

ORGANIZATION: DIVESCO INCORPORATED
JACKSON, MISSISSIPPI

REPORT NO.: 99901117/90-01	INSPECTION DATES: April 2-6, 1990	INSPECTION ON-SITE HOURS: 54
CORRESPONDENCE ADDRESS: DIVESCO, Incorporated A Subsidiary of Westland International Corp. ATTN: Mr. W. L. Strickland, President 5000 U.S. Highway 80 East Jackson, Mississippi 39208		
ORGANIZATIONAL CONTACT: Ms. Susan Kay Fisher, Vice President and QA Manager TELEPHONE NUMBER: (601) 932-1934		
NUCLEAR INDUSTRY ACTIVITY: DIVESCO, Inc., (formerly NSSS, Inc.) has supplied nuclear plant components and equipment as safety-related items and as commercial grade items to various nuclear utilities, and currently supplies commercial grade items, handled and stored under a 10 CFR Part 50 Appendix B QA program. DIVESCO obtains its stock primarily from surplus material from cancelled nuclear plants.		
ASSIGNED INSPECTOR: <u>S. D. Alexander</u> <u>5/25/90</u> S. D. Alexander, Reactive Inspection Section No. 2 Date (RIS-2)		
OTHER INSPECTOR(S): R. N. Moist, RIS-2		
APPROVED BY: <u>U. Potapovs</u> <u>5-25-90</u> U. Potapovs, Chief, RIS-2, Vendor Inspection Branch Date		
INSPECTION BASES AND SCOPE: A. <u>BASES</u> : 10 CFR Part 21 and 10 CFR Part 50, Appendix B B. <u>SCOPE</u> : Follow-up on corrective actions for the nonconformance from the previous inspection, evaluation of quality assurance (QA) program implementation in selected areas, and follow-up on an allegation.		
PLANT SITE APPLICABILITY: Haddam Neck (50-213), Nine Mile Point 2 (50-410), Hope Creek 1 and 2 (50-354/355), Beaver Valley 2 (50-412), Davis-Besse (50-346), River Bend (50-458), Clinton (50-461), Peach Bottom 1 and 2 (50-277/278), Duane Arnold (50-331), WNP-2 (50-397), and Quad Cities 1 and 2 (50-254/265)		

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A. VIOLATIONS:

None

B. NONCONFORMANCES:

None

C. UNRESOLVED ITEMS:

None

D. STATUS OF PREVIOUS INSPECTION FINDINGS:

1. (Closed) Nonconformance 99901117/88-01, Item B.1: Contrary to Criterion IV of Appendix B to 10 CFR Part 50, DIVESCO, Inc. (NSSS, Inc. at the time) had not established measures to assure that applicable regulatory requirements, design bases and other requirements necessary to assure adequate quality were suitably included or referenced in procurement documents for material later supplied to nuclear utilities as safety-related.

During this inspection, the NRC inspectors reviewed the corrective actions taken by DIVESCO that were committed to in their response letter to inspection report 99901117/89-01 and found them to be acceptable.

E. OTHER FINDINGS AND COMMENTS

1. The inspectors noted that DIVESCO's purchase and resale of American Society of Mechanical Engineers (ASME) Code Section III and XI material without being an ASME N Stamp holder or Quality Systems Certificate (QSC) holder as well as the purchase of such material from DIVESCO by nuclear utilities may not be consistent with the requirements of the ASME code. DIVESCO contended that because they make no representations as to quality or suitability of the material, but merely establish traceability and pass on the manufacturers certifications and store and maintain the material while in their possession in accordance with a 10 CFR Part 50 Appendix B quality assurance (QA) program, that they meet the intent of the ASME code. This issue will be subject to further review by the NRC.
2. During this inspection, the NRC inspectors reviewed the circumstances surrounding alleged sales by DIVESCO of safety-related

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valves [GE boiling water reactor (BWR) master parts list (MPL) numbers F42-F002 and F004] and refueling bridge winches (F11-E017) obtained as surplus from the Tennessee Valley Authority's (TVA's) cancelled Hartsville plant and other sources with inappropriate QA documents.

This allegation was not substantiated on the basis of information obtained at DIVESCO. The NRC inspectors verified that DIVESCO had obtained QA documentation directly from the valve manufacturer, Anchor Darling, for the eight 24-inch, 75-pound stainless steel gate valves DIVESCO had bought at the Hartsville site. Records indicated that the appropriate documentation package was provided to Tai Power along with its corresponding valve. The inspectors reviewed the other documentation packages obtained from Anchor Darling in conjunction with visual examination of the seven remaining valves. No discrepancies were noted.

With respect to the alleged sale of a Programmable and Remote (PAR) Systems refueling bridge winch to Commonwealth Edison Company's (CECo's) LaSalle County Station, records obtained at DIVESCO indicated that such equipment would have been part of a consignment to DIVESCO of material from Public Service of Oklahoma's (PSO's) cancelled Black Fox plant. According to DIVESCO, two such winches were held by them, but they were not sold. Instead, DIVESCO stated that both winches were among the equipment returned to the consignor. It was alleged that another PAR winch that was not part of the Black Fox consignment may have been sold by DIVESCO with QA documentation from the winches that had been returned to the consignor.

DIVESCO agreed that no QA documentation was included with the two winches they say they returned to the consignor, but maintained that the winches had no identifiable documentation with them when received by DIVESCO. Although the disposition of both PAR winches could not be verified at DIVESCO, NRC review of DIVESCO sales records showed three sales of parts to LaSalle, but none of these were PAR winches. In the review by the NRC inspectors of other equipment sales by DIVESCO to nuclear utilities, no other sales of PAR winches were identified and no evidence of falsification or improper substitution of QA documentation was identified. Subsequent to the inspection, the NRC inspector confirmed DIVESCO's LaSalle sales information with the LaSalle procurement staff.

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3. QA Program Review

In the course of evaluating selected portions of DIVESCO's QA program, the following QA policy documents were reviewed:

- * QAP 1.0 Organization
- * QAP 8.0 Identification and Control of Materials, Parts, and Components
- * QAP 13.0 Handling, Storage, and Shipping
- * QAP 15.0 Nonconforming Materials, Parts & Components
- * QAP 17.0 Quality Assurance Records

The following QA implementing procedures were also reviewed:

- * QAPR 4.0 Receipt Inspection
- * QAPR 5.0 Monitoring of Material Control and Storage
- * QAPR 6.0 Equipment Packaging and Shipping
- * QAPR 7.0 Equipment Maintenance
- * QAPR 9.0 Storage and Control of Nuclear Components and Assemblies
- * QAPR 10.0 Part 21 Evaluation and Notification

On the basis of the inspectors review, the above policies and implementing procedures appeared adequate for their purposes with the exception of QAPR 7.0 discussed below.

The QA program review also included DIVESCO's Quality Assurance Policy Manual (QAPM), Revision 3, dated October 31, 1989 and Quality Assurance Procedures Manual (QAPRM), Revision 4, dated October 31, 1989. The changes to both QAPM and QAPRM since the last revision clarified and defined in more detail the responsibilities and implementation of the QA program. The following concerns were identified by the inspectors during this review:

- * The Statement of Policy (SOP) of the QAPM was ambiguous with respect to acceptance of safety-related orders, but supplying commercial grade material only.
- * Criterion IV, "Procurement Document Control," and Criterion VII, "Control of Purchased Material, Equipment, and Services," of Appendix B to 10 CFR Part 50 had been erroneously considered inapplicable to DIVESCO's scope of operations and were removed from DIVESCO's QAPM as a result of a licensee audit finding and recommendation.
- * A deviation from the prescribed storage maintenance procedure was authorized by an internal memorandum, but had not been incorporated in a QAPRM.

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The SOP of the QAPM indicated that purchase orders (POs) from nuclear utilities imposing 10 CFR Part 21 and 10 CFR Part 50 Appendix B would be accepted by DIVESCO only for equipment for which (1) documentation was available from the original manufacturer, or (2) recertifications were obtained from the manufacturer or (3) certifications were obtained from a testing facility approved by the utility. In another paragraph of the SOP, DIVESCO stated that because they are neither the manufacturer nor the original purchaser of nuclear components they cannot certify that the components are "safety-related." The inspectors pointed out that accepting orders which imposed 10 CFR Part 21 and 10 CFR Part 50 Appendix B in fact constituted their acceptance of safety-related orders. Accordingly, DIVESCO agreed to clarify the SOP.

Criterion IV of 10 CFR Part 50 to Appendix B "Procurement Document Control" and Criterion VII "Control of Purchased Material, Equipment, and Services" were deleted from QAPM and QAPRM. Some procurements made by DIVESCO are from suppliers other than those selling surplus material from cancelled plants on an as-is basis. One such procurement was reviewed during this inspection in which DIVESCO's customer invoked 10 CFR Part 21 and imposed 10 CFR Part 50 Appendix B QA requirements in its PO for material DIVESCO obtained from another supplier. It appeared that this procurement was handled properly.

DIVESCO also sends some components back to original manufacturers for recertification. Therefore, the inspectors pointed out to DIVESCO that since nuclear-specific requirements for material intended for safety-related applications imposed on them by their customers must be passed on to these suppliers of safety-related services (who must also have the appropriate, audited, and approved QA and 10 CFR Part 21 programs), these activities should be addressed in their formal QA program, even though DIVESCO is only a warehousing activity without the capability to perform complete dedication.

In addition, DIVESCO stated their plans to expand their business routinely to include such orders from other vendors who would drop-ship the material (some of which could be safety-related) directly to the utilities, and possibly to act as a distributor for at least one manufacturer. On the basis of this information, the inspectors concluded that these two criteria needed to be reincorporated in the QAPM and QAPRM to cover DIVESCO's expanded scope of operations to the extent of their activities affecting quality.

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The deviation from maintenance procedures was identified during review of Public Service Electric and Gas Company's (PSE&G's) Nonconformance Report (NCR) number Q2-284899 which had been written by a PSE&G inspector during a source surveillance at DIVESCO. The NCR indicated that two Anchor Darling gate valves being bought for the Hope Creek station had surface rust inside the nozzle outlet and inlet due to the valves' not being stored with end caps and dessicant. The NCR also indicated that the ZEP-Preserve rust inhibitor used by DIVESCO was not approved by PSE&G for nuclear applications. Attachment B to DIVESCO QAPR 7.0, Revision 2, dated October 31, 1989, "Equipment Maintenance," under "Listing of Maintenance Activities for Manual Inspection," shows inspection attributes which include checking components for covers or seals, installing dessicant and humidity indicators and inspecting valve stems and packing areas for corrosion. DIVESCO showed the inspectors an internal memo, dated March 9, 1988, which authorized the deviation from DIVESCO's procedures for maintenance and storage of nuclear valves. The memo stated that the preservation measures for short-term storage recommended by valve manufacturers were not adequate to meet the long-term storage requirements of a high-humidity area. DIVESCO argued that it was their considerable experience that leaving the valve in an unsealed condition enhanced the air flow and allowed for evaporation. The memo that authorized deviation from QAPR 7.0. was not intended to be a one-time deviation; therefore, DIVESCO agreed that QAPR 7.0 should be consistent with DIVESCO's policy and practice for storage and maintenance as reflected in the DIVESCO memo. However, the inspectors pointed out that in view of the rust found by the PSE&G inspector (which DIVESCO contended was only light "surface" rust), DIVESCO should reevaluate the effectiveness of their practice and consider the possibility that either better inhibitors, fresh and/or different dessicants and tighter sealing might be more effective and also be consistent with manufacturers' recommendations.

4. QA Program Implementation Review

The inspectors reviewed NCRs 14, 18, 35, 50, and 79 selected at random from DIVESCO's NCR log. These NCRs were written during receipt inspections. Three of the five NCRs were still open. The inspector reviewed the disposition of all five NCRs and verified that the dispositions were adequate. Final disposition of the three open NCRs is to be completed prior to shipment. DIVESCO stated that, in most cases, open NCR deficiencies are verbally communicated to their customers when they place an order.

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The inspectors reviewed DIVESCO invoices 1380A, 1380B, 1325, and 1512 and the associated QA records including material receiving reports (MRRs), audit surveys, shipping records and maintenance records. The records reviewed were found to be in accordance with DIVESCO policies and procedures.

The inspectors toured both DIVESCO warehouses noting that house-keeping, storage, material and location identification on items selected to check were satisfactory. Two Borg-Warner 12-inch, 300-lb, stainless steel gate valves, serial numbers 62944 and 62943, were examined and the inspectors noted several marking irregularities. The date of manufacture on the nameplates of both valves appeared to have been ~~been~~ changed from "1980" to read "1985." Also the "6" on the marking "PNO 82565" appeared to have been struck-over on the stainless steel body of one of the valves. And finally, the "3" on the PO number, 9773107, on the nameplate of valve serial number 62943 appeared to be changed from a 5. However, none of these discrepancies had been identified on the MRR for these valves. DIVESCO agreed to define receipt inspection and documentation requirements more clearly in the procedures and on forms, and to pursue satisfactory resolution of the identified marking discrepancies with Borg-Warner.

5. In verifying corrective actions by DIVESCO since the last NRC inspection, the inspectors reviewed the records of all sales of safety-related material identified by DIVESCO through September 1989 that were not already reviewed by the NRC as follows:

<u>Purchaser</u>	<u>Purchase Order</u>	<u>Invoice</u>	<u>Plant</u>
Baldwin Assoc	C53996	B11225-2	Clinton
Illinois Power	X32969	1035	Clinton
Illinois Power	X34974	1061	Clinton
Illinois Power	X36014	1064	Clinton
Illinois Power	X39725	1103	Clinton
Illinois Power	X39726	1111	Clinton
Illinois Power	502247	1196	Clinton
Illinois Power	510248	1316	Clinton
Illinois Power	510892	1325	Clinton
WPPSS	094954	1333	WNP-2
Baldwin Assoc	C54327	B12265-1	Clinton
Iowa Electric	535633	1215	Dwayne Arnold
Illinois Power	X39134	1096	Clinton
PSE&G	P2-284898	1380A&B	Hope Creek
PECO	BW602574	1426	Peach Bottom

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The inspectors reviewed two letters that DIVESCO sent to their customers, dated August 12, 1988 and September 27, 1989 in which they addressed the problems identified by the NRC during the previous inspection. The files contained certified mail receipts for the mailings to the customers listed above and those identified in the previous NRC inspection report. The letters were intended to clarify DIVESCO's position that their certificates of conformance and compliance (COCs) were and are provided only as supporting documentation and are not to be used by the utility as the sole basis for dedicating the strictly commercial grade components supplied by DIVESCO. It was noted during the review of the associated orders that DIVESCO had procured some piece-parts from vendors who supplied documentation to the utility directly or in other instances, DIVESCO sent components to a vendor for recertification and shipping directly to the utility. The inspectors also verified that DIVESCO POs imposed the same requirements on the vendor as DIVESCO's customer requirements. In addition, the inspectors reviewed the only new safety-related PO that imposed 10 CFR Part 21 and Appendix B since September 1989. PO 330860, dated March 24, 1990 from Commonwealth Edison for Quad Cities ordered a 12-inch, 300-psi Anchor Darling gate valve. DIVESCO purchased the valve from Price Supply Company (PSC) who in turn shipped the valve to DIVESCO for final inspection and shipping to Quad Cities. It was noted that DIVESCO performed a source survey on PSC during 1988 and allowed PSC to use applicable procedures from DIVESCO's QAPM and QAPRM for the purposes of this sale.

In order to evaluate DIVESCO's practices in handling commercial grade orders (for material which could be used in safety-related applications), the inspectors also reviewed three utility POs that did not impose Part 21 or Appendix B for material obtained by DIVESCO from non-surplus vendors as follows: (a) a 3-inch, 600-psi Valtek control valve with air operator supplied by Control Valve Services to Clinton Nuclear plant under Illinois Power PO 526592, dated February 15, 1990, (b) a 10-inch V-Ball (rotary shaft) valve, Fisher Controls model V-100, shipped directly from Control Valve Services to Clinton Nuclear plant under Illinois Power PO 525506, Revision 1, dated January 23, 1990 (these valves were rebuilt), and (c) Agastat timing relays, model E7012AC002, 120VAC, (not manufactured between June 1981 and January 1982) shipped directly from PM sales to Fermi-2 under Detroit Edison PO NR-22174, dated October 10, 1989. Consistent with DIVESCO's stated policy, their processing of these orders included sufficient documentation to maintain traceability from

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at least DIVESCO's source of supply to the end user in order to facilitate establishment of traceability to the manufacturer (or refurbisher) should later dedication be undertaken. No deficiencies with respect to DIVESCO's handling of these orders were noted.

F. PERSONS CONTACTED:

W. Strickland, President
S. Fisher, Vice President and Quality Assurance Manager
T. Westbrook, Administrative Manager
W. Boggan, Quality Assurance Inspector and Warehouse Manager