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

January 11, 1991

MEMORANDUM FOR: Edward Baker III, Acting Chief  
Vendor Inspection Branch  
Division of Reactor Inspection  
and Safeguards, NRR

FROM: Gregory C. Cwalina, Chief  
Special Projects Section  
Vendor Inspection Branch, DRIS, NRR

SUBJECT: NUMARC PROCUREMENT INITIATIVE IMPLEMENTATION WORKSHOP

On January 8, 1991 I attended the afternoon session of the NUMARC Procurement Initiatives Workshop in Baltimore. Brian Grimes, Edward Baker and Uldis Potapovs also attended. The purpose of the workshop was to discuss implementation of the NUMARC initiatives in procurement. Over 100 industry representatives were in attendance. The NRC was invited to present the status of NRC activities in the procurement area, including development of the generic letter and the plans for assessing industry progress. Mr. Brian Grimes presented the NRC activities. Following Mr. Grimes' presentation there was a useful question and answer period.

In addition, the draft NRC plan for assessing industry progress in the procurement area was given to the meeting attendees. A copy of this plan is included as an Enclosure to this memorandum.

A handwritten signature in cursive script, appearing to read "Gregory C. Cwalina".

Gregory C. Cwalina, Chief  
Special Projects Section  
Vendor Inspection Branch, DRIS, NRR

Enclosure:  
As stated

cc: W. Russell  
B. Grimes  
U. Potapovs  
C. VanDenburgh

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Plan for NRC Assessment of  
Improvements in Licensee Procurement  
and Dedication Programs

I. REGIONAL COORDINATION

Input will be solicited from each Region on which sites are potential candidates for an assessment. The regions will be asked informally to identify potential candidates that show signs of improving procurement and dedication programs and sites whose programs are generally considered weak.

The Vendor Inspection Branch (VIB) will meet with regional management and regional team members prior to the assessment as part of the assessment preparation. VIB personnel may also brief resident inspectors as to the plan during counterpart meetings.

II. SITE SELECTION

After receiving the informal input on potential candidates from regional management, VIB will propose sites for the assessments and will coordinate the selections with NRR's Divisions of Reactor Projects. Final site selection will be the responsibility of NRR and Regional management and will reflect inspection impacts.

III. ASSESSMENTS

The NRC will perform approximately eight assessments beginning in the first calendar quarter of 1991. The assessment teams will be lead by a NRR senior team leader from VIB and will include headquarters and regional inspectors.

Each assessment will consist of one week of onsite activities. An entrance meeting will be held at the beginning of the week to familiarize licensee management with the purpose and objectives of the assessment. Emphasis will be placed on the fact that the intent of the assessment is to evaluate progress made by the licensee in reviewing, revising and improving their procurement and dedication programs in response to NRC generic communications and recent inspection findings as well as NUMARC initiatives. The licensee will be clearly informed that this is not an inspection to determine programmatic compliance to NRC regulations. Any specific hardware deficiencies identified during the assessment will be identified to the licensee and provided to the region for appropriate followup. Programmatic deficiencies will be identified and discussed during the exit interview and included in the assessment reports. The team will assess improvements made by the licensee in their procurement and dedication programs, including the extent of their implementation of the NUMARC initiative on dedication of commercial grade items for safety-related applications and an evaluation of the status of review and implementation of the NUMARC comprehensive procurement initiative.

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The conduct of the assessment will include a review by the team of the licensee's program as it existed in mid-1989 and earlier for comparison to the program in existence at the time of the assessment. This review should provide a basis on which the NRC can assess the changes/improvements made by the licensee during the pause in NRC programmatic inspections. Further, the assessment team will select a sample of late 1990-1991 procurements to review the licensee's implementation of the revised program. The assessment team will also review the licensee's plans and schedules for any additional program reviews, revisions or changes and will note their consistency with the commitments contained in the NUMARC initiatives.

The assessment will be conducted in accordance with the guidelines provided in the attachment.

Although the assessment is not intended to identify violations or deviations, an exit interview will be held to discuss the team's observations. Strengths and weaknesses will be discussed. NRR and Regional SES management are expected to attend the exit meetings.

An assessment report will be prepared which will be provided to the licensee and made part of the public record.

#### IV. TEAM MAKEUP

Each assessment team will consist of three or four members as follows:

- Team leader (VIB senior team leader)
- 1 or 2 team members from VIB
- 1 team member from the affected region

NRR and Regional SES management are expected to attend the exit meeting preparation and the exit meeting.

#### V. ASSESSMENT CONCLUSIONS

Following completion of the assessments, VIB will prepare a Commission Paper presenting the results of the assessments and recommendations as to future NRC actions. The Commission Paper will include a summary of the major findings of the assessments, including the identification of strengths and weaknesses found in licensee's programs. The paper will also address the status of implementation of the NUMARC initiatives.

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Attachment 1

## GUIDELINES FOR THE ASSESSMENT OF IMPROVEMENTS IN LICENSEE PROCUREMENT AND DEDICATION PROGRAMS

### PURPOSE

To provide guidance for the assessment of the efforts to improve licensee's programs for the procurement and dedication of commercial-grade items for safety-related applications in accordance with 10 CFR Part 50, Appendix B. Also to provide guidance to assess the status of nuclear power plant licensee's implementation of the Nuclear Utility Management and Resource Council's (NUMARC's) initiatives on procurement and commercial-grade dedication.

### OBJECTIVE

During the pause in NRC programmatic inspections of licensee's procurement and dedication programs, the NRC is monitoring the improvements licensees are making in those programs by conducting assessments of their programs and maintaining close interaction with the nuclear industry through participation in conferences, panels and meetings. The objective of the assessments is to determine the effectiveness of efforts undertaken by licensees to improve procurement and commercial-grade dedication programs. The staff has provided some of the elements of effective commercial-grade dedication programs in Generic Letter 89-02, "Actions to Improve the Detection of Counterfeit and Fraudulently Marketed Products." The NRC will also assess the extent of implementation of the NUMARC procurement initiatives.

### BACKGROUND

On August 24, 1990, the staff forwarded to the Commission a paper, "NUMARC Initiatives on Procurement" (SECY-90-304) which reported to the Commission the status of NUMARC's initiatives on general procurement practices. The paper included a summary of the NUMARC initiatives provided to the NRC. The paper also informed the Commission that the staff would conduct assessments at selected sites to review licensee's implementation of improved commercial-grade item dedication programs and to assess improvements made in the areas covered by the NUMARC initiatives. The results of these assessments are to be reported to the Commission in January 1992.

### GUIDANCE

The guidance provided applies to all assessment team members.

- A. Evaluate the efforts to improve licensee programs for procurement and commercial-grade dedication of items for use in safety-related applications. The basis on which to evaluate the licensee's program is 10 CFR Part 50, Appendix B and related licensee commitments. Also evaluate

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the status of implementation of the NUMARC initiative on commercial-grade dedication. The NUMARC initiative calls for licensees to meet the intent of the guidance provided in EPRI NP-5652, "Guideline for the Utilization of Commercial Grade Items in Nuclear Safety Related Applications (NCIG-07)." The NRC staff conditionally endorsed the EPRI guideline in GL 89-02.

1. Review the licensee's previous (mid-1989 and earlier) procurement and commercial-grade dedication program and compare to the existing program. Evaluate the improvements. If necessary, the team may review selected previous procurement packages for comparison to current packages being reviewed in step 2.
2. Review two procurement and dedication packages for commercial grade items completed by the licensee in late 1990 or 1991 in the electrical area and two in the mechanical area. The packages selected should differ in complexity.
3. Evaluate the extent to which the licensee's dedication program meets the requirements of 10 CFR Part 50, Appendix B (reference also EPRI NP-5652 as modified by NRC Generic Letter 89-02).
4. Determine if engineering and other technical personnel are involved in the procurement process including participating in vendor audits, the development of procurement specifications, and the development of receipt testing or inspection requirements. Specifically examine the extent to which critical characteristics are determined and factored into the procurement and acceptance process.
5. Determine if the licensee has established product acceptance methods (e.g., verification testing or audits) at the front end of the procurement process and factored them into the initial procurement requisitions and specifications. Determine whether verification testing requirements are properly included in the receipt process and appropriate personnel (engineers and/or technicians) are identified.
6. Determine how the licensee ensures product acceptability (through traceability or performance tests and/or inspections) for material which is not procured through normal supply channels. Determine if the licensee has developed a methodology for assuring an adequate basis for the acceptance of Certificates of Conformance.
7. If current licensee dedication activities identify shortcomings in specific vendor products or in program functions, determine if the licensee has reviewed previous procurements for the suitability of that equipment for safety-related applications.
8. Where actual deficiencies are identified, determine if the licensee has taken corrective action. If the deficiencies are identified by the assessment team, assure the NRC resident inspector is properly notified so that he or she may take appropriate action.

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9. Examine changes in staffing levels, training and other resources (including management involvement and commitment) applied to the procurement and commercial-grade dedication program since January 1990.
- B. Assess the status of the licensee's implementation of the NUMARC comprehensive procurement initiative.
1. Assess the status of the licensee's review and assessment of the improvements suggested by NUMARC as summarized in the enclosure to SECY-90-304. The initiative calls for licensee review to be complete by July 1, 1991 and implementation actions to be completed by July 1, 1992.
  2. Where possible, review the status of improvements to licensee programs made in response to the NUMARC initiatives in the following areas:
    - a. Vendor audits - Determine if the licensee has incorporated the use of performance based audits into the audit program.

Determine if the licensee is utilizing the guidance provide in EPRI NP-6630, "Guidelines For Performance Based Supplier Audits (NCIG-16)."

Determine if the licensee has an adequate basis for not using performance based audits (i.e. the use of other product verification methods) in their procurement process.
    - b. Tests and/or inspections - Determine if the licensee has included enhanced post-receipt verification testing or inspection to assure the quality and performance capability of purchased items.

Determine if the licensee is implementing the guidance provided in EPRI NP-6629, "Guidelines for the Procurement and Receipt of Items for Nuclear Power Plants (NCIG-15)" relative to tests and inspections in their post-receipt verification activities (appropriate sections of the EPRI guidelines are specified in the NUMARC initiatives summarized in SECY-90-304).
    - c. Obsolescence - Determine if the licensee is addressing the replacement of obsolete components.

Determine if obsolete items are replaced utilizing the surplus market and if the licensee ensures product quality through use of traceability to the original equipment manufacturer, or performance tests or inspections.

Determine if the licensee is utilizing the guidance contained in EPRI NP-6406, "Guideline for the Technical Evaluation of Replacement Items in Nuclear Power Plants (NCIG-11)" and EPRI

NP-5638, "Guidelines for Preparing Specifications in Nuclear Power Plants (NCIG-04)" in their technical evaluation and procurement process.

- d. Information exchange - Determine if the licensee is exchanging procurement information through joint audits or other information networks.

Determine if procurement information is exchanged within the utility organization and shared within the nuclear industry.

- e. General - Determine if the licensee is implementing the remaining aspects of the comprehensive procurement initiatives.

- C. Determine if changes made to the licensee's receipt inspection and testing program, commercial-grade dedication program, or other quality programs would increase the likelihood of detecting fraudulently marketed vendor products. Determine if the licensee has reviewed NRC Information Notices relating to substandard materials and taken appropriate actions (reference also Information Notice (IN) 89-70, "Possible Indications of Misrepresented Vendor Products" and IN 89-70, Supplement 1.

## REPORTS

The assessment results will be documented in an assessment report which will be provided to the licensee and made available to the public. The report will be prepared in the format of an inspection report (reference NRC Inspection Manual Chapter 0610) and will be dispatched by the appropriate projects division of NRR. Any enforcement items which may be identified during the assessment will be communicated to the appropriate regional office by separate correspondence.

## REFERENCES

10 CFR Part 50, Appendix B, "Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants"

Generic Letter 89-02, "Actions to Improve the Detection of Counterfeit and Fraudulently Marketed Products"

SECY-90-304, "NUMARC Initiatives on Procurement"

EPRI NP-5652, "Guideline for the Utilization of Commercial Grade Items in Nuclear Safety Related Applications (NCIG-07)"

EPRI NP-6630, "Guidelines For Performance Based Supplier Audits (NCIG-16)."

EPRI NP-6629, "Guidelines for the Procurement and Receipt of Items for Nuclear Power Plants (NCIG-15)"

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EPRI NP-6406, "Guideline for the Technical Evaluation of Replacement Items in Nuclear Power Plants (NCIG-11)"

EPRI NP-5638, "Guidelines for Preparing Specifications in Nuclear Power Plants (NCIG-04)"

NRC Information Notice No. 89-70, "Possible Indications of Misrepresented Vendor Products"



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