




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

May 26, 2023

MEMORANDUM TO: Hruta Virkar
Assistant Inspector General for Audits
Office of the Inspector General  King, Michael signing on behalf
of Veil, Andrea
on 05/26/23

FROM: Andrea D. Veil, Director
Office of Nuclear Reactor Regulation

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 cited in OIG's audit and remains responsive to OIG's recommendations. The staff's initial response to OIG, dated April 11, 2022, described the planned actions for each recommendation listed below. OIG provided its analysis and status of recommendations on April 26, 2022. The staff updated the status for each recommendation in a letter dated September 20, 2022. OIG provided its analysis and status of recommendations on October 26, 2022. OIG considers recommendations 1, 3, and 5 as closed. Recommendations 2, 4, 6, 7 and 8 remain open and resolved.

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

CONTACT: Frankie Vega, NRR/DRO
(301) 415-1617

Recommendation 1:

Develop processes and guidance to collect, process, and disseminate CFSI [counterfeit, fraudulent, and suspect item] information.

Status:

Closed

Recommendation 2:

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

NRC Staff Update:

The NRC developed an outreach and communications plan (Agencywide Documents Access and Management System Accession No. ML22297A267) to enhance communications on CFSI. The CFSI Steering Committee has reviewed the outreach and communications plan, which has been shared with NRC program and regional offices affected by CFSI. The [January 2023 inspector newsletter](#) contained an article to raise awareness of the outreach and communications plan.

Target Completion Date: Completed. The NRC staff issued the outreach and communications plan in 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.

Status:

Closed

Recommendation 4:

Clearly define CFSI.

NRC Staff Update:

The response to recommendation 6 references the documents and inspection guidance that have been or will be updated. The NRC staff will continue to work with the program offices to update these documents.

Target Completion Date: October 2023.

Point of Contact: Deanna Zhang, NRR/DRO

Recommendation 5:

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

Status:

Closed

Recommendation 6:

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

NRC Staff Update:

The NRC staff has updated inspection guidance across business lines (e.g., operating reactor baseline inspections, spent fuel storage and transportation inspections, vendor inspections, new reactor construction inspections) to include appropriate CFSI guidance, including the agency's formal definition of CFSI. Specifically, the staff has updated the following inspection manual chapter (IMC) and inspection procedures (IPs):

- IMC 2507, "Vendor Inspections" (ML23037A834)
- IP 43002, "Routine Inspections of Nuclear Vendors" (ML22340A482)
- IP 43004, "Inspection of Commercial-Grade Dedication Programs" (ML22340A481)
- IP 36100, "Inspection of 10 CFR Part 21 and Programs for Reporting Defects and Noncompliance" (ML22340A480)
- IP 36100.001, "Inspection of 10 CFR 50.55(e) Programs for Reporting Defects and Noncompliance During Construction" (ML23025A396)

The NRC will update the following IPs by September 2023:

- 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 will update the following regulatory guides (RGs) by October 2023:

- RG 1.164, "Dedication of Commercial-Grade Items for Use in Nuclear Power Plants"
- RG 1.234, "Evaluating Deviations and Reporting Defects and Noncompliance Under 10 CFR Part 21"

The NRC staff continues to engage external stakeholders (e.g., Electric Power Research Institute (EPRI), International Atomic Energy Agency) in seeking insights to inform updates to the NRC's guidance on CFSI, as needed.

Target Completion Date: October 2023

Point of Contact: Deanna Zhang, NRR/DRO

Recommendation 7:

Develop CFSI training for inspectors.

NRC Staff Update:

The NRC staff had previously stated it would revise IMC 1245, Appendix A, "Basic-Level Training and Qualification Journal," to include an individual study activity (ISA) on the topic of CFSI. However, after further evaluation, the NRC staff has instead revised several ISAs in IMC 1245, Appendix B, "General Proficiency-Level Training and Qualification Journal" (ML23037A835), to include relevant CFSI information. The staff is currently working on updating 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," and plans to issue these documents by November 2023.

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: November 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, Generic Communications and Operating Experience Branch, has assigned new members to the CFSI Technical Review Group. These new members will receive training on CFSI awareness and the CFSI Technical Review Group processes. The NRC staff has updated the Nuclepedia page on CFSI

([https://nuclepedia.usalearning.gov/index.php/Counterfeit, Fraudulent, and Suspect Items](https://nuclepedia.usalearning.gov/index.php/Counterfeit,_Fraudulent,_and_Suspect_Items)) to incorporate additional information. 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: Completed

Point of Contact: Deanna Zhang, NRR/DRO

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 DZhang, NRR
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ADAMS ACCESSION NO.: ML23122A164

NRR-106

OFFICE	NRR/DRO/IQVB	NRR/DRO/IQVB	NRR/DRO/IQVB	QTE*
NAME	FVega	DZhang	KKavanagh	JDougherty
DATE	5/3/2023	5/3/2023	5/3/2023	5/9/2023
OFFICE	NRR/DRO	NMSS/DFM	NSIR	OI
NAME	RFelts	CSafford	RLagios	CRios-Collazo
DATE	5/11/2023	5/11/2023	5/16/2023	5/16/2023
OFFICE	OGC/LHE/SE	OE	NRR	/
NAME	PMoulding	DPelton	AVeil (MKing for)	
DATE	5/16/2023	5/17/2023	5/26/2023	

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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-06, “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 Recommendations: 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).

Memorandum from Andrea D. Veil 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),” September 20, 2022 (ML22237A227).

Memorandum from Hruta Virkar to Daniel H. Dorman, “Status of Recommendations: 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),” October 6, 2022 (ML22280A058).