 as a departure from the technical requirements included in a procurement document. The inspection provides the NRC an independent assessment of whether PVN is adequately identifying and evaluating deviations. In order to facilitate the review, PVN must also have someone available to assist in retrieving and explaining records, although the assigned person need not be any of the PVN parties under indictment.

4. We are aware, based on previous inspections, that PVN is known to maintain and file records relevant to material supplied to nuclear industry customers by year received. PVN's internal procedures require that nuclear industry purchase orders be identified with a red dot placed on the folder. However, due to discrepancies identified during past inspections, the NRC inspectors would need access to all purchase orders to accurately identify those that pertain to nuclear industry customers. Purchase orders for customers other than nuclear industry customers, e.g., military customers, would not be examined beyond the point of establishing that the sale was not to a nuclear industry customer. Upon determining that a purchase order was for a nuclear industry customer, the NRC inspectors would review all documentation pertinent to that order, e.g., incoming purchase order, internal material control documentation, PVN's records for purchasing the material, associated certified material test reports (CMTRs), associated certificates of conformance, approved vendor lists, audit reports for suppliers to PVN, and

nondestructive and destructive test reports. The NRC is not in possession of the information it seeks to obtain in this inspection.

5. The NRC needs access to PVN's facilities and records described in paragraph 4 at this time because information provided in the May 4, 1989 indictment by the Department of Justice brings into question the validity of certifications provided for material sold to nuclear industry customers. The indictment alleged that PVN had substituted commercial grade steel for military grade steel in contracts involving the supply of steel to the U.S. Navy, and that Meredith had prepared and submitted fraudulent certifications covering those transactions. The indictment also alleges that this conduct has occurred over the last five years. PVN supplies nuclear industry customers with products similar to those supplied to military contractors and nuclear industry customers depend on certifications of the quality of the material similar to those which PVN is alleged to have fraudulently provided to military contractors. Accordingly, there is reason to suspect that inferior grade steel and fraudulent certifications similar to those allegedly provided to military contractors may also have been provided to nuclear industry customers for a comparable period of time. Therefore, in order to carry out the NRC's mandate to protect public health and safety, the NRC must be able to verify the validity of material certifications provided to nuclear industry customers.

6. If substandard materials and improper certifications of material have been supplied to nuclear industry customers, it may adversely affect the integrity of the reactor coolant pressure boundary, the capability to shut down the reactor and maintain it in a safe shutdown condition, or the capability to prevent or mitigate the consequences of an accident on the part of the nuclear power plants operated by nuclear industry customers.

Further Declarant sayeth naught.


E. WILLIAM BRACH

Executed this 10th day of July, 1989
at Rockville, Maryland.