

**DuBose
National Energy Services, Inc.**

May 29, 1997

U S Nuclear Regulatory Commission
Vendor Inspection Section
Gregory Cwalina, Chief
Washington, DC 20555-0001

Subject: Inspection of January 21-24, 1997
Docket #99900861

Dear Sir;

During your inspection of January 21-24, 1997, four nonconforming areas were identified, DuBose is issuing this letter in response to these conditions. The current management has reviewed and endorsed these responses.

Non Conformance #97-01-01

Three documentation packages were identified as needing additional certification either from: a melting mill for source material, backup certification from approved subtier suppliers for heat treating/testing, or certification from an MO confirming where upgrade testing was performed.

DuBose Response

NRC Paragraph 1: During the inspection discussions were held regarding the acceptability of certification packages for material produced prior to the 1992 Edition 1994 Addenda of NCA 3800.

The make-up of documentation packages supplied by DNES was based upon ASME NCA 3867.4(b) which states:

"CERTIFICATION BY A MATERIAL MANUFACTURER. The Material Manufacturer, shall provide a CMTR when required in the appropriate Subsection. This certification affirms that the contents of the report are correct and accurate and that all test results and operations performed by the Material Manufacturer or his subcontractors are in compliance with the requirements of the material specification and the specific applicable material requirements of paragraphs of this section when designated by the purchaser. ALTERNATIVELY, the Material Manufacturer shall provide a Certified Test Report for operations he performed and at least one Certified Material Test Report from each of his subcontractors for operations they performed."

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TDSR-13 vendor Inspection
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In accordance with the above, supporting documentation not included as an identified attachment from the source material suppliers would have been verified during an audit to assure traceability to the original source.

Material supplied to San Onofre on PO 6N236016 was in accordance with ASME Code stated above, and is acceptable for use based upon **PCA 1140(e) 1995 Edition**, which states "Existing materials previously produced and certified in accordance with Code Editions and Addenda earlier than the one specified for construction of an item may be used, provided, all of the following requirements are satisfied." (#3 applies here).... "The material was produced under the provisions of a Quality System Program which had been accepted ..., in accordance with the requirements of the latest Section III Edition and Addenda issued at the time the material was produced."

NRC Report paragraph 2, In both situations noted in this section (Union Electric PO 094006 & CP&L PO 8M1717 CJ) documentation provided to us by our qualified suppliers did not include some of their subcontractors certifications. These supporting MTR's have been obtained and are being provided to the customers.

In addition DNES shall provide training to all current and new personnel on this topic and enhance the current procedures to provide instructions on what specific certifications should be included in each file.

DuBose has always attempted to provide materials and documentation in such a manner as to satisfy all customer, NRC, and Code requirements. Current materials purchased and supplied shall have all supporting documentation for manufacturing operations, tests, and examinations performed by source material suppliers, and approved subcontractors.

Non Conformance #97-01-02

Certifications for materials purchased did not conform to some specific requirements of the purchase document.

DuBose Response:

NRC Paragraph 1. As required by the DNES PO, the starting material supplier, for source material, was not identified on the CMTR from DuBose vendor.

This was an internal requirement placed upon vendors by DNES, the supplier was required to state the name of the source material producer on their CMTR, however this requirement has been removed

as of August 1995. The current Code now requires that this be done by including the source material **certification** as an identified attachment to the CMTR. Training is being given to all QA personnel on reviewing and accepting material test reports. This training is an ongoing process which we shall continue to improve in order to maintain all personnels proficiency with current requirements

NRC Paragraph 2. Material specification requirement (macro etch test) had not been performed on material received by DuBose.

All documentation received against the sited PO's has been reviewed for compliance with the specification requirements. In cases when macro etch was not provided DNES is having this test performed by a qualified lab prior to shipment. Due to the NRC comments, we are currently requesting interpretation or further clarification from ASTM concerning whether macro etch testing on finished products would be acceptable to satisfy the intent of the material specification requirement. Additionally we will ask what test could be performed in lieu of a marco etch test to assure internal soundness of the finished product.

Closer reviews of all documentation shall be performed to assure all specification requirements and any additional customer requirements have been performed on material.

NRC Paragraph 3. Material for dedication/upgrade was accepted without certification that the material had been provided under an accepted quality program.

All material supplied to DNES from "Commercial Grade" sources, who are audited for traceability only, are approved based upon their acceptable QA program being an integral part of their daily operations.

In the situation identified the vendors were approved for traceability only. All requirements of the material specification were verified by testing each piece of the material supplied, prior to shipping to our customer.

Due to changes requiring closer monitoring of commercial grade suppliers who have been accepted for traceability only, our purchase documents have been augmented to require that all suppliers on our AVL provide a statement assuring that the imposed program was in affect during the processing of orders.

Non Conformance #97-01-03

In some cases commercial grade items were procured from vendors

approved for traceability only and the DNES purchase document did not include a requirement that the material was to be furnished under a program accepted by DNES.

DuBose Response

The order identified by NRC, re: PO 11495-61, in the above non conformance was for one piece of material and tested for full compliance with the material specifications in accordance with our commercial grade procedures.

One piece of material was purchased on the above order, therefore imposing the traceability program on this vendor would not have affected the processing/testing of this material. However: due to the NRC comments, as discussed above, DNES has implemented internal changes that will impose audited programs on any vendor who has been accepted and placed on our AVL. This requirement will be in addition to those already in place for ASME and 10CFR50 Appendix B vendors.

Pe: PO 10649-68 This material was produced by a DNES audited manufacturer. When receiving inspection was performed at DNES facilities verification was performed that each piece was marked by that manufacturer and that all identifying markings including the heat number were present.

As discussed above all audited vendors shall be required to certify that items procured were processed in accordance with the accepted program.

Non Conformance #97-01-04

Vendor audits did not include sufficient documentation that areas included in the scope of the program had been evaluated. In addition the AVL scopes for some suppliers were inconsistent with the scope as stated on the audit report.

DuBose Response

NRC Paragraph (1) DuBose performs surveys/audits in accordance with NCA 3842.2 and the definitions in our QA Manual. In accordance with NCA 3842.2, a survey is performed initially and then supplemented with performance assessments or annual audits, which are composed of selected elements of the QA program.

We feel that some concerns noted by the NRC were partially due to the format of our audit checklist. To address this the audit cover sheet (Form D-46) has been augmented to include a section indicating whether testing/processing is performed by the vendor

or is a subcontracted service. The audit checklist shall be enhanced to make specific references to criteria that may be covered in other sections of the audit. The enhancement of the survey/audit checklist shall be completed July 31, 1997.

The Colonial Machine audit referenced has been reviewed and we would like to make the following comments.

NDE: In the training section of the DNES audit report it states "NDE personnel shall be qualified in accordance with SNT-TC-1A and NX 5521. NDE qualification records shall be documented and maintained." The audit report also indicated that level II inspectors qualification files for LP certifications, dated 2-9-94, for Jeff Burton, and Alex Way, were reviewed, these are the only NDE qualified employees of Colonial Machine Co.. The eye exams were documented as performed on 3-15-96 for each of these individuals.

All Level III duties are documented as being performed by Glitch Field Services an audited subcontractor. Alan Magno of Glitch Field Services qualification file was reviewed as Level III for LP, UT, MP, RT, all dated 11-92 with current eye exam on file. Colonial had an appointment letter on file for Mr. Magno.

The DNES audit report documented are review of Colonials PO's #CM 16135 and CM 35774 to Glitch Field Services for NDE performed for DNES PO's 8602-66 and 8861-66. Additionally we would note here that all documentation for NDE performed by vendors or their subcontractors is reviewed by DNES at the time of shipment.

Heat Treat: The DNES audit performed on 4-11-96, indicated that the heat treat vendor was Modern Heat Treat. This vendor is audited by Colonial Machine, and is currently maintained on their AVL as an approved supplier. The previous DNES audit of Colonial, dated 4-21-95 was not reviewed by the NRC. This audit documented that the heat treat vendor file had been reviewed and that the Colonial audit had been performed in accordance with their manual.

This Colonial subcontractor is still on the AVL based upon an audit which was reviewed by DNES previously, this audit was not reviewed by the NRC during the inspection. The DNES auditor stated that when Colonial audits are performed on a three year basis, we review vendors from selected areas which were not reviewed the previous year.

In addition documentation supplied to Colonial by Modern Heat Treat for DNES PO #8602-66 dated 1996 was reviewed and accepted during our most recent audit (re: Colonial PO CM 16121).

Upgrading of unqualified source material and control of supplier

of source material: The DNES audit report indicated in the section titled "Control of Unqualified Source Material" that Colonial Machine has established measures for the utilization and control of unqualified source material. The audit report also indicated that specific upgrade/dedication criteria are followed by Colonial Machine Co. A No Welding statement is to be obtained, and a product analysis shall be performed on each piece of unqualified source material, all other requirements of the material specification shall be performed on each piece.

Due to NRC comments concerning the above audits, DNES will add to its audit check lists more specific requirement for upgrade/dedication packages to be reviewed in order to provide more objective evidence of implementation.

Weld Repair: Colonial Machine has not nor will they perform any weld repair for DuBose. Their scope has been revised to remove any reference to welding.

NRC Paragraph (2) The Capitol Manufacturing audit referenced has been reviewed and we would make the following comments:

Material Testing: As previously stated DNES annual audits do not address each specific area of a QA Program. The audit performed on Capitol Manufacturing 3-31-95, by James Highlands, noted specific examples of testing performed by Capitol. This audit was not reviewed by the NRC during your inspection. The objective evidence obtained during the audit showed Capitol's testing in accordance with their IOP 41 Rev 0 to be acceptable.

NDE: The audit report for 1996 indicated review and acceptance of the audit of Conam for subcontract NDE. The 1995 audit indicated that the Level III qualifications for B. Greenway dated 2-18-93 and R. Mocha dated 4-5-93 were acceptable. These qualifications were still current at the time the 1996 audit was performed.

Heat Treat: The 1996 audit report indicates that Capitol does not perform heat treat operation. Heat treat is subcontracted to an approved vendor on the AVL. Review of vendor audits was performed by review of 5 vendor audit files. The vendor files reviewed were 3 material manufacturers, 1 forging vendor, and 1 testing/NDE source. The vendor audits area was accepted based upon the review and acceptance of these 5 audits. The 1995 audit report indicated that Capitol subcontracted heat treat operations to a vendor on the AVL, Metal Improvement Co., and audited them on 5-21-93. This audit of Metal Improvement Co. was still current at the time of the 1996 audit since audits are performed triennially.

Upgrading of unqualified source material: Control of suppliers of

qualified and unqualified source material is covered in the vendor control section for review of their audits performed on subtiers, including labs who may perform upgrade testing (re: DNES Audit of 3-13-96, Conam Inspection Inc.). Reviews of specific orders to those suppliers would be reviewed in our purchasing section of the check list.

The upgrading procedure was reviewed but as stated in the 1995 audit report upgrading is extremely limited.

Some of the areas documented in your report were areas which the operation is subcontracted by the vendor and not performed in their facility. In these cases our review was documented in the purchasing area of the checklist by reviewing the vendor PO's for inclusion of the appropriate QA requirements. Vendor audits were addressed as stated above, indicating what reports were reviewed and that they were acceptable. Procedure controls were verified by review of procedures for content, and the issuance and control of procedures in the facility as noted in the audit report. Implementation of procedures relevant to examination and testing were addressed by observing the testing lab operations (See audit dated 3-31-95, section Examination, Test and Report).

Again, objective evidence is not obtained for each specific area during each annual audit, however this would be documented at some point during a three year cycle.

The DNES audit checklist will be reformed in an effort to create an audit report which better reflects objective evidence obtained and is easier to review.

NRC Paragraph (3) The AVL indicated the scope of supply for Marmon-Keystone as "MS-carbon welded tubular products." The audit report correctly indicated the scope of supply as "MS - ferrous and nonferrous, seamless, and welded w/o filler metal, tubular products." The scope of supply for Marmon-Keystone and all other vendors on the AVL have been reviewed against the audit report scopes and determine that no purchases were made outside the scope of the audit.

With reference to the Alloy Rods audit, the scope was inadvertently stated incorrectly by the auditor. The audit was performed to verify compliance with the QSC scope, a letter clarifying the above has been requested from the contract auditor. All purchases that have been made were in accordance with the QSC scope as well as the audit.

Vendor audits have been reviewed and, as needed, changes made in order to maintain consistency between the audit scope and the AVL scope.

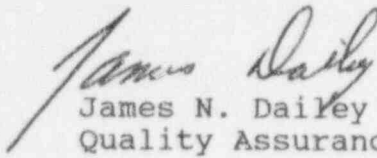
Future vendor audits shall be more closely monitored in order to maintain accuracy of corresponding scopes to the actual audit

implementation.

In closing we would like to say that the NRC's inspection team's comments and discussions during the audit will strengthen the implementation of our program and make review of our activities easier for our customers.

DNES hopes that these responses and information provided satisfactorily addresses the nonconformances in the subject inspection report. Any further information please contact me at 1-910-590-2151.

Sincerely,


James N. Dailey
Quality Assurance Manager

cc: DNES-President
DNES-Vice President
DNES-Sale Manager DNES-QA File
NRC Chief, Special Inspection Branch
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