



Department of Energy
Washington, DC 20585

October 23, 2003

Mr. William G. Poulson
[]
Energy and Environment, Integrated Projects Group
Washington Group International
106 Newberry Avenue, S.W.
Aiken, SC 29801

EA-2003-07

Subject: Preliminary Notice of Violation and Imposition of Civil Penalty
\$55,000

Dear Mr. Poulson:

This letter refers to the investigation conducted by the Department of Energy (DOE) into allegations that RTS Wright Industries, LLC, (RTS), a supplier for which Washington Group International (WGI) had direct contractual responsibility, had falsified quality control inspection records. These records pertained to the Advanced Mixed Waste Treatment Project (AMWTP) Supercompactor Glovebox Suite at the Idaho National Engineering and Environmental Laboratory (INEEL).. The findings of our investigation were provided to you in an Investigation Summary Report issued on June 5, 2003, and an Enforcement Conference was held with you and members of your staff on June 25, 2003, to discuss the report. Enclosed is an Enforcement Conference Summary documenting those discussions.

As a subcontractor to BNFL Inc. for work related to the AMWTP at DOE's INEEL, WGI has specific responsibility for compliance with DOE nuclear safety rules and for the quality of components acquired from your contractors and suppliers. Based upon our evaluation of the facts and circumstances regarding the falsification issue and information you provided during the Enforcement Conference, DOE has concluded that violations of 10 CFR 830 Subpart A (Quality Assurance Requirements) have occurred and that certain breakdowns involve WGI. These breakdowns are described in the enclosed Preliminary Notice of Violation (PNOV).

The enclosed PNOV describes deficiencies related to the failure of WGI to fully implement its technical specification requirements with RTS, the supplier from which WGI acquired the Supercompactor Glovebox Suite. Failure to properly establish requirements for documentation of quality inspections performed on the Glovebox Suite at least indirectly contributed to the falsification of quality assurance documentation. Specifically, WGI's purchase order to RTS required it to conduct quality control inspections and tests using written procedures approved by WGI. Despite this

requirement, WGI authorized RTS to begin fabrication of the AMWTP Supercompactor Glovebox Suite without the required approval of the RTS inspection and test procedures. After RTS performed quality inspections, a WGI assessor informed it that dimensional inspection records did not contain sufficient detail and were not acceptable. The investigation completed by BNFL/WGI confirmed that RTS then generated falsified quality control inspection records for dimensional and weld inspections. This investigation also found that the procedures followed by RTS were inadequate and contributed to the creation of the falsified inspection documentation. The DOE investigation concurred with these findings.

Also described in the PNOV are breakdowns related to WGI's failure to establish adequate surveillance and oversight of RTS to ensure that it complied with requirements established in the purchase order and in its procedures for work related to the equipment it was fabricating. WGI failed to assure compliance with nuclear safety rules by both failing to assure the adequacy of quality inspection procedures prior to fabrication and by its failure to assure RTS compliance with nonconformance and quality stamp control procedures.

In accordance with the General Statement of Enforcement Policy, 10 CFR 820, Appendix A, the deficiencies described in the enclosed PNOV are classified as one Severity Level II violation. In determining the Severity Level of this matter, DOE considered the actual and potential safety significance associated with these deficiencies and other factors such as the initial identification of the deficiencies to DOE by a concerned individual.

The Office of Price-Anderson Enforcement (OE) is particularly concerned that WGI is reluctant to take any quality assurance responsibility for the administration of a contract with its supplier. Indeed, at the enforcement conference and in follow-up correspondence with OE, WGI made several assertions regarding its lack of culpability. WGI's oral assertions at the Enforcement Conference and in its supplemental response submitted subsequent to the conference are at direct variance with all the documentary evidence of record in this matter. It appears that WGI continues to deny any responsibility for oversight of this procurement, despite the overwhelming evidence to the contrary. The base civil penalty for the Severity Level II violation is \$55,000. DOE has determined that no mitigation is warranted for timely self-identification or for adequacy of corrective actions.

You are required to respond to this letter and follow the instructions specified in the enclosed PNOV when preparing your response. Your response should document any additional specific actions taken to date including actions taken to correct the deficiencies and prevent recurrence. Additionally, you should transmit a copy of your response to Alan J. Dobson, [], Advanced Mixed Waste Treatment Project, BNFL Inc., 765 Lindsay Blvd., Idaho Falls, Idaho, 83404.

After reviewing your response to the PNOV, including any further corrective actions, DOE will determine whether further enforcement action is necessary to ensure compliance with nuclear safety requirements.

Sincerely,

Stephen M. Sohinki
Director
Office of Price-Anderson Enforcement

Enclosures:

Preliminary Notice of Violation
Enforcement Conference Summary Report
List of Attendees

cc: E. Sellers, DOD-ID
S. Somers, DOE-ID PAAA Coordinator
K. Whitham, DOE-ID PAAA Coordinator
E. Dumas, BNFL PAAA Coordinator
B. Cook, EH-1
J. Roberson, EM-1
L. Vaughan, EM-5
S. Johnson, EM-5
R. Azzaro, DNFSB
S. Hurley, OE
Docket Clerk, OE

**Preliminary Notice of Violation
and
Proposed Imposition of Civil Penalty**

**Washington Group International
EA-2003-07**

The Department of Energy (DOE) has conducted an investigation into allegations that inspection records for the Advanced Mixed Waste Treatment Project (AMWTP) Supercompactor Glovebox Suite had been falsified. As a result of this investigation, potential violations of DOE nuclear safety requirements were identified. Following an Enforcement Conference held on June 25, 2003, DOE has concluded that a violation of certain nuclear safety regulations by Washington Group International (WGI), did, in fact, occur. In accordance with 10 CFR 820, Appendix A, "General Statement of Enforcement Policy," DOE issues this Preliminary Notice of Violation (PNOV), with proposed civil penalty, pursuant to section 234a of the Atomic Energy Act of 1954, as amended 42 USC 2282a, and 10 CFR 820. The particular violation and associated civil penalty are set forth below.

Violation Pertaining to Work Performance and Procurement Deficiencies

10 CFR 830.122 (e), *Performance/Work Processes*, requires in part that contractors perform work consistent with technical standards, administrative controls, and other hazard controls adopted to meet regulatory or contract requirements, using approved instructions, procedures, and other appropriate means.

10 CFR 830.122(g), *Performance/Procurement*, requires in part that processes be established and implemented to ensure that approved suppliers continue to provide acceptable items and services.

WGI failed to perform work consistent with these requirements in that:

On October 17, 2000, WGI issued Purchase Order Number 7536-09.04-001 to RTS Wright Industries, LLC, (RTS) for fabrication of a Supercompactor Glovebox Suite for installation at the AMWTP at DOE's Idaho National Engineering and Environmental Laboratory. Purchase Order Number 7536-09.04-001, Section 13091, General Specification for Manufacture of Gloveboxes and Glovebox Equipment, required that RTS conduct inspections and tests in accordance with written procedures approved by WGI. However, WGI authorized RTS to begin fabrication of the Supercompactor Glovebox Suite, including inspections and tests, without first approving applicable inspection and test procedures developed by RTS. These procedures did not include requirements that specific measurements resulting from the inspections be documented. Subsequent to fabrication of some components of the Glovebox Suite, WGI determined that the RTS inspection records were inadequate to constitute lifetime quality records.

Additionally, DOE documented the following examples in which WGI failed to adequately implement a process to ensure that RTS, an approved supplier, continued to provide acceptable items and services for the AMWTP:

1. From December 2000 through February 2002, WGI performed assessments of the fabrication and inspection activities of RTS. These WGI assessments failed to identify quality deficiencies related to noncompliance with RTS procedures. The procedural noncompliances included: (1) inadequate control and misuse of quality control inspection stamps in violation of RTS procedure Operating Instructions Stamp Request, and (2) failure to adequately implement material review board tags for identified material and component nonconformance, in violation of RTS procedure Operating Instructions MRB.

2. During WGI assessment Number 01-18 conducted in August 2001, the WGI assessor concluded that WGI would not accept the records provided as lifetime quality records. The WGI assessor did not document this finding in writing. Rather, the WGI assessor orally notified the RTS Director of Quality Assurance that its existing quality control records relating to certain dimensional inspections were unacceptable under the procurement as lifetime quality records. Since both the findings and corrective actions were handled informally, the formal approval process for corrective actions was not implemented. The prime contractor, BNFL and DOE found that the informal manner in which the WGI assessor addressed his finding contributed to the development of falsified inspection documents by RTS personnel.

Collectively these breakdowns represent a Severity Level II Violation
Civil Penalty - \$55,000

Pursuant to the provisions of 10 CFR 820.24, WGI is hereby required within 30 days of the date of the Preliminary Notice of Violation and Proposed Imposition of Civil Penalty, to submit a written statement or explanation to one of the following addresses:

(if sent by U.S. Postal Service):

Director, Office of Price-Anderson Enforcement
Attention: Office of the Docketing Clerk
EH-6, 270 Corporate Square Building
U.S. Department of Energy
1000 Independence Avenue, SW
Washington DC 20585-0270

(if sent by overnight carrier):

Director, Office of Price-Anderson Enforcement
Attention: Office of the Docketing Clerk
EH-6, 270 Corporate Square Building
U.S. Department of Energy
19901 Germantown Road
Germantown, MD 20874-1290

Copies should also be sent to the Manager, Idaho Operations Office and to the Cognizant Secretarial Officer at Headquarters for the facilities that are the subject of this notice. This reply should be clearly marked as a "Reply to a Preliminary Notice of Violation" and should include the following for the violation: (1) admission or denial of

the alleged violation, (2) any facts set forth in this PNOV which you believe are not correct, and (3) the reasons for the violation if admitted, or if denied, the basis for denial. In the event the violation set forth in the PNOV is admitted, this PNOV will constitute a Final Order in compliance with the requirements of 10 CFR 820.24.

Any request for remission or mitigation of the proposed civil penalty must be accompanied by a substantive justification demonstrating extenuating circumstances or other reasons why the assessed penalty should not be paid in full. Within the 30 days after the issuance of the PNOV and civil penalty, unless the violation is denied, or remission or additional mitigation is requested, WGI shall pay the civil penalty of \$55,000 imposed under section 234a of the Act by check, draft, or money order payable to the Treasurer of the United States (Account 891099) mailed to the Director, Office of Price-Anderson Enforcement Attention: Office of the Docketing Clerk, at one of the above addresses. Should WGI fail to answer within the time specified, an order imposing the civil penalty will be issued. Should additional mitigation of the proposed civil penalty be requested, WGI should address the adjustment factors described in section IX of 10 CFR 820, Appendix A.

Stephen M. Sohinki
Director
Office of Price-Anderson Enforcement

Dated at Germantown, MD
this 23rd day of October 2003

ENFORCEMENT CONFERENCE SUMMARY

Washington Group International (NTS-ID—BNFL-AMWTF-2002-0001)

The Department of Energy (DOE) Office of Price-Anderson Enforcement (OE) held an Enforcement Conference with Washington Group International (WGI) on June 25, 2003, in Germantown, Maryland. DOE held the Enforcement Conference to discuss potential violations related to WGI's oversight of RTS Wright Industries, LLC (RTS), a supplier retained by WGI to fabricate components for DOE's Advanced Mixed Waste Treatment Project (AMWTP) at the Idaho National Engineering and Environmental Laboratory.

Presentations by WGI representatives included a summary statement of their view of roles and responsibilities at the AMWTP, a timeline of events and actions taken, a discussion of the DOE concerns set forth in the OE Investigation Summary Report, a review of WGI's commitment to quality improvement and closing comments. A copy of a handout prepared by the company covering these topics has been placed in the docket file.

Representatives from the company acknowledged that the OE Investigation Summary Report was factually accurate in all significant respects. However, WGI expressed some minor exceptions to the report, as follows:

- WGI personnel took exception with the conclusion set forth in Section VIII C of the OE report that the initial investigation performed by WGI was not effective in identifying quality control and performance deficiencies at RTS. WGI asserted that its February 19, 2002, letter to BNFL was a chronology of assessments performed at RTS and not the results of an investigation.

OE informed WGI attendees that their assertion was at variance with the language of the BNFL/WGI report itself, which stated the following in relevant part:

“On 2/14/02, BNFL Inc. Management met with Management representatives from RTS Wright Industries and WGI and briefed them on the allegations. ... It was jointly concluded that RTS Wright and WGI would conduct investigations to determine the circumstances that led to the allegations and report back to BNFL Inc. by 2/21/02.”

“On 2/26/02 BNFL Inc. received investigation reports form RTS Wright dated 2/21/02 and WGI dated 2/19/02. The reports did not address the allegations to BNFL Inc.'s satisfaction.”

“After review of the reports, the BNFL Inc. AMWTP General Manager directed a joint BNFL Inc./WGI Investigation team determine the factual basis of the information.”

According to WGI these statements from the BNFL/WGI Investigation Report were conclusions by BNFL and were not endorsed by WGI, although WGI had signed the report jointly with BNFL. This position is noted for the record.

- Section VIII A. of the OE Investigation Summary Report identifies a WGI Contract Technical Specification that requires that RTS conduct inspections and tests using procedures approved by WGI. The report further explains that OE found no evidence these procedures were reviewed and approved by WGI in compliance with the requirements.

WGI made the oral assertion that the contract technical specification did not contain a specific requirement for RTS to submit inspection and test procedures for approval.

In response to this assertion, OE produced a copy of the RTS Wright Manufacturing Quality Plan submitted to WGI. This plan was stamped as being received by WGI and gave RTS authorization from WGI to proceed except as noted. The note contained language that RTS was to resubmit this Manufacturing Quality Plan with Procedures and Specifications. This quality plan included the inspection procedures.

Subsequent to the Enforcement Conference, WGI provided OE a written response that stated, in part, “BNFL, throughout the procurement process, maintains the technical responsibility to insure RTS Wright’s compliance to the drawings and specifications referenced in the Glovebox contract.” According to WGI, BNFL provided the conditional approval for RTS to proceed and requested the procedures be submitted. The WGI response also asserts that the submittal of procedures and specifications never occurred and was waived on September 23, 2002, after completion of the fabrication of the Glovebox Suite.

The OE Director informed the representatives of WGI that DOE would consider the information provided by the company together with the entire record when DOE undertakes its enforcement deliberations. The Director then adjourned the conference.

July 25, 2003

**Washington Group International
Regarding Suspect Quality Inspection Records
Oversight of Subcontractor**

Enforcement Conference List of Attendees

DOE Office of Price-Anderson Enforcement

S. Sohinki, Director
H. Wilchins, Senior Litigator
S. Hurley, Senior Investigator
S. Hosford, OE Technical Advisor

DOE Idaho

S. Somers, PAAA Coordinator

Washington Group International

W. Poulson, [], Integrated Projects Group
R. Coorey, [], Construction Services
G. Meyer, [] Environmental Safety, Health and Quality Assurance
M. Maier, [], Quality Assurance