



April 26, 2022

MEMORANDUM TO: Daniel H. Dorman
Executive Director for Operations

FROM: Eric Rivera /**RA**/
Acting Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: OFFICE OF THE
INSPECTOR GENERAL'S AUDIT OF THE U.S. NUCLEAR
REGULATORY COMMISSION'S OVERSIGHT OF
COUNTERFEIT, FRAUDULENT, AND SUSPECT ITEMS AT
NUCLEAR POWER REACTORS (OIG-22-A-06)

REFERENCE: DEPUTY EXECUTIVE DIRECTOR FOR REACTOR AND
PREPAREDNESS PROGRAMS, MEMORANDUM DATED
APRIL 11, 2022

Attached is the Office of the Inspector General's (OIG) analysis and status of recommendations as discussed in the agency's response dated April 11, 2022. Based on this response, recommendations one through eight are open and resolved. Please provide a status update for the open and resolved recommendations by **September 30, 2022**.

If you have questions or concerns, please call me at (301) 415-5915 or Paul Rades, Team Leader, at (301) 415-6228.

Attachment: As stated

CC: S. Miotla, OEDO
J. Jolicoeur, OEDO
S. Mroz, OEDO
A. Rivera-Varona, OEDO
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Audit Report

AUDIT OF THE NRCs OVERSIGHT OF COUNTERFEIT, FRAUDULENT, AND SUSPECT ITEMS AT NUCLEAR POWER REACTORS

OIG-22-A-06

Status of Recommendations

Recommendation 1: Develop processes and guidance to collect, process, and disseminate CFSI information.

Agency Response Dated
April 11, 2022:

The U.S. Nuclear Regulatory Commission (NRC) staff will enhance the existing processes and guidance to include a more detailed and systematic process to collect, process, and disseminate counterfeit, fraudulent, and suspect items (CFSI) information. Specifically, as noted in the audit report, the NRC CFSI Technical Review Group (TRG) has a desktop guide describing the general process to be followed when assessing potential CFSI concerns. The NRC staff plans to revise the TRG Desktop Guide to include a more detailed and systematic process for collecting and disseminating CFSI information. This desktop guide will be shared with NRC program and regional offices affected by CFSI.

The staff will complete this action by September 2022.

Point of contact: Deanna Zhang, CFSI TRG Lead.

OIG Analysis: The proposed actions meet the intent of this recommendation. The OIG will close this recommendation upon reviewing the revised TRG Desktop Guide including a more detailed and systematic process for collecting and disseminating CFSI information. Therefore, this recommendation remains open and resolved.

Status: Open: Resolved.

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OIG-22-A-06

Status of Recommendations

Recommendation 2: Communicate those processes across the agency, or at least to the divisions affected by CFSI.

Agency Response Dated
April 11, 2022:

The NRC staff will revise the CFSI TRG Desktop Guide to include a process for communicating with liaisons in the NRC program and regional offices affected by CFSI, including processes for sharing the desktop guide with internal stakeholders. The NRC staff will also coordinate with NRC program and regional offices to develop an outreach and communications plan to enhance communications on this subject.

The staff will complete this action by October 2022.

Point of contact: Deanna Zhang, CFSI TRG Lead.

OIG Analysis: The proposed actions meet the intent of this recommendation. The OIG will close this recommendation upon reviewing the communication process in the revised CFSI TRG Desktop Guide and outreach and communications plan. Therefore, this recommendation remains open and resolved.

Status: Open: Resolved.

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OIG-22-A-06

Status of Recommendations

Recommendation 3:

Develop a coherent agencywide approach for CFSI, identifying the agency's primary objective regarding mitigation of CFSI into agency-regulated equipment, components, systems, and structures.

Agency Response Dated
April 11, 2022:

The NRC staff, as directed by the NRC CFSI steering committee, will coordinate with NRC program and regional offices to develop an agencywide CFSI oversight charter detailing objectives, overall approach, and strategy in order to enhance the agency's ability to mitigate the risk associated with CFSI. The charter will clearly state the roles and responsibilities necessary to accomplish NRC activities associated with CFSI at an agencywide level. The charter will incorporate a CFSI definition to ensure consistency when addressing related agency oversight activities and will be consistent with the long-term actions planned in response to Recommendation 4. This definition will be reviewed for alignment with definitions for CFSI contained in industry guidance and international standards.

The staff will complete this action by August 2022.

Point of contact: Deanna Zhang, CFSI TRG Lead.

OIG Analysis:

The proposed actions meet the intent of this recommendation. The OIG will close this recommendation upon reviewing the CFSI oversight charter including a definition of CFSI; roles and responsibilities associated with CFSI at an agencywide level; and objectives, overall approach, and strategy to mitigate risk. This recommendation remains open and resolved.

Status:

Open: Resolved.

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OIG-22-A-06

Status of Recommendations

Recommendation 4:

Clearly define CFSI.

Agency Response Dated
April 11, 2022:

The NRC staff will incorporate the definition for CFSI from the charter developed in response to Recommendation 3 into guidance documents, including the CFSI TRG desktop guide, inspection guidance (e.g., inspection procedures for commercial-grade dedication for vendors and reactor facilities), and other relevant documents.

The staff will complete this action by April 2023.

Point of contact: Deanna Zhang, CFSI TRG Lead.

OIG Analysis:

The proposed actions meet the intent of this recommendation. The OIG will close this recommendation upon reviewing the definition of CFSI and its incorporation into guidance documents. This recommendation remains open and resolved.

Status:

Open: Resolved.

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OIG-22-A-06

Status of Recommendations

Recommendation 5: Include a CFSI category in AMS.

Agency Response Dated
April 11, 2022:

The staff will include a CFSI category in the AMS.

The staff will complete this action by December 30, 2022.

Point of contact: Lisamarie Jarriel, AAA.

OIG Analysis:

The proposed actions meet the intent of this recommendation. The
OIG will close this recommendation upon reviewing the inclusion
of a CFSI category in the AMS. This recommendation remains
open and resolved.

Status:

Open: Resolved.

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Status of Recommendations

Recommendation 6:

Develop inspection guidance with examples pertaining to identifying CFSI in inspection procedures.

Agency Response Dated
April 11, 2022:

The NRC staff plans to evaluate current inspection guidance across business lines (e.g., operating reactor baseline inspections, spent fuel storage and transportation, vendor inspections, new reactor construction inspections) to include appropriate CFSI guidance in inspection procedures. Potential revisions to inspection procedures may include appendices with examples of key attributes for identifying potential CFSI to facilitate inspection activities. The NRC staff also plans to engage external stakeholders (e.g., Electric Power Research Institute (EPRI), International Atomic Energy Agency) and seek insights and experience to inform any updates to NRC's guidance on CFSI, as needed.

The staff will complete this action by April 2023.

Point of contact: Deanna Zhang, CFSI TRG Lead.

OIG Analysis:

The proposed actions meet the intent of this recommendation. The OIG will close this recommendation upon reviewing the revisions to inspection procedures, including examples of key attributes for identifying potential CFSI. This recommendation remains open and resolved.

Status:

Open: Resolved.

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Status of Recommendations

Recommendation 7: Develop CFSI training for inspectors.

Agency Response Dated
April 11, 2022:

The NRC staff plans to develop an individual study activity (ISA) on the topic of CFSI to include in inspection manuals that support different inspection programs (e.g., operating reactor baseline inspections, spent fuel storage and transportation, vendor inspections, new reactor construction inspections). The NRC staff provided CFSI awareness training to disseminate CFSI related information to inspection staff in March of 2022; future awareness training will be offered on an as-needed basis. The NRC staff also plans to engage EPRI to have EPRI's CFSI training more readily accessible to inspectors.

The staff will complete the ISA development by March 2023. Awareness training activities will be offered on an as-needed basis.

Point of contact: Deanna Zhang, CFSI TRG Lead.

OIG Analysis:

The proposed actions meet the intent of this recommendation. The OIG will close this recommendation upon reviewing the training modules, communication with EPRI, and dissemination of access to EPRI training to inspectors. This recommendation remains open and resolved.

Status:

Open: Resolved.

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Status of Recommendations

Recommendation 8: Develop a knowledge management and succession plan for CFSI.

Agency Response Dated
April 11, 2022:

The NRC staff plans to incorporate CFSI knowledge management plans into the NRC's Knowledge Management Program and workforce planning activities to ensure the identification, capture, retention, transfer, use, and reuse of relevant critical knowledge associated with CFSI.

The staff will complete this action by November 2022.

Point of contact: Deanna Zhang, CFSI TRG Lead.

OIG Analysis:

The proposed actions meet the intent of this recommendation. The OIG will close this recommendation upon reviewing the inclusion of CFSI into the NRC's Knowledge Management Program and workforce planning activities. This recommendation remains open and resolved.

Status:

Open: Resolved.