

December 5, 2013

MEMORANDUM TO: Michael C. Cheek, Acting Director
Division of Construction Inspection
and Operational Programs
Office of New Reactors

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SUBJECT: VENDOR INSPECTION PROGRAM ANNUAL SELF-ASSESSMENT
REPORT FOR FISCAL YEAR 2013

The Vendor Inspection Program (VIP) verifies that reactor applicants and licensees are fulfilling their regulatory obligations with respect to providing effective oversight of the supply chain. It accomplishes this through a number of activities, including: performing vendor inspections that will verify the effective implementation of the vendor's quality assurance program, establishing a strategy for vendor identification and selection criteria, and ensuring vendor inspectors obtain 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 includes objectives and associated performance metrics to demonstrate that the overarching goals are being supported. The VIP performance metrics are assessed to ensure successful implementation and continuous improvement of the VIP. These performance metrics

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use objective measures and predetermined criteria to monitor the performance of the VIP as described in the "Vendor Inspection Program Plan," Revision 7, dated August 2013 (Agencywide Documents Access and Management System Accession No. ML13239A500).

The performance metrics are based on input from various sources, including but not limited to inspection reports, stakeholder surveys, and vendor inspection staff's comments. 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 with respect to providing 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 in order 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 2013, the VIP met 9 out of 11 performance metrics by meeting the criteria defined in Appendix D, "Vendor Inspection Program Performance Metrics," to the "Vendor Inspection Program Plan." The performance metrics not met involved the timely release of inspection plans and acknowledgement letters, and will be reviewed and evaluated by management for corrective actions.

Enclosure:
Vendor Inspection Program Performance
Metrics

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Enclosure:
Vendor Inspection Program Performance Metrics

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DATE	10/30/2013	12/06/2013	12/05/2013	

VENDOR INSPECTION PROGRAM PERFORMANCE METRICS

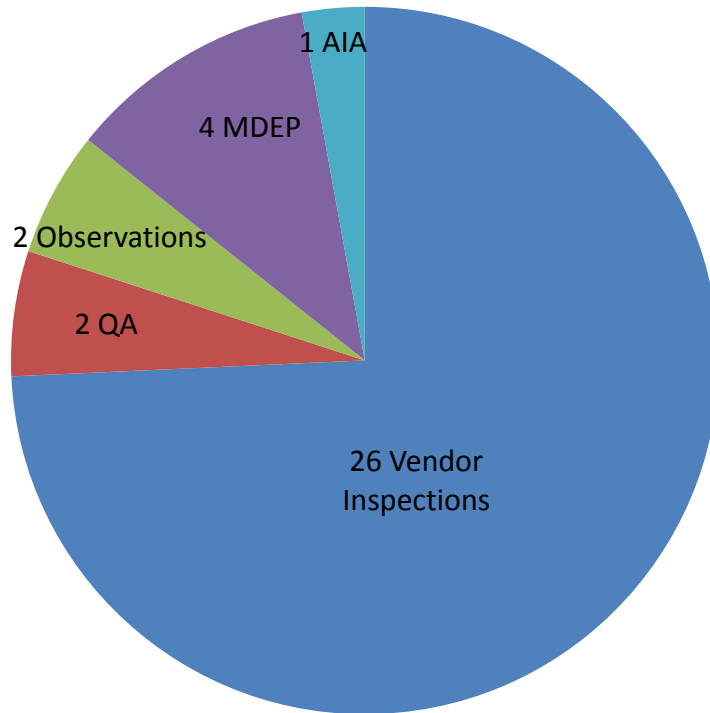
VIP-O-1A Accomplish the Nuclear Regulatory Commission (NRC), Office of New Reactors (NRO), Division of Construction Inspection and Operational Programs' (DCIP) Established Number of Inspections per Fiscal Year

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

FY13 Inspections



Analysis: DCIP's Operating Plan directed the vendor inspection staff to perform a minimum of 30 inspections during FY 2013. The vendor inspection staff completed a total of 35 vendor inspections, including one observation of an audit performed by the Nuclear Procurement Issues Committee (NUPIC), one international inspection observation, one Aircraft Impact Assessment (AIA) inspection, and four joint international inspections under the Multinational Design Evaluation Program (MDEP), during FY 2013.

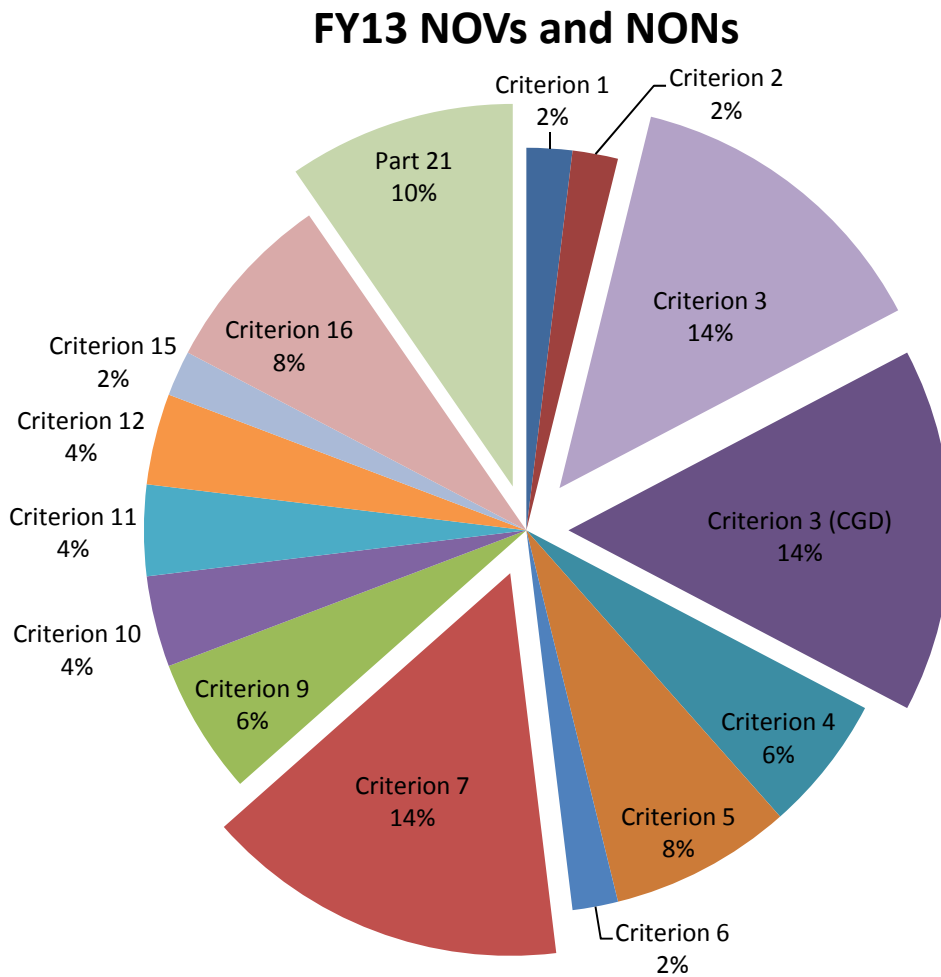
Metric Criteria Met: Yes

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



Analysis: The NRC issued a total of 52 NOVs and NONs against licensees, applicants, and vendors. Based on the NOVs and NONs identified in FY 2012, there was not a significant change indicating new vendor performance trends. The previous trends related to Design Control, commercial-grade dedication, and 10 CFR Part 21 continue to exist and will be discussed during upcoming industry interactions.

Metric Criteria Met: Yes

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

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

The NRC's quality assurance public Website provides a link to the Vendor Inspection Report Survey Form. Interested stakeholders can complete 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 the inspection reports is relevant, useful, and written in plain language. Since the vendor inspection staff just recently received approval from the Office of Management and Budget to use the feedback form, this metric was only evaluated during the fourth quarter of FY 2013. From the three completed feedback forms, each vendor agreed that the information contained in the inspection reports is relevant, useful, and clearly understood.

Metric Criteria Met: Yes

VIP-O-2B Notification of Inspection¹

Definition: Obtain data on the total number of inspections that were notified to the vendor within the timeliness goals stipulated in Section 10 of this plan.

Criteria: Expect 90 percent of inspections to be announced to the vendor within the Vendor Inspection Program (VIP) timeliness goals.

Goals: Effective, Open, Predictable

Analysis: The metric for notifying the vendors of an NRC inspection is no less than 30 calendar days from the start date of the inspection. Out of 31 notifications of inspection completed in FY 2013, the vendor inspection staff announced 28 within the VIP timeliness goal, which represents a score of 90.3%. The total average time for inspection notification was 55 days.

Metric Criteria Met: Yes

¹ Staff collected data from inspection reports published in FY 2013. The data for inspections that occurred in FY 2013 but which will be issued in FY 2014, will be captured during FY 2014's assessment.

VIP-O-2C Inspection Plans are Timely¹

Definition: Obtain data on the total number of inspection plans issued within the timeliness goals stipulated in Section 10 of this plan.

Criteria: Expect 90 percent of inspection plans to be issued within the VIP timeliness goals.

Goals: Effective, Open, Predictable

Analysis: The metric for issuing inspection plans is no less than seven calendar days from the start date of the inspection. Out of 31 inspection plans completed in FY 2013, the vendor inspection staff completed 26 within the VIP timeliness goal, which represents a score of 84%. The total average time for inspection plans was 17 days.

Metric Criteria Met: No

Corrective Actions: The vendor inspection staff noted that the root cause for the inspection plans being issued late was due to: (1) the internal administrative process for releasing documents once they are signed and ready to be issued, and (2) not receiving information from the vendors that influences the scope of the inspection in a timely manner. As a result, the vendor inspection staff has developed and implemented new controls in tracking and tasking documents for administrative staff to ensure the timely release of inspection plans. For the inspection of sub-suppliers, the vendor inspection staff will include the top tier supplier in any request for information critical to the development of the inspection plan.

VIP-O-2D Inspection Reports are Timely¹

Definition: Obtain data on the total number of inspection reports issued within the timeliness goals stipulated in Section 10 of this plan and Inspection Manual Chapter 0617, "Vendor and Quality Assurance Implementation Inspection Reports," dated October 3, 2013.

Criteria: Expect 90 percent of inspection reports to be issued within the VIP timeliness goals.

Goals: Effective, Open, Predictable

Analysis: The metric for issuing inspection reports is no later than 45 calendar days after the exit meeting of the inspection. Out of 32 inspection reports completed in FY 2013, the vendor inspection staff completed 29 inspections reports within the VIP timeliness goals, which represents a score of 91%. The total average time for inspection reports was 41.5 days.

Metric Criteria Met: Yes

VIP-O-2E Acknowledgment Letters Are Timely¹

Definition: Obtain data on the total number of acknowledgement letters issued within the timeliness goals stipulated in Section 10 of this plan.

Criteria: Expect 90 percent of acknowledgement letters to be issued within the VIP timeliness goals.

Goals: Effective, Open, Predictable

Analysis: The metric for issuing acknowledgement letters is no later than 30 days after the last communication received by the licensee, vendor or applicant. Out of the 19 vendor responses received in FY 2013, the vendor inspection staff issued 17 acknowledgement letters within the VIP timeliness goals, which represents a score of 89.47%. The total average time for responses was 18.53 days

Metric Criteria Met: No

Corrective Actions: The vendor inspection staff noted that the root cause for acknowledgement letters being issued late was due to the coordination with other Offices or Divisions to address complex technical issues in a vendor response to address corrective actions for a finding. As a result, the vendor inspection staff will develop and implement a tracking system for vendor responses to assure acknowledgement letters are issued in a timely manner.

VIP-O-2F 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 was one NON contested by a stakeholder in FY 2013 and it is currently being evaluated in accordance with the Enforcement Manual. Since this is the only NON that was contested in FY 2013, the outcome of it would not have any effect in meeting the metric criteria.

Metric Criteria Met: Yes

VIP-O-3 Allegation Support

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

Criteria: Conduct all support within the Allegation program timeliness goals.

Goals: Effective, Objective, Risk-Informed

Analysis: The vendor inspection staff provided support for 42 allegations during FY 2013. Of the 42 only 4 resulted in reactive inspections based on the outcome of an Allegations Review Board (ARB). All input provided to the allegation staff in the Office of Nuclear Reactor Regulation was submitted within the Allegations Program timeliness requirements.

Metric Criteria 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: Five vendor inspectors qualified at the beginning of FY 2013. There were seven trainees undergoing the qualification process at the end of FY 2013. Of those seven trainees, only one has exceeded the two year limit and is on a remediated track.

Metric Criteria Met: Yes

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 forth by the VIP for refresher and continuing training.

Goals: Effective, Predictable, Understandable

Analysis: All qualified vendor inspectors met the annual proficiency requirements as stated in Section 12 of the "Vendor Inspection Program Plan," Revision 7, dated August 2013 and Section C-8 of Appendix D1 to Inspection Manual Chapter 1245, "Maintaining Qualifications," dated December 2011.

Metric Criteria Met: Yes