

May 27, 2009

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John A. Nakoski, Chief
Quality and Vendor Branch 2
Division of Construction Inspection
& Operational Programs
Office of New Reactors
7F3 Washington
District of Columbia 20555

SUBJECT: NRC INSPECTION REPORT NO. 99900054/2009-201, NOTICE OF VIOLATION
AND NOTICE OF NONCONFORMANCE TO DRESSER, INC.

Dear Mr. Nakoski:

This letter is in response to the U.S. Nuclear Regulatory Commission (NRC) inspection that was conducted at the Dresser, Inc. facility in Alexandria, Louisiana from March 9, 2009 through March 13, 2009.

Please find enclosed a copy of Dresser's response to the NRC Inspection Report No. 99900054/2009-201, Notice of Violation and Notice of Nonconformance, as requested.

Thank you for your time and attention. If you have any questions or concerns, please do not hesitate to contact me by phone: (318) 640-6232, by email: richard.budzinski@dresser.com, or at the address listed below.

Sincerely,

Richard F. Budzinski
Director of Operational Excellence and Quality Systems
P.O. Box 1430
Alexandria, Louisiana 71309 U.S.A.

Enclosure: Response to NRC Inspection Report No. 99900054/2009-201

cc: Daniel Pasquale
daniel.pasquale@nrc.gov

Richard Budzinski, Director
Operational Excellence & Quality Systems
Dresser, Inc.
Alexandria, Louisiana 71309

SUBJECT: Responses to NRC Inspection Report No. 99900054/2009-201 to Dresser, Inc.

NOTICES OF VIOLATION

Four Notices of Violation were identified in the NRC Inspection Report 99900054/2009-201. Dresser, Inc. has reviewed NRC Inspection Report No. 99900054/2009-201, the Notice of Violation, and the Notice of Nonconformance, and submits the following statements to the NRC.

Notice of Violation Section A. Violation 99900054/2009-201-01:

Notice of Violation Section A states, in part, as of March 13, 2009, Dresser failed to adopt appropriate procedures to address 10 CFR Part 21 requirements. Specifically, QCP-031 does not provide for:

1. Notification to the director or responsible officer within five working days after completion of evaluation that a basic component fails to comply or contains a defect.
2. Measures to inform purchasers or affected licensees within five days of determination that the entity does not have the capability to perform the evaluation.
3. Inclusion on the written notification informing the NRC of the reporting entity's name and address, and number and location of all basic components in use at facilities.

Reason for the Violation:

An oversight by Dresser when writing the original document, Quality Control Procedure (QCP)-031, Revision 0, dated 11/13/1998.

Corrective Steps that have been taken and the Results Achieved:

An update to QCP-031 was conducted parallel to the NRC inspection. QCP-031, Revision 1, dated 3/12/2009, Section 11; opening paragraph and paragraph "f" respectively, gives direction on items 1 & 3 above. Section 9, second paragraph, gives direction on item 2 above. All are in accordance with (IAW) 10 CFR Part 21.

Corrective Steps that will be taken to avoid Further Violations:

A detailed review of QCP-031 will be accomplished on an annual basis to verify it is compliant with the current 10 CFR Part 21. An internal audit was performed on 5/8/2009 of Dresser's 10 CFR Part 21 processes with satisfactory results.

Date when Full Compliance will be achieved:

Full compliance was achieved on March 12, 2009.

Notice of Violation Section B. Violation 99900054/2009-201-02:

Notice of Violation Section B states, in part, as of March 13, 2009, Dresser failed to include appropriate requirements in the Quality Systems Manual (QSM) and/or QSP-06 that provide instructions for determining when the requirements of 10 CFR Part 21 are applicability and must be included in Dresser's procurement documents to suppliers on its Approved Nuclear Supplier List.

Reason for the Violation:

Upon additional review of the QSM it was understood that paragraph 4.1.2 included all required references. (e.g. "...and the information on the Purchase Order is obtained from the MCD and includes reference to required drawings, procedures, instructions, Code, etc., including revisions and reference to applicable Supplier Quality Control.")

Corrective Steps that will be taken and the Expected Results to be Achieved:

Dresser's QSM and Quality System Procedure (QSP)-06 will have the requirement added to specify the provisions of 10 CFR Part 21 apply to Dresser Class A and B parts.

Corrective Steps that will be taken to avoid Further Violations:

- 1) Release revised QSP-06
- 2) All applicable personnel who will or may reference this section for processing orders will receive training.
- 3) An internal audit will be scheduled and performed to evaluate the purchasing process.
- 4) Release revised QSM

Date when Full Compliance will be achieved:

- 1) July, 2009
- 2) July, 2009
- 3) August, 2009
- 4) September, 2009

Notice of Violation Section C. 99900054/2009-201-03:

Notice of Violation Section C states, in part, as of March 13, 2009, Dresser failed to include appropriate requirements in the QSM and/or QSP-06 that provide instructions for determining when the requirements of 10 CFR Part 21 are applicability and must be included in Dresser's procurement documents to suppliers on its Approved Nuclear Supplier List.

The above Notice of Violation statement, eight paragraph of the NRC paper, does not discuss the maintenance and retention of 10 CFR Part 21 records the first seven paragraphs discussed. The following response is coordinated with Dresser, Inc.'s not specifying the required record maintenance that is required 10 CFR Part 21.

Reason for the Violation:

An oversight by Dresser when writing the original QCP-031, Revision 0.

Corrective Steps that have been taken and the Results Achieved:

Section 12.0 of QCP-031, Rev. 1 has been updated to include permanent record requirements for all records relating to 10 CFR Part 21. (The paragraph in QCP-031 is as follows: "The assigned Quality Engineer will maintain permanent records of all actions and reports. Paper records will be kept on file in a secure location or in an electronic format that is backed up to provide duplicate records. Duplicate electronic records will be maintained at another site other than the Dresser, Alexandria facility.") Records of all 10 CFR Part 21 investigations/evaluations have been and are maintained permanently in a secure area. New requirements will further improve the maintenance of the records.

Corrective Steps that will be taken to avoid Further Violations:

- 1) Dresser will provide formal training to all personnel who are responsible for implementing QCP-031. Individuals will be required to review and document acknowledgement that they understand the revised requirements in QCP-031, Revision 1, dated 3/12/2009.
- 2) The QSM will be revised to state 10 CFR Part 21 records will be maintained permanently.

Date when Full Compliance will be achieved:

- 1) June, 2009
- 2) September, 2009

Notice of Violation Section D. Violation 99900054/2009-201-04:

Notice of Violation Section D states, in part, Dresser failed to complete initial notification to the NRC of Dresser 10 CFR 21 File No. 2007-02 within two days as required by the regulation and the QCP.

Reason for the Violation:

Dresser personnel failed to follow the time line reporting requirements of 10 CFR Part 21. Dresser procedure QCP-031, Rev. 0 did not include time lines on the "FLOW DIAGRAM FOR COMPLIANCE WITH 10 CFR, PART 21" to illustrate the reporting times.

Corrective Steps that have been taken and the Results Achieved:

A time line chart has been developed, and added to QCP-031, Rev. 1, showing specific reporting times. The Quality Engineer responsible for record maintenance of 10 CFR Part 21 investigations/evaluations is a part of each investigation/evaluation team and is keeping the investigation team chair informed of the due dates of each investigation/evaluation being conducted.

Corrective Steps that will be taken to avoid Further Violations:

During the evaluation, the Quality Engineer assigned to maintain records shall follow up directly with the individuals conducting the investigation, to ensure all times required for evaluations and reporting are adhered to as required in QCP-031, Rev. 1.

Date when Full Compliance will be achieved: Full compliance was achieved on March 12, 2009.

NOTICES OF NONCONFORMANCE

Ten Notices of Nonconformance were identified in the NRC Inspection Report 99900054/2009-201. Dresser, Inc. has reviewed NRC Inspection Report No. 99900054/2009-201, the Notice of Violation, and the Notice of Nonconformance, and submits the following statements to the NRC.

In order to comply with the nonconformance part of this inspection some complete review and Section writes will be required. Due to that being a Dresser specific task, we have provided recommendations for some on this section, and did not answer the specific questions. Otherwise, complete sets of statements have been provided for submittal to the NRC.

Nonconformance 99900054/2009-201-05:

Notice of Nonconformance Section A states, in part, as of March 13, 2009, Dresser's dedication procedures and practices for dedicating CGIs did not provide reasonable assurance that all commercial grade items received from its suppliers conformed to the applicable specification requirements noted above. Specifically:

1. Dresser's CGI dedication process, as described in QSM, Section 22, is not in conformance with the definitions outlined in Section 21.3 of 10 CFR Part 21. Specifically, Dresser did not include the correct definition for "Commercial Grade item" nor did it include any definition for "Basic Component," "Critical Characteristics," "Dedicating Entity," or "Dedication."
2. The Dresser QSM and Engineering Guideline (EG)-037, "Quality Classification of Parts, Nuclear Pressure Relief Valves," defined a Quality Class C component as: Quality Class C – "Essential items, non pressure boundary that are outside the scope of the Code. These items are essential to the safety-related function of the valve. Items are safety-related. These are commercial grade items." This Quality Class C definition does not meet the definition of a basic component, as defined in 10 CFR 21.3. Quality Class C CGIs must satisfy the "dedication" process before the items become basic components in safety-related valves.
3. In accordance with QSM, Section 21.0, Step 21.2.3, and Tier 2 Engineering Instructions (e.g., EG-037, EG-059, and EG-490) did not provide the technical evaluation process for identifying the critical characteristics of CGIs dedicated as basic components in safety-related valves.
4. In accordance with the Dresser QSM, Tier 2 Engineering Instructions (e.g., EG-037, EG-059, and EG-490) did not provide procedural guidance to identify CGIs dedicated as basic components in safety-related valves, CGI critical characteristics, or the list of CGIs and their critical characteristics in Tier 3 Master Control Documents for items dedicated as basic components in safety-related valves.
5. The Dresser QSM and EG-368, "Reconciliation for Replacement Parts," did not address like-for-like replacement or equivalency evaluations for CGI replacement parts dedicated as basic components in safety-related valves.
6. The Dresser QSM and EG-368, "Reconciliation for Replacement Parts," did not address the seismic critical characteristics (e.g., dimensions, weight of the part, and seismic dynamic loading analysis of replacement parts) for CGIs dedicated as basic component in safety-related valves.

Reason for the Noncompliance:

There has been an evolving strategy to enhance the Commercial Grade Dedication Process between the NRC and NUPIC. The enhancements have primarily come about via EPRI documents such as EPRI 5652. Dresser has been disconnected from that process. Dresser, Inc.'s Commercial Dedication process was more static than the approach by NRC / NUPIC.

Corrective Steps that have been taken and the Results Achieved:

Dresser has retained services of a retired NUPIC auditor who has revised the documents listed below and made recommendations for changes. We are in the process of reviewing those recommendations and finalizing the documents listed below for release;

- EG-037
- EG-059
- EG-490
- EG-368
- QSM

Dresser has released two documents that deal with topics relevant to the Commercial Grade Dedication Process. These deal with accountability by suppliers in the areas of; self-reporting of potential safety issues and/or any product anomalies, ruling out supplier acceptance of concessions (deviations) on Dressers behalf, control of Special Processes, and imposing PPAP 4th edition (www.aiag.org).

Dresser has made available to suppliers our procedure for compliance to 10CFR Part 21 (QCP-031) with applicable timelines.

Corrective Steps that will be taken to avoid noncompliances:

- 1) Release updated EG's
- 2) Release new version of QSM
- 3) Dresser, Inc. plans to reconnect to the NUPIC & NRC approach. Dresser will be attending the NUPIC / NRC Conference in June, 2009.
- 4) Use Advanced Product Quality Planning (APQP) approach: Failure Mode and Effects Analysis (Design & Process FMEA), Control Plans, Detailed Work Instructions, and Workmanship Standards.
- 5) Dresser, Inc. is in the process of implementing a web based Quality Documentation System (CEBOS, Ltd./ MQ1).

Date when corrective action will be completed:

- 1) July, 2009
- 2) Sept, 2009
- 3) June 17th & 18th
- 4) December, 2009
- 5) December, 2009

Nonconformance 99900054/2009-201-06:

Notice of Nonconformance Section B states, in part, as of March 13, 2009, Dresser did not include the dynamic valve discharge actuation load in the Dresser design report as required by design specifications for a North Anna pressurizer safety valve (PSV).

Reason for the Noncompliance:

During an inspection of Dresser's quality management system by the Nuclear Regulatory Commission, it was noted that the Design Report for Dominion's North Anna nuclear plant did not clearly identify the origin of the reaction force used in the analysis. Specifically, question was raised regarding whether or not the loading considered on the pressurizer safety valve included the transient condition of water "slug" flow from the water loop seal prior to the steady-state steam flowing condition. The reaction force value used for the Design Report was based on the value specified on the original equipment drawings. Transient & steady-state loading on the outlet flange of the valve was not provided in the Design Specification for the new equipment. Dresser contract review failed to identify and request the missing information.

Corrective Steps that have been taken and the Results Achieved:

In order to determine whether the transient condition of water "slug" flow from the loop seals had been considered, Dresser contacted Dominion engineering. Dominion was able to provide a summary of all steady-state and transient loads acting on the valve outlet for the normal, upset & emergency conditions. Water "slug" flow was included in the loading information provided by Dominion. As a result, a complete design analysis of the Pressurizer safety valve outlet was conducted and documented in Addendum 1 of the Design Report. The analysis indicates that the valve outlet is suitable for the specified loads. This report was submitted to Dominion for review and acceptance.

Additionally, effective May 5, 2009, Dresser applications engineering checklist AE901-09B, Revision 5, which is used for reviewing nuclear contract requirements, has been updated to include an action for the engineer to check steady-state and transient piping loads during the review process.

Corrective Steps that will be taken to avoid noncompliances:

None required

Date when corrective action will be completed:

Full compliance achieved May 7, 2009 as per above details.

Nonconformance 99900054/2009-201-07:

Notice of Nonconformance Section C states, in part, as of March 13, 2009, Dresser QSM and QSP-06 do not include adequate instructions to include the appropriate quality assurance (QA) requirements in Dresser's procurement documents to suppliers on its Approved Nuclear Supplier List (ANSL). Neither the QSM nor QSP-06 includes a requirement to include a statement in Dresser's purchase documents to suppliers on the ANSL that it shall have a QA program that meets Appendix B requirements. As a result of Dresser's inadequate QA program documents, Dresser failed to include a requirement in its procurements documents to suppliers on the ANSL to have a program that meets the requirements of Appendix B.

Reason for the Noncompliance:

Assumption that 10 CFR Part 50, Appendix B was being complied with when the supplier quality program was in accordance with ASME B&PV Code Section III, NCA-3800. An oversight when writing the original Quality System requirements.

Corrective Steps that have been taken and the Results Achieved:

Quality Control Program Requirements (QCPR) -1 will be updated to add 10 CFR Part 50, Appendix B to the requirements of supplier's quality programs. Suppliers will need to determine that their quality programs comply with these requirements.

Dresser has reviewed ASME B&PV Code Section III, NCA-3800 against 10 CFR Part 50, Appendix B and determined differences that need to be addressed with suppliers.

Corrective Steps that will be taken to avoid noncompliances:

- 1) The addition of 10 CFR Part 50, Appendix B to the requirements of supplier's quality programs through the application of QCPR-1, updated as indicated above will ensure the quality program requirements are passed down to suppliers as required.
- 2) Dresser will issue a Quality Alert (survey) to the appropriate suppliers requesting them to provide a statement showing they are in compliance with the requirements of 10CFR Part 50, Appendix B.
- 3) Follow up with suppliers to ensure they have answered the survey.
- 4) Update Audit Checklist to ensure that we have incorporated 10CFR Part 50, Appendix B.

Date when corrective action will be completed:

- 1) June, 2009
- 2) June, 2009
- 3) September, 2009
- 4) July, 2009

Nonconformance 99900054/2009-201-08:

Notice of Nonconformance Section D states, in part, Three (3) Dresser NCRs, 120581, 121238 and 121305 related to the Dresser 2007 supplier audit of American Foundry Group (AFG) were not contained within Dresser's supplier files for AFG.

Reason for the Noncompliance:

The Dresser Auditor did not follow up the NCR's after the supplier audit was completed until the NCR's were closed and copies were placed into the supplier file for record.

Corrective Steps that have been taken and the Results Achieved:

The supplier file and audit report were reviewed to verify the NCR numbers. The NCR's were reviewed at Dresser and found closed. Copies have been placed into the supplier's file in the Quality Assurance Department.

Dresser audit NCR's are being forwarded to QRB Chair Person for follow up until they are closed and copies filed with the supplier's audit records in the Quality Assurance Department.

Corrective Steps that will be taken to avoid noncompliances:

None required

Date when corrective action will be completed:

June 30, 2009.

Nonconformance 99900054/2009-201-09:

Notice of Nonconformance Section E states, in part, Dresser's calibration procedure CAL-009, Section 5.0 states that working test gages (digital & dial type) used for hydrostatic testing will be accurate to $\pm 0.1\%$ of range with a Dead Weight Tester or accurate to $\pm 0.5\%$ of range with a Test Gauge. For a 0-20,000 psi test gauge the resultant accuracy would be ± 20 psi when using a Dead Weight Tester and ± 100 psi when using a Test Gauge. Per the 2007 ASME Code Section III, Division 1 – NB-6400 the maximum combined error allowed would be ± 7.5 psi for a hydrostatic test being conducted at 750 psi, and ± 37.5 psi for a hydrostatic test being conducted at 3750 psi. Therefore, during the hydrostatic test conducted at 750 psi when using a 0-20,000 psi pressure gauge the lowest (best) possible combined error per the ASME Code would be ± 20 psi, which is in excess of that allowed by the ASME Code. With a hydrostatic test conducted at 3750 psi while using the 0-20,000 psi pressure gauge the highest possible combined error would be ± 100 psi, which would be in excess allowed by the ASME Code if a Test Gauge were used for instrument calibration. This issue is identified as an example of Dresser failing to perform testing in accordance with the requirements defined in ASME Section III.

Reason for the Noncompliance:

Dresser's procedure for calibration (CAL-009) was not in compliance with ASME Section III, NB-6400.

Corrective Steps that have been taken and the Results Achieved:**Technical Evaluation**

An evaluation of Dresser pressure testing practices has been performed. Based on this review, the following information was obtained:

- Test pressures are based on 1.5 times the maximum design of the valve being supplied, while the actual set pressure for the project may be substantially lower. The value is then rounded up to the nearest 25 psig increment for conservatism & standardization.
- An additional 6% is added to this value for determining the maximum test pressure. The component is then tested to a pressure within this calculated range.
- The test pressure range used by Dresser, which is calculated by maximum design pressure for the component, matches or exceeds the requirements for testing in ASME Section III NB-3531.2(f) "1.5 times the set pressure marked on the valve".

Dresser Pressure Gauge Evaluation

- Dresser Quality Control Department performed a "look-across" of all applicable digital pressure gauges used for hydrostatic testing
- Review procedure from IE and QC for controlling test to acquire variable data. A 0 to 5000 psi master gauge was calibrated to 0.0% error and (5) random digital gauges were tested simultaneously.
- Determine the error percentage by performing comparative testing on random gauges against a master gauge calibrated to 0% error. Pressure readings were recorded for the comparative testing between the master and digital gauge and used to determine error percentage which was less than .001% for the digital gauges.
- The Calibration Certification Reports for gauge #8050635 shows that actual gauge calibration error at 0.005% as opposed to 0.1% cited in the Finding.

Corrective Steps that will be taken to avoid noncompliances:

1) Dresser, Inc. will document the above mentioned calibration process and develop a Work Instruction in accordance with the ASME Code requirements. The requirements for records will be included.

2) Release revised version of CAL-009

Date when corrective action will be completed:

1) July, 2009

2) July, 2009

Nonconformance 99900054/2009-201-10a:

Notice of Nonconformance Section F 1 states, in part, The NRC inspectors witnessed numerous examples of where austenitic stainless steel and nickel-base alloy materials (i.e. bar stock) were in direct contact with carbon steel racks and tables while this corrosion resistant material was being maintained in storage. Also, there was corrosion resistant material bar stock in direct contact with carbon steel and other low alloy steel bar stock. Dresser does not have a procedure defining how to properly store corrosion resistant steel materials to prevent them from deterioration due to contamination by contact with carbon steel or other low alloy steel materials.

Reason for the Noncompliance:

Material handling practices in storage area were not detailed or well documented.

Corrective Steps that have been taken and the Results Achieved:

Dresser, Inc. has installed Teflon sleeving over the storage racks / shelves.

Dresser, Inc. has issued a Quality Alert (Issued 05/08/09) to notify individuals of prohibited practices.

Dresser, Inc. has developed Work Instructions for proper storage practices (05/08/09)

Note: Dresser, Inc. had previously developed and deployed a work instruction (CL012, Revision 11, dated 03/10/04) which specifies the work in Quality Assurance requirements for the cleaning of valves and valve components and for the control of their cleanliness.

Corrective Steps that will be taken to avoid noncompliances:

- 1) Release new Work Instruction for proper storage and these instructions will act as a training aid.
- 2) Dresser will provide training for all applicable personnel.
- 3) Dresser, Inc. is in the process of incorporating the handling of parts containing stainless steel into the Six Sigma Black Belt Project that is underway and addressing part protection and packaging issues.

Date when corrective action will be completed:

- 1) June, 2009
- 2) June, 2009
- 3) September, 2009

Nonconformance 99900054/2009-201-10b:

Notice of Nonconformance Section F 2 states, in part, The NRC inspectors also noted that masking tape was widely used on austenitic stainless steel and nickel-base alloy materials while it was in storage. In addition, Dresser separates stored materials by using cardboard material as an isolating material between the stainless steel stored material and carbon steel storage racks/tables.

Reason for the Noncompliance:

Material handling practices in storage area were not detailed or well documented.

Corrective Steps that have been taken and the Results Achieved:

Dresser, Inc. has installed Teflon sleeving over the storage racks / shelves.

Dresser, Inc. has issued a Quality Alert (Issued 05/08/09) to notify individuals of prohibited practices.

Dresser, Inc. has developed Work Instructions for proper storage practices (05/08/09)

Note: Dresser, Inc. had previously developed and deployed a work instruction (CL012, Revision 11, dated 03/10/04) which specifies the work in Quality Assurance requirements for the cleaning of valves and valve components and for the control of their cleanliness.

Corrective Steps that will be taken to avoid noncompliances:

- 1) Release new Work Instruction for proper storage and these instructions will act as a training aid.
- 2) Dresser will provide training for all applicable personnel.
- 3) Dresser, Inc. is in the process of incorporating the handling of parts containing stainless steel into the Six Sigma Black Belt Project that is underway and addressing part protection and packaging issues.

Date when corrective action will be completed:

- 1) June, 2009
- 2) June, 2009
- 3) September, 2009

Nonconformance 99900054/2009-201-11:

Notice of Nonconformance Section G states, in part, The NRC inspectors noted multiple examples where Supplier Audit Assessment Checklists, completed by Dresser Lead Auditors, were improperly and inconsistently filled out. Dresser procedure QSP-17 was missing guidance on how to complete the Supplier Audit Assessment Checklist form correctly and specifically what information needed to be provided.

Reason for the Noncompliance:

The previous Supplier Audit Assessment Checklist was not well structured to encourage consistency and left various fields open for interpretation.

Corrective Steps that have been taken and the Results Achieved:

Dresser, Inc. has already converted the Supplier Audit Assessment Checklist from Microsoft® Word to Microsoft® Excel to make it easier to restrict input information and keep the data input from being inconsistent and to limit free style entries. This update was effective 5/21/09.

Corrective Steps that will be taken to avoid noncompliances:

- 1) Dresser, Inc. will be generating Work Instructions for the completion of the Audit Checklist and these instructions will act as a training aid.
- 2) Dresser, Inc. is in the process of implementing a web based Quality Documentation System (CEBOS, Ltd. / MQ1).

Date when corrective action will be completed:

- 1) July, 2009
- 2) December, 2009

Nonconformance 99900054/2009-201-12:

Notice of Nonconformance Section H states, in part, Notice of Nonconformance Section H states, in part, As of March 13, 2009, Dresser failed to provide adequate and consistent procedural guidance for interfaces among Dresser's 10 CFR Part 21 evaluation process, corrective and preventive action program, control of nonconforming items process, and repair/replacement activities processes. Specifically:

1. QSP-14 does not include an interface with Dresser's 10 CFR Part 21 reporting process that is described in QCP-031.
2. QSP-14 does not reflect Dresser's current process for corrective action reporting, nor is the process integrated adequately with the control of nonconforming items process described in QSP-13 and the repair/replacement activities process described in QSM Section 19.0, as necessary.
3. QSP-13, Form AE901-05 and Form 250-2101 address nonconformance reporting, but the processes are not integrated, do not provide consistent guidance, and do not provide adequate interface with Dresser's 10 CFR Part 21 reporting process that is described in QCP-031.

Reason for the Noncompliance:

The Nonconforming Material Report (NCR), Material Review Board (MRB), and Quality Review Board (QRB), internal audit findings, supplier audit findings, and customer complaints were all in place and operating independently, however; they were not interconnected.

Corrective Steps that have been taken and the Results Achieved:

An update to QCP-031 was conducted parallel to the NRC inspection. QCP-031, Revision 1, dated 3/12/2009, Section 10.0, Corrective Action was updated to require reference to and from the 10 CFR Part 21 file and the Corrective Action documents.

QSP-14, Revision 5, dated 03/11/09 was updated to reflect the references to 10CFR Part 21.

The QRB Chair Person monitors the MRB and NCR results for possible 10CFR Part 21 issues. The following nonconforming reports are routed through the QRB Chair Person:

- a) Internal / External Corrective Actions
- b) Supplier Audits
- c) Internal / External Audits
- d) Nonconforming material reports from the MRB
- e) Misc. Shop Issues
- f) Customer Complaints

The QRB Chair Person issues CARS into the Effective Problem Solving (EPS) System, as appropriate.

Corrective Steps that will be taken to avoid noncompliances:

- 1) While the QRB Chair Person is effectively acting as a funnel for the 10CFR Part 21 issues, various QSP's still need to be updated to point to the QRB function.
- 2) Release the new QSM

Date when corrective action will be completed:

- 1) September, 2009
- 2) September, 2009

CLOSING REVIEW COMMENTS FROM DRESSER, INC.

Most of the violations and nonconformance show a pattern of procedures and guidelines either being written or updated on an individual basis without review of **connecting** procedures/guidelines and possibly even 10 CFR Part 21. Dresser, Inc. has been continually **improving connectivity** by implementing software to enhance the following processes:

- Link changes in Code / QA System Requirements from Top Level documents down to Forms / Record requirements
- Provides enhanced Data Collection, Audit and Supplier Management Capability
- Links Problem Solving and Corrective / Preventive actions to enhance 10 CFR 21 Reporting

The above-mentioned processes will be incorporated into the web-based program (CEBOS, Ltd. / MQ1) that is currently being implemented with an anticipated completion date of December, 2009.

Sincerely,

Richard F. Budzinski
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