



Nuclear Procurement Issues Committee

To: Nuclear Industry Suppliers Participating in the NUPIC Audit Process
From: John Larson, NUPIC Chairman
Subject: Detection of Counterfeit and Fraudulent Items

Beginning in 2009, NUPIC Auditors will include in their audit scope an evaluation of steps nuclear industry suppliers have taken to detect counterfeit and fraudulent items. The question that follows has been added to the NUPIC Checklist, Section 8

Assess and describe inspection/testing processes (such as those used during receipt/in-process/final inspection or testing) for identifying suspect (including counterfeit/fraudulent) material, items or components that may not be those ordered, with indications such as:

- Altered manufacturer's name, logo, serial number, manufacturing date
- Items differing in configuration, dimensions, fit, finish, color, or other attributes from that expected
- Markings on items or documentation are missing, unusual, altered, or inconsistent with that expected
- Markings or documentation from country other than that of the subsupplier
- Items, sold as new, exhibit evidence of prior use
- Performance inconsistent with specifications or certification or test data furnished
- Documentation that appear altered, incomplete, or lack expected traceability, UL or manufacturer's markings

Appendix B/ANSI N45.2 Ref: (7/8, 10/11, 11/12)

ASME Section III

NQA-1 Supplement 7S-1, 10S-1, 11S-1

Vendor Quality Manual Ref.:

With the expected growth of our industry, and the lack of qualified suppliers of some items, there is an increased potential for this problem. With input from the NRC, NUPIC has agreed that suppliers of safety-related products to the commercial nuclear power industry must recognize this potential and include in their QA Program steps to prevent the inadvertent use of counterfeit or fraudulent items.

The process for the evaluation of subsupplier products to determine if those products are potentially counterfeit/fraudulent is considered to be an activity important for establishing the quality of products that will be supplied to nuclear customers as basic components (i.e., safety related). As such, the requirements of 10CFR50 Appendix B Criterion III, V, VII, X, and XI should be applied to the process for detection of potentially counterfeit/fraudulent products. Therefore, procedural requirements/guidance that has not been adequately established for the detection of potentially counterfeit/fraudulent products during performance of product inspection activities will be identified as a noncompliance with the above 10CFR50 Appendix B requirements by the NUPIC Audit Team.

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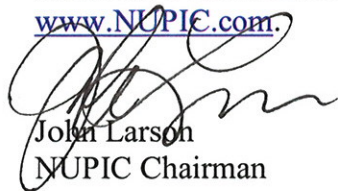
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NRC Information Notice IN 2008-04, IN 89-70, IN 89-70 Supplement 1 and Generic Letter 89-02 should be reviewed for additional information associated with the detection of misrepresented vendor products. EPRI NP-6629, Appendix C, provides further guidance.

NUPIC Auditors will receive training on implementing this change at the February 2-3, 2009 NUPIC Auditor Conference. Those of you with audits scheduled in 2009 will be subject to this checklist question.

All of us are anxious for a successful future for our industry, and realize that this problem must be addressed from the outset. Your continued support for NUPIC, and participation in the audit process, is greatly appreciated. If you should have any questions concerning this change, or wish to discuss any other matter, please feel free to contact me or any other NUPIC Steering Committee Member. Contact information for the NUPIC Steering Committee is available on

www.NUPIC.com.



John Larson
NUPIC Chairman