




UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

September 20, 2022

MEMORANDUM TO: Eric Rivera
Deputy Assistant Inspector General for Audits
Office of Inspector General

FROM: Andrea D. Veil, Director  King, Michael signing on behalf
Office of Nuclear Reactor Regulation of Veil, Andrea
on 09/20/22

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)

This memorandum provides the U.S. Nuclear Regulatory Commission (NRC) staff's updates for the open recommendations from the Office of the Inspector General's (OIG's) report OIG-22-A-06, "Audit of the Nuclear Regulatory Commission's Oversight of Counterfeit, Fraudulent, and Suspect Items at Nuclear Power Reactors," dated February 9, 2022. The staff continues to implement actions in response to the OIG's audit and remains responsive to the OIG's recommendations. The staff's initial response to the OIG, dated April 11, 2022, provides the planned actions for each recommendation listed below. The OIG provided their analysis and status of recommendations on April 26, 2022.

CONTACT: Frankie Vega, NRR/DRO
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Recommendation 1:

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

NRC Staff Update:

The U.S. Nuclear Regulatory Commission (NRC) staff revised the Counterfeit, Fraudulent, and Suspect Items (CFSI) Technical Review Group (TRG) Desktop Guide (Agencywide Documents Access and Management System Accession No. ML22257A124) to include a more detailed and systematic process for collecting and disseminating CFSI information. This desktop guide has been reviewed by the CFSI Steering Committee and has been shared with NRC program and regional offices affected by CFSI.

Target Completion Date: Completed. The NRC staff issued the TRG Desktop Guide in September 2022.

Point of Contact: Deanna Zhang, NRR/DRO

Recommendation 2:

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

NRC Staff Update:

The NRC revised 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. This desktop guide has been reviewed by the CFSI Steering Committee and has been shared with NRC program and regional offices affected by CFSI. 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.

Target Completion Date: November 2022.

Point of Contact: Deanna Zhang, NRR/DRO

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.

NRC Staff Update:

The NRC staff developed, and the NRC CFSI Steering Committee has approved, an agencywide CFSI oversight charter (ML22235A791) detailing objectives, overall approach, and strategy in order to enhance the agency's ability to mitigate the risk associated with CFSI. The charter includes the roles and responsibilities necessary to accomplish NRC activities associated with CFSI at an agencywide level. The charter incorporates a definition of CFSI to ensure consistency when addressing related agency oversight activities and is consistent with the long-term actions planned in response to Recommendation 4. This definition has been reviewed for alignment with the definitions for CFSI contained in industry guidance and

international standards. The charter has been shared with NRC program and regional offices affected by CFSI.

Target Completion Date: Completed. The CFSI Steering Committee approved the agencywide CFSI charter in September 2022.

Point of Contact: Deanna Zhang, NRR/DRO

Recommendation 4:

Clearly define CFSI.

NRC Staff Update:

The NRC staff has incorporated the definition for CFSI into the agencywide CFSI charter, referenced in response to Recommendation 3. Also, this CFSI definition has been incorporated into the CFSI TRG Desktop Guide referenced in response to Recommendation 1. The NRC staff has reviewed guidance documents, inspection guidance (e.g., inspection procedures for commercial-grade dedication for vendors and reactor facilities), and other relevant documents to determine whether the updated CFSI definition must be incorporated into such documents. Inspection procedures that will be updated are referenced as part of the response to Recommendation 6. Based on the administrative processes to revise certain guidance documents (e.g., regulatory guides) to include the CFSI definition, the NRC staff determined that the target completion date needs to be extended. The NRC staff will continue working with the NRC program offices to have these documents updated.

Target Completion Date: October 2023.

Point of Contact: Deanna Zhang, NRR/DRO

Recommendation 5:

Include a CFSI category in the Allegations Management System (AMS).

NRC Staff Update:

The staff added a new CFSI category to the Discipline field in the AMS and instructed the allegation staff on its use. The staff also added a link on the NRC Allegation Program SharePoint site to the CFSI Investigations Nuclepedia page.

Target Completion Date: Completed. A CFSI category was added in AMS on July 1, 2022.

Point of Contact: Lisamarie Jarriel, AAA

Recommendation 6:

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

NRC Staff Update:

The NRC staff has completed its evaluation of inspection guidance across business lines (e.g., operating reactor baseline inspections, spent fuel storage and transportation, vendor inspections, new reactor construction inspections) to identify the inspection procedures that need modification to include appropriate CFSI guidance, including the agency's formal definition of CFSI. Through this evaluation, the NRC staff identified the following inspection procedures (IPs) and an inspection manual chapter (IMC) for revision:

- IMC 2507, "Vendor Inspections"
- IP 43002, "Routine Inspections of Nuclear Vendors"
- IP 43004, "Inspection of Commercial-Grade Dedication Programs"
- IP 36100, "Inspection of 10 CFR Part 21 and Programs for Reporting Defects and Noncompliance"
- IP 60852, "ISFSI Component Fabrication by Outside Fabricators"
- IP 60853, "On-Site Fabrication of Components and Construction of an Independent Spent Fuel Storage Installation"
- IP 86001, "Design, Fabrication, Testing, and Maintenance of Transportation Packagings"

The NRC staff incorporated CFSI guidance in the new Reactor Oversight Process baseline inspection procedure IP 71111.21N.03, "Commercial Grade Dedication," dated June 28, 2022.

The NRC staff is currently engaging external stakeholders (e.g., Electric Power Research Institute (EPRI), International Atomic Energy Agency) to seek insights to inform any updates to the NRC's guidance on CFSI, as needed.

Target Completion Date: April 2023

Point of Contact: Deanna Zhang, NRR/DRO

Recommendation 7:

Develop CFSI training for inspectors.

NRC Staff Update:

The NRC staff has identified the relevant inspection manual chapters for the inspector qualification activities of different inspection programs that need to be revised to include an individual study activity on the topic of CFSI. Specifically, the staff identified IMC 1245, Appendix A, "Basic-Level Training and Qualification Journal"; IMC 1246, Appendix B2, "Training Requirements and Qualification Journal for Spent Fuel Storage and Transportation Inspector"; and IMC 1246, Appendix B3, "Training Requirements and Qualification Journal for Independent Spent Fuel Storage Installation Inspector." The NRC staff provided CFSI awareness training to disseminate CFSI-related information to regional and resident inspection staff in March 2022. Future awareness training will be offered as needed. The NRC staff has held preliminary

discussions with EPRI to have EPRI's CFSI training made more readily accessible to inspectors. These discussions will continue in the upcoming months.

Target Completion Date: March 2023

Point of Contact: Deanna Zhang, NRR/DRO

Recommendation 8:

Develop a knowledge management and succession plan for CFSI.

NRC Staff Update:

The Office of Nuclear Regulator Regulation, Division of Reactor Oversight, Operational Experiences Branch, will assign new members to the CFSI TRG. These new members will receive training on CFSI awareness and the CFSI TRG processes. The NRC staff is also updating the NRC's Nuclepedia page on CFSI to incorporate additional information related to CFSI. The NRC staff will continue to ensure the identification, capture, retention, transfer, use, and reuse of relevant critical knowledge associated with CFSI.

Target Completion Date: November 2022

Point of Contact: Deanna Zhang, NRR/DRO

Enclosure:
Correspondence Reference
for OIG-22-A-06

SUBJECT: STATUS OF RECOMMENDATION FROM 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) DATE: SEPTEMBER 20, 2022

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NRR-106

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Correspondence Reference

OIG-22-A-06, “Audit of the Nuclear Regulatory Commission’s Oversight of Counterfeit, Fraudulent, and Suspect Items at Nuclear Power Reactors”

OIG-22-A-6, “Audit of the Nuclear Regulatory Commission’s Oversight of Counterfeit, Fraudulent, and Suspect Items at Nuclear Power Reactors,” February 9, 2022 (Agencywide Documents Access and Management System Accession No. ML22040A058)

Memorandum from Darrell J. Roberts to Eric Rivera, “Staff Response to the 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),” April 11, 2022 (ML22077A775).

Memorandum from Eric Rivera to Daniel H. Dorman, “Status of Recommendation: Office of the Inspector General’s Audit of the USNRC’s Oversight of Counterfeit, Fraudulent, and Suspect Items at Nuclear Power Reactors (OIG-22-A-06),” April 26, 2022 (ML22116A020).