



# Counterfeit, Fraudulent, And Suspect Items (CFSI)

7<sup>th</sup> Public Meeting  
Post-SECY 11-0154  
May 22, 2014

**\* IMPLEMENTATION STATUS UPDATE \***

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## TOPICS FOR TODAY'S MEETING

- Update of CFSI Program Implementation Activities
- Staff's response for endorsement of EPRI CFSI guidance document
- Path going forward
- Q & A



**April 22, 2014 NRC to NEI, (ML14104A738)**

**Subject: COMMENTS ON THE ELECTRIC POWER RESEARCH INSTITUTE  
REPORT 3002002276, “PLANT SUPPORT ENGINEERING:  
COUNTERFEIT AND FRAUDULENT ITEMS – MITIGATING THE  
INCREASING STRATEGY”**

1. No mention of applicable regulatory basis  
(e.g., 10 CFR 50 Appendix B, 10 CFR 21, 10 CFR 50.5, 10 CFR 50.9)
2. Power reactor focus  
(e.g., silent on fuel facilities, transport, Imp. To Safety, RTNSS, SBO)
3. Recent CFSI events not translated into process improvements  
(e.g., electronics, document fraud, CGD, etc.)
4. Undefined CFSI terms  
(i.e., counterfeit, authorized distributor, enhanced qualification of suppliers, overt, semi-overt, and covert, etc.)



## **Regulatory Issue Summaries are used to:**

- (1) communicate and clarify NRC technical or policy positions on regulatory matters that have not been communicated to or are not broadly understood by the nuclear industry,
- and**
- (5) request the voluntary participation of the nuclear industry in NRC-sponsored pilot programs or the voluntary submittal of information which will assist the NRC in the performance of its functions.

Note: 2 prior attempts by the staff to recognize CFSI explicitly in NRC Regulations (via Advance Notice of Potential Rulemaking (ANPR) efforts): 1989 & 1994

***And it allows for continuous improvement and flexibility!***

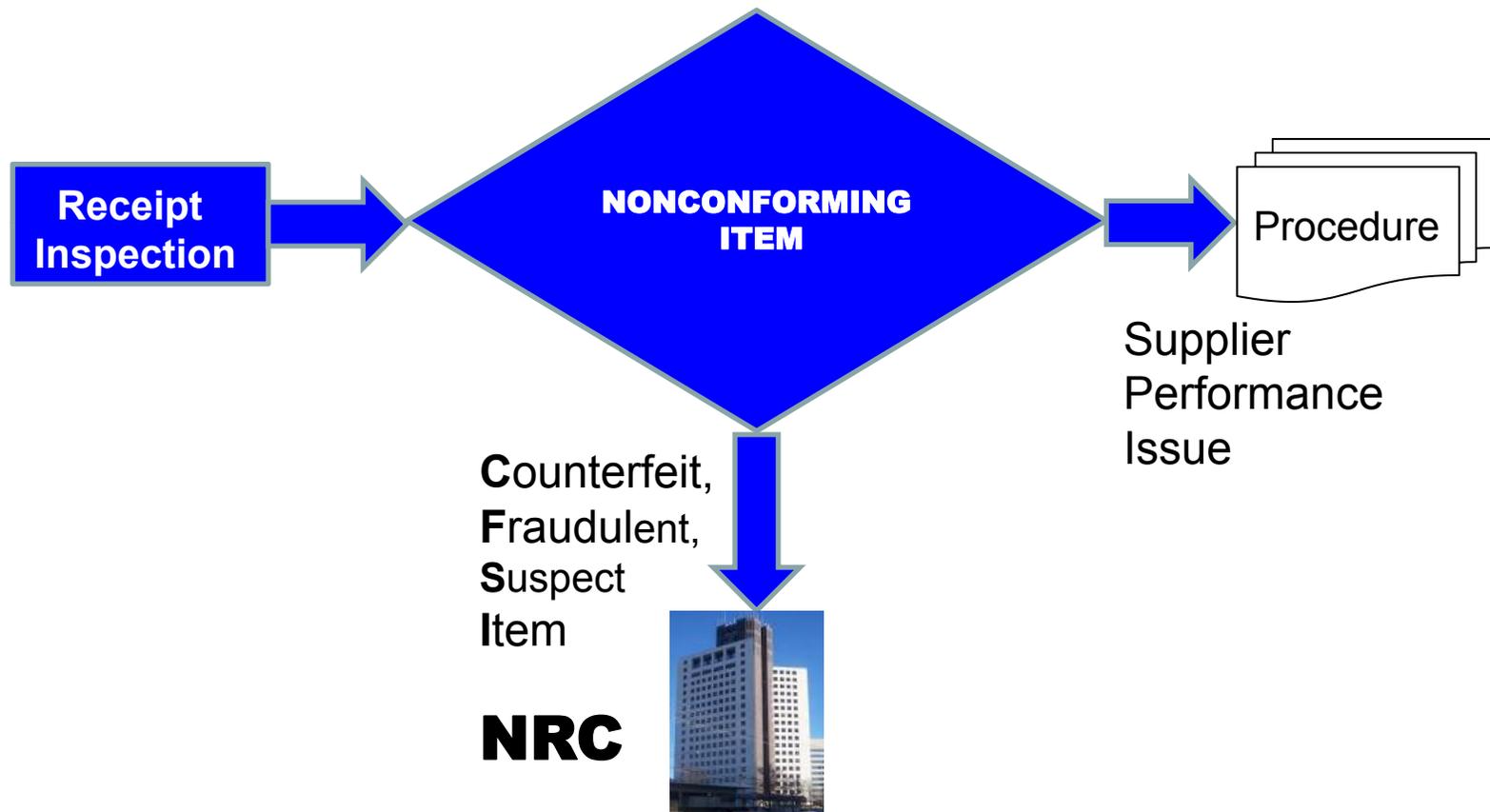


## WHAT IS THE REGULATORY BASIS FOR CFSI?

- **10 CFR 50 Appendix B**, “Quality Assurance Criteria for Nuclear Power Plants and Fuel Reprocessing Plants”
- **10 CFR 21**, “Reporting of Defects and Noncompliance”
- **10 CFR 50.5**, “Deliberate Misconduct”
- **10 CFR 50.9**, “Completeness and Accuracy of Information”



## What does the NRC want to know?





## Greater Than the Sum of Its Parts (21 partner agencies)

The U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI) led National Intellectual Property Rights Coordination Center  
(IPR Center)

*Mission: To ensure national security by protecting the public's health and safety, the U.S. economy, and our war fighters, and to stop predatory and unfair trade practices that threaten the global economy.*

### **Multi-Layered Approach**

**Investigation:** Identifying, disrupting, prosecuting and dismantling criminal organizations involved in the manufacture and distribution of counterfeit products.

**Interdiction:** Using focused targeting and inspections to keep counterfeit and pirated goods out of U.S. supply chains, markets and streets.

**Outreach and Training:** Providing training for domestic and international law enforcement to build stronger enforcement capabilities worldwide.



## WHAT IS AN ALLEGATION?

A declaration, statement, or assertion of impropriety or inadequacy associated with NRC-regulated activities, the validity of which has not been established.

*“It is also noted that allegation concerns are not limited to matters that constitute a potential violation of NRC requirements.”*

Source: NRC Public website

<http://www.nrc.gov/about-nrc/regulatory/allegations/what-is-allegation.html>



# NUREG/BR-0500

## “Safety Culture Policy Statement” [Rev. 1] Dec. 2012 (ML12355A122)

*“This policy statement applies to  
...holders of quality assurance program  
approvals, vendors and suppliers of  
safety-related components...”*

### ➤ **Problem Identification and Resolution**

Issues potentially impacting safety are promptly identified, fully evaluated, and promptly addressed and corrected commensurate with their significance.

### ➤ **Questioning Attitude**

Individuals avoid complacency and continuously challenge existing conditions and activities in order to identify discrepancies that might result in error or inappropriate action.

**DEFINITION OF NUCLEAR SAFETY CULTURE**  
*Nuclear safety culture is the core values and behaviors resulting from a collective commitment by leaders and individuals to emphasize safety over competing goals to ensure protection of people and the environment.*

**TRAITS OF A POSITIVE NUCLEAR SAFETY CULTURE**  
Experience has shown that certain personal and organizational traits are present in a positive safety culture. The following are traits of a positive safety culture:

- **Leadership Safety Values and Actions**—Leaders demonstrate a commitment to safety in their decisions and behaviors.
- **Problem Identification and Resolution**—Issues potentially impacting safety are promptly identified, fully evaluated, and promptly addressed and corrected commensurate with their significance.
- **Personal Accountability**—All individuals take personal responsibility for safety.
- **Work Processes**—The process of planning and controlling work activities is implemented so that safety is maintained.
- **Continuous Learning**—Opportunities to learn about ways to ensure safety are sought out and implemented.
- **Environment for Raising Concerns**—A safety-conscious work environment is maintained where personnel feel free to raise safety concerns without fear of retaliation, intimidation, harassment, or discrimination.
- **Effective Safety Communication**—Communications maintain a focus on safety.
- **Respectful Work Environment**—Trust and respect permeate the organization.
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*There may be additional traits not included here that are also important in a positive safety culture. These traits were not developed for inspection purposes.*

**U.S. NRC**  
U.S. Nuclear Regulatory Commission  
Protecting People and the Environment

**NRC MISSION**  
*The mission of the NRC is to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials in order to protect public health and safety, promote the common defense and security, and protect the environment.*

**SAFETY CULTURE Policy Statement**

NUREG/BR-0500, Rev. 1  
December 2012

TO GET MORE INFORMATION  
[www.nrc.gov](http://www.nrc.gov)  
[www.nrc.gov/about-nrc/regulatory/enforcement/safety-culture.html](http://www.nrc.gov/about-nrc/regulatory/enforcement/safety-culture.html)



# QUESTIONS ?

***Daniel Pasquale, U.S. NRC  
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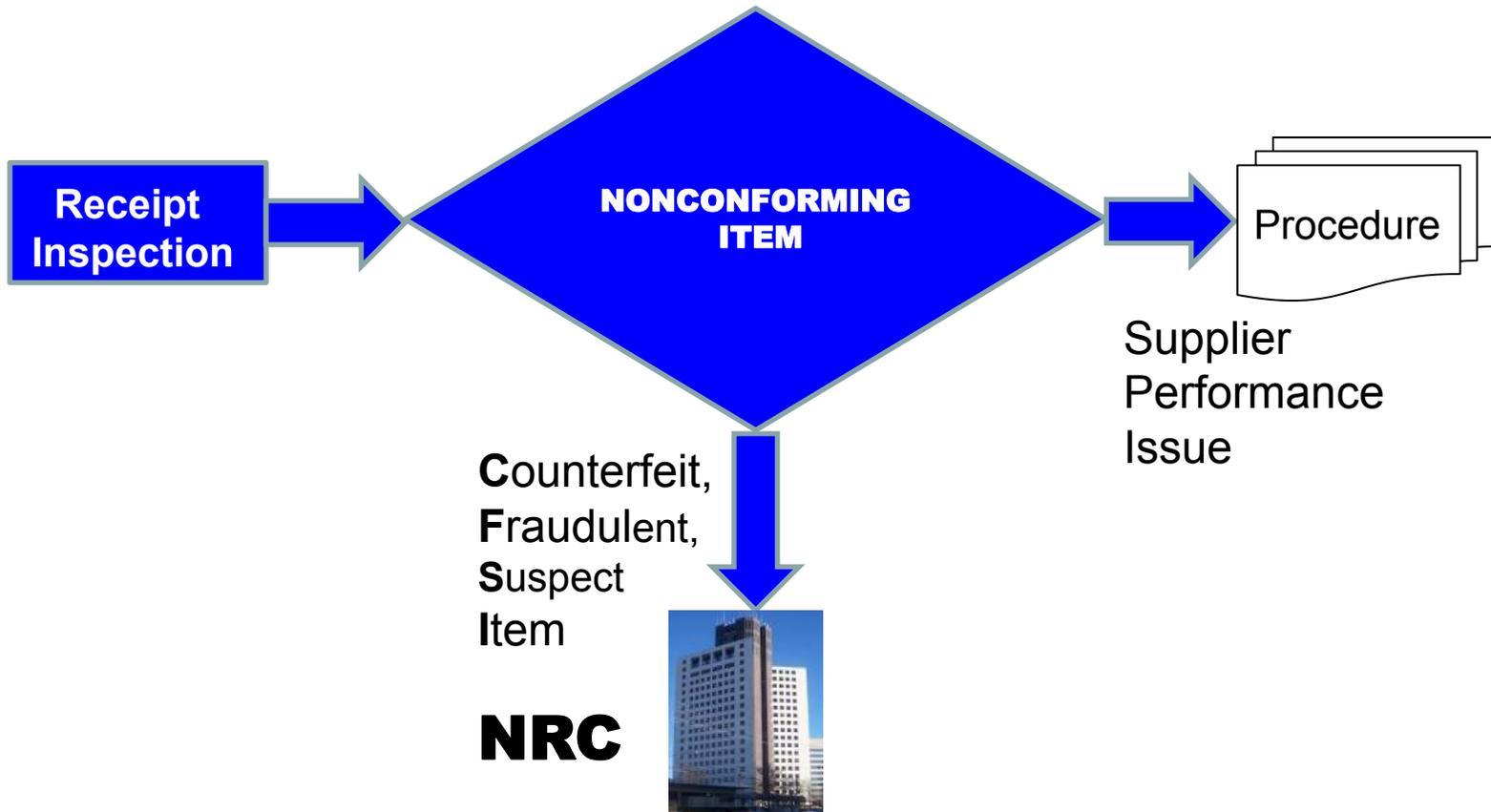
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## What does the NRC want to know?





## THE NEED TO QUARANTINE

- Quarantining is essential to the agency's ability to adequately conduct an effective inspection and/or investigation of a suspected counterfeit item. Possession of the item is necessary for investigators to address potential wrongdoing issues.
- Quarantining protects investigatory evidence. Each suspected item is treated as potential evidence of a violation of NRC regulations or other U.S. law, and must be quarantined.
- Quarantining is essential since each investigation is unique, and is conducted based on the facts/circumstances associated with the specific case. Once OI determines that the item is no longer needed, the item, will (if still in OI's possession) be returned to the licensee. This usually occurs fairly quickly, but some cases may take longer than others.



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## **CONTACTING THE NRC:**

**Simply contacting the NRC regarding suspected wrongdoing (including CFSI) has never implied guilt on the part of the concerned individual (CI).**

The NRC's Office of Investigation (OI) encourages all open and collaborative dialogues, and is committed to providing the resources necessary to investigate all claims in a timely manner.

## **NUREG/BR-0240, Reporting Safety Concerns To The NRC:**

*“NRC representatives will make all reasonable efforts not to disclose an individual’s identity outside the agency.”*

<http://pbadupws.nrc.gov/docs/ML1214/ML12146A003.pdf#page=4>



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## **GETTING HELP WITH CFSI:**

(Options for an effective response protocol)



1. 10 CFR 21 (when applicable)
2. Enter the occurrence into the CAP program
  - a) Documents the details
  - b) Plots trends in commodity, supplier, country of origin, etc.
  - c) Receives supervisory review
  - d) Receives CAP management review
  - e) Receives a Part 21 evaluation (when applicable)
  - f) Drives notification to customer (suppliers)
  - g) Entered into INPO/EPRI CFI Tracking Programs (members)
  - h) Monitored by NRC Resident staff
3. Notify INPO
4. Notify EPRI
5. Call the NRC (Contact Us - <http://www.nrc.gov/about-nrc/contactus.html> )
6. Enter an allegation through the NRC's allegations program
7. Notify the National IPR Center
8. Contact the FBI
9. Contact local law enforcement officials



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## **KEY MESSAGES:**

- No evidence of recent counterfeit activity at U.S. nuclear facilities.
- The staff has confirmed the regulatory basis for CFSI, and will state that position in a RIS.
- The licensee bears ultimate responsibility for the quality of items installed in licensed facilities.
- The NRC Safety Culture Policy Statement applies to both suppliers and licensees
- NRC is continuing to work with industry, vendors, public, law enforcement and other stakeholders in addressing CFSI targeted for NRC regulated activities
- Continuous improvement assures that enhancements will continue to be made to enhance CFSI programs.



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