

December 7, 2012

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and Operational Programs  
Office of New Reactors

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SUBJECT: VENDOR INSPECTION PROGRAM PLAN ANNUAL  
SELF-ASSESSMENT OF METRICS FOR FISCAL YEAR 2012

The Vendor Inspection Program (VIP) verifies that reactor applicants and licensees are fulfilling their regulatory obligations to provide effective oversight of the supply chain. It accomplishes this through a number of activities including: performing vendor inspections to verify the effective implementation of the vendor's quality assurance program, establishing a strategy for vendor identification and selection criteria, and ensuring that vendor inspectors obtain the necessary knowledge and skills to perform inspections. In addition, the VIP addresses interactions with nuclear consensus standards organizations, industry and external stakeholders, and international constituents.

The VIP also establishes objectives and associated performance metrics to demonstrate that the program's overarching goals are being supported. The NRC staff assesses the VIP performance metrics annually to ensure the VIP is being successfully carried out and to look for ways to continuously improve on their work. These performance metrics use objective measures and predetermined criteria to monitor the performance of the VIP as described in the

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“Vendor Inspection Program Plan,” Revision 4, dated September 2012 (Agencywide Documents Access and Management System Accession No. ML12271A090).

The NRC bases the program’s performance metrics on input from various sources including but not limited to inspection reports, stakeholder surveys, and comments from vendor inspection staff. The vendor inspection staff collects data quarterly and uses pre-established success criteria to analyze the data. In most cases, success is defined as a steady or improving trend and achieving the goals of the program performance metrics. Performance metrics have been established for each of the following VIP objectives:

- VIP O-1: Verify that applicants and licensees are fulfilling their regulatory obligations to provide effective oversight of the supply chain for operating reactors and reactor design and construction through a strategic sample of vendor inspections.
- VIP O-2: Effectively communicate with internal and external stakeholders.
- VIP O-3: Perform timely and adequate allegation follow-up and closure.
- VIP O-4: Ensure that vendor inspectors have the necessary knowledge and skills to successfully implement the VIP.

Each objective has a set of performance metrics associated with it to establish the overall success of the VIP.

The results of the vendor inspection staff’s analysis are enclosed. The vendor inspection staff found that for fiscal year (FY) 2012, the VIP met four out of six performance metrics. Two additional metrics are included in the VIP, but will not be measured until FY 2013 due to recent revisions. For performance metrics that were not met, the report contains an assessment and corrective actions that will be implemented in FY 2013.

Enclosure:

1. Vendor Inspection Program Plan  
Performance Metrics

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## VENDOR INSPECTION PROGRAM (VIP) PERFORMANCE METRICS

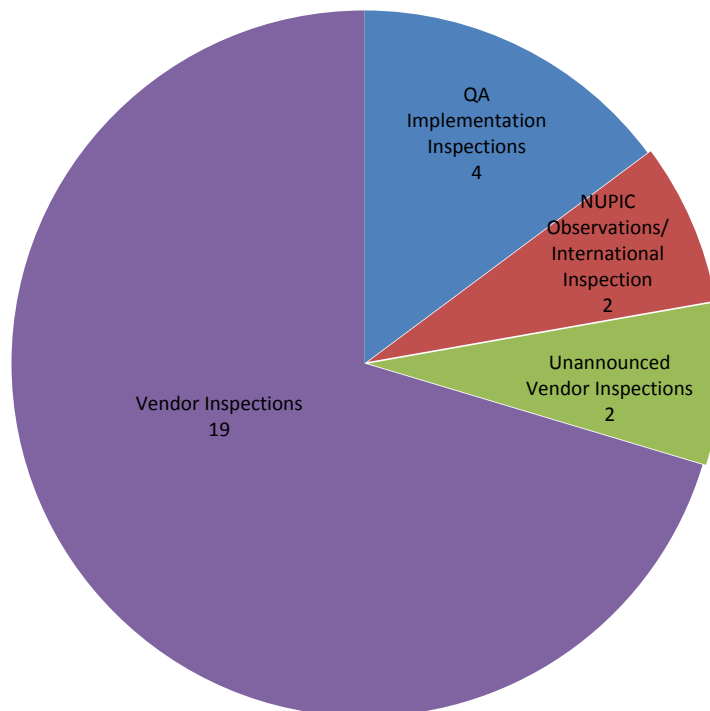
**VIP-O-1A** Accomplish Division of Construction Inspection and Operational Programs' (DCIP) [the U.S. Nuclear Regulatory Commission's (NRC) Office of New Reactors, DCIP] Established Number of Inspections per Fiscal Year (FY)

**Definition:** Accomplish DCIP's established number of inspections per fiscal year to capture a reasonable perspective of industry performance.

**Criteria:** Expect DCIP to perform the required number of inspections established at the beginning of the fiscal year.

**Goals:** Effective, Open

### FY12 Inspections



**Analysis:** DCIP's Operating Plan directed the vendor inspection staff to perform a minimum of 20 inspections during FY 2012. The vendor inspection staff completed a total of 27 inspections, including 1 Nuclear Utilities Procurement Issues Committee (NUPIC) observation and 1 joint international inspection during FY 2012. Two

inspections originally scheduled for FY 2012 were pushed to FY 2013 because of the vendor testing schedule.<sup>1</sup>

**Metric Met:** Yes

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<sup>1</sup> Of the 20 originally scheduled vendor inspections, 1 inspection was terminated early due to the fact that the vendor was not performing any safety-related work at the time of the inspection.

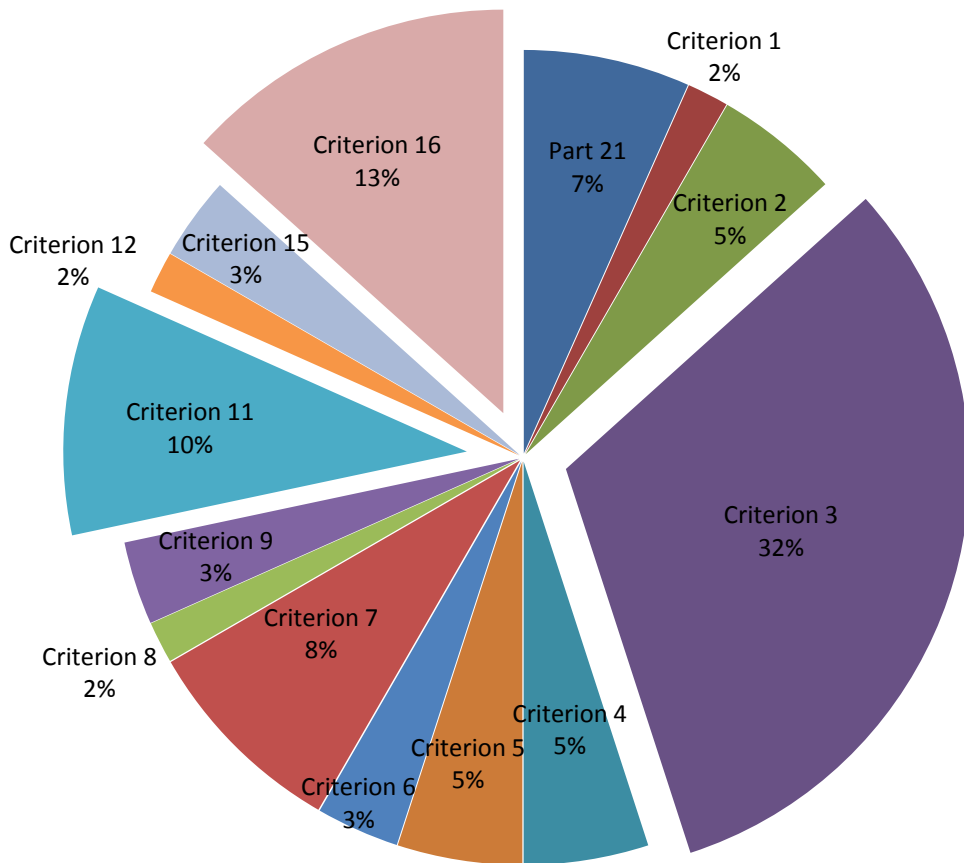
**VIP-O-1B Completion of Annual Assessment of the Number of Notices of Violations (NOV) and Notices of Nonconformance (NON)**

**Definition:** Perform an annual assessment of the number of NONs and NOVs to identify areas for industry improvement and take corrective actions as necessary. Corrective actions may include discussions at the vendor workshop, issuance of generic communications, and other activities.

**Criteria:** Expect a declining trend over time.

**Goals:** Objective, Open, Risk-Informed

**FY12 NOVs and NONs**



**Analysis:** From all the inspections completed in FY 2012, the NRC cited a total of 60 NOVs and NONs against licensees, applicants, and vendors. The number of NOVs and NONs identified in FY 2012 will serve as the baseline for evaluating this metric in future fiscal years. Beginning in FY 2013, the vendor inspection staff will evaluate the inspection results for noted trends and deficiencies and identify areas for industry improvement.

**Metric Met:** Not applicable for FY 2012.

**VIP-O-2A      Inspection Reports Are Relevant, Useful, and Written in Plain Language**

**Definition:** Survey external and internal stakeholders to determine if the information contained in inspection reports is relevant, useful, and written in plain language.

The NRC's quality assurance public Web site provides a link to the Vendor Inspection Report Survey Form. Interested stakeholders can fill out the survey and submit it electronically.

**Criteria:** Expect stable or increasingly positive perception over time.

**Goals:** Effective, Open, Understandable

**Analysis:** This metric requires a survey of external and internal stakeholders to determine if the information contained in inspection reports is relevant, useful, and written in plain language. The NRC did not evaluate this metric during FY 2012 as the vendor inspection staff is currently awaiting approval by the Office of Management and Budget to use the survey; therefore, this metric is not applicable for FY 2012.

**Metric Met:** Not applicable for FY 2012.

**VIP-O-2B      Announcement Letters, Inspection Plans, Inspection Reports and Acknowledgment Letters Are Timely<sup>2</sup>**

**Definition:** Obtain data on the total number of announcement letters, inspection plans, inspection reports and acknowledgement letters issued within the timeliness goals stipulated in Section 9 of this plan and Inspection Manual Chapter 0617, "Vendor and Quality Assurance Implementation Inspection Reports," dated October 29, 2009.

**Criteria:** Expect 90 percent of announcement letters, inspection plans, inspection reports and acknowledgement letters to be issued within the VIP timeliness goals.

**Goals:** Effective, Open, Predictable

**Analysis:** The vendor inspection staff performed a total of 21 vendor and four quality assurance (QA) implementation inspections. Note that for this metric the one Nuclear Utilities Procurement Issues Committee (NUPIC) observation and one joint international inspection are not applicable. It is important to note that with recent updates to the VIP, tracking for inspection plans and acknowledgement letters did not begin to apply until July 2012. Therefore, for the 15 vendor and QA implementation inspections that occurred before July 2012, the NRC will not evaluate the timeliness of when the inspection plans and announcement letters were issued.

The metric for announcement letters to be issued is no less than 30 calendar days from the start date of the inspection. Of the total 24 inspections completed, the vendor inspection staff achieved a score of 50%. Although this criterion was

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<sup>2</sup> Staff collected data from inspection reports published in FY 2012. The data for inspections that occurred in FY 2012 but which will be issued in FY 2013, will be captured during FY 2013's assessment.

not met, the total average time for issuing the announcements letters was 45.5 days. The shifting of inspection dates and testing activities with final notification of testing dates being less than 30 days of the allotted time, played a large role in the staff not meeting this metric. In addition, in some cases, although the date of the announcement letter might be less than the 30 days required, some inspections were announced to the vendor in a conference call well ahead of the 30 days, however, this date was not captured on the announcement letters.

Revision 3 of the VIP plan, dated July 2012, set the metric requiring inspection plans to be issued no less than seven calendar days from the start date of the inspection. This metric was met with a score of 90% and a total average time of 15 days.

The metric for inspection report issuance is no more than 45 calendar days after the exit date of the inspection. Of the total 25 inspections completed, the vendor inspection staff achieved a score of 62.5%. The total average time for inspection reports was 46 days. Of the total number of inspection reports issued greater than 45 days, the staff issued three inspection reports within three days of the 45 day requirement. The staff review of delays found that most could be attributed to delays in the administrative routing and posting process.

Revision 3 of the VIP plan, dated July 2012, set the metric requiring that acknowledgement letters be issued no more than 15 days after the last communication received by the licensee, vendor or applicant. Since no response letters were received from inspections that began after July 2012, this metric is not applicable for FY 2012 and will be evaluated beginning in FY 2013. In addition, this metric will be changed to 30 days in FY 2013 to account for situations in which it is not practicable to evaluate the licensee, vendor or applicant's response in such a short timeframe.

**Metric Met:** No for announcement letters and inspection reports, yes for inspection plans.

**Corrective Actions:** The vendor inspection staff noted that there was an inconsistency in the format of the announcement letters. Some announcement letters did not reference the conference call during which the inspection team leader initially announced to the vendor, applicant, or licensee the NRC's intention of performing an inspection. Since inspections are officially announced during this conference call, this call is essential for establishing the official date that the NRC notified the licensee, vendor, or applicant of the inspection. As a result, the inspection team leaders or their representatives will be required to record the date of the conference call as it will be considered the official date that the inspection was announced.

A majority of the inspections performed during FY 2012 were focused on observing equipment qualification testing. Because of the frequent changes in the testing schedule, in some cases even though the licensee, vendor or applicant was aware of the NRC's intentions to perform an inspection well ahead of the 30 days, the announcement letter was issued after the 30 day deadline had passed. By establishing the date of the conference call as the official date the inspection was announced, the vendor inspection staff ensures that this metric will be met. As a result,



the vendor inspection staff will create a new template for announcement letters that will include the date of the conference call.

The vendor inspection staff also noticed delays in the time required to prepare a draft of the inspection report, receive all the required approvals, and officially issue the vendor inspection report. As a result, the vendor inspection staff will develop a table that will include the inspection exit date and the date the report has to be issued by to serve as a tool for inspection team leaders and branch chiefs in tracking the progress of the inspection reports. The vendor inspection staff also will provide training on the proper use of this table.

**VIP-O-2C      Inspection Results Accepted by Stakeholders**

**Definition:** Track the total number of NOV's and NON's contested by vendors.

**Criteria:** Retract less than 20 percent of NOV's and NON's because they are successfully contested by the stakeholders.

**Goals:** Effective, Objective, Open, Predictable

**Analysis:** There were no NOV's or NON's contested by stakeholders during FY 2012, therefore, the vendor inspection staff did not retract any NOV's or NON's.

**Metric Met:** Yes

**VIP-O-3      Allegation Support**

**Definition:** Achieve the timely completion of inspection reports the result from reactive inspections and the timely submittal of allegation response documents.

**Criteria:** Conduct all support within the timeliness goals of the allegations program.

**Goals:** Effective, Objective, Risk-Informed

**Analysis:** The vendor inspection staff provided support for 14 allegations during FY 2012. All input provided to the allegation staff in the Office of Nuclear Regulation was submitted within the allegations program's time requirements.

**Metric Met:** Yes

**VIP-O-4A      Assessment of Trainee Qualifications**

**Definition:** Branch chiefs assess inspectors in training for progress in achieving qualifications at least quarterly.

**Criteria:** Expect 90 percent of trainees to qualify in 2 years.

**Goals:** Effective, Predictable, Understandable

**Analysis:** There are currently seven trainees going through the qualification process to become qualified vendor inspectors. Two of these trainees will not be qualified within the 2 year requirement, while five are currently on track to become qualified. The trainees who will not be qualified have tentative qualification boards set for the beginning of FY 2013.

The Failure to complete the qualifications on time was attributed to a lack of oversight by management and a previous passive approach to qualifications

**Metric Met:** No

**Corrective Actions:** The branch chiefs have instituted a policy of more closely monitoring the status of trainees and providing the necessary training opportunities. Additionally, the vendor inspection staff will create a table that will list all the qualified vendor inspectors and identify which study activities the qualified inspectors can sign off on. This table will be made available to all trainees. In addition, a table has already been created that identifies all the vendor inspection staff and which inspections he or she have participated in.

**VIP-O-4B      Assessment of Inspector Proficiency**

**Definition:** Maintain proficiency for all qualified inspectors.

**Criteria:** Maintain annual proficiency for all qualified inspectors in accordance with the guidance set by the VIP for refresher and continuing training.

**Goals:** Effective, Predictable, Understandable

**Analysis:** All qualified vendor inspectors met the annual proficiency requirements as required in Section 12 of the "Vendor Inspection Program Plan," Revision 4, dated September 2012 and Section C-8 of Appendix D1 to Inspection Manual Chapter 1245, "Maintaining Qualifications," dated December 2011.

**Metric Met:** Yes