

December 18, 2014

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and Operational Programs
Office of New Reactors

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SUBJECT: VENDOR INSPECTION PROGRAM ANNUAL SELF-
ASSESSMENT REPORT FOR FISCAL YEAR 2014

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 10, dated November 2014 (Agencywide Documents Access and Management System Accession No. ML14329B345).

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.

The results of the vendor inspection staff's analysis are enclosed. The vendor inspection staff found that for fiscal year 2014, the VIP met 10 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 metric that was not met involved the timely release of inspection reports. Corrective actions associated with that missed metric have been addressed in section VIP-O-2C of the attached Vendor Inspection Program Performance Metrics.

Enclosure:

Vendor Inspection Program Performance Metrics

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Enclosure:
Vendor Inspection Program Performance Metrics

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VENDOR INSPECTION PROGRAM PERFORMANCE METRICS

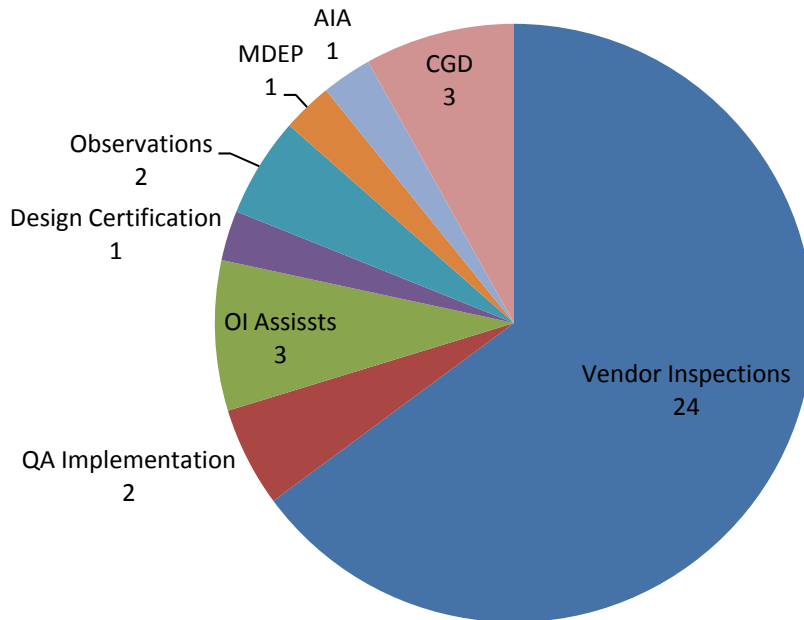
VIP-O-1A **Accomplish the Nuclear Regulatory Commission (NRC), Office of New Reactors (NRO), Division of Construction Inspection and Operational Programs' (DCIP) Established Number of Inspections per Fiscal Year**

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

FY14 Inspections



Analysis: DCIP's Operating Plan directed the vendor inspection staff to perform a minimum of 30 inspections during fiscal year (FY) 2014. The vendor inspection staff completed a total of 37 vendor inspections, including three Office of Investigation (OI) Assists, two observations of an audit performed by the Nuclear Procurement Issues Committee (NUPIC), one Aircraft Impact Assessment (AIA) inspection, one joint international inspections under the Multinational Design Evaluation Program (MDEP), three commercial-grade dedication (CGD) inspections, two Quality Assurance (QA) Implementation Inspections, and one design certification inspection during FY 2014.

Metric Criteria Met: Yes

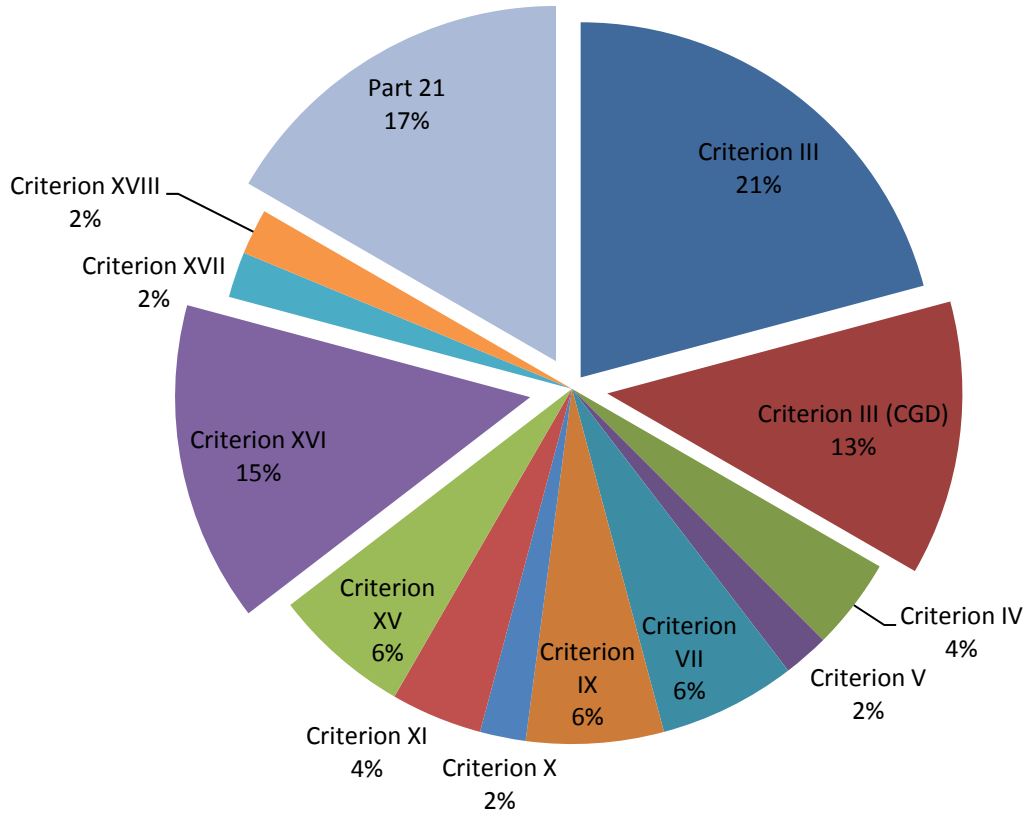
VIP-O-1B: **Completion of Annual Assessment of the Number of Notices of Violations (NOV) and Notices of Nonconformance (NON)**

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

FY14 NOVs and NONs



Analysis: The NRC issued a total of 48 NOV and NONs against licensees, applicants, and vendors. Based on the NOV and NONs identified in FY 2014, there has been an increase of NONs in the areas of Criterion XV, "Nonconforming Materials, Parts or Components," and Criterion XVI, "Corrective Action," of Appendix B to 10 CFR Part 50. Since FY2013, the number of NONs related to Criterion XV and Criterion XVI have increased from 2% to 6% and 8% to 15%, respectively. The previous trends related to design control, CGD, and 10 CFR Part 21 continue to exist. These increases in the number of NONs 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. From the seven 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 Inspection**¹

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 29 notifications of inspection completed in FY 2014, the vendor inspection staff announced 27 within the VIP timeliness goal, which represents a score of 90.1%. The total average time for inspection notification was 61 days.

Metric Criteria Met: Yes

¹ Staff collected data from inspection reports published in FY 2014. The data for inspections that occurred in FY 2014 but which will be issued in FY 2015, will be captured during FY 2015'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 33 inspection plans completed in FY 2014, the vendor inspection staff completed 30 within the VIP timeliness goal, which represents a score of 90.91%. The total average time for inspection plans was 15.1 days. In FY 2013 this metric was not met. However, with the implementation of corrective actions to track and task documents for administrative staff's timely release of inspection plans, and to involve top tier suppliers in any requests of crucial information from sub-suppliers, this metric was met in FY 2014.

Metric Criteria Met: Yes

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 31 inspection reports completed in FY 2014, the vendor inspection staff completed 25 inspections reports within the VIP timeliness goals. However, of the six late inspection reports, two of them were late due to unavoidable and justifiable reasons, which represents a score of 87%. The total average time for inspection reports was 42.29 days.

Metric Criteria Met: No

Corrective Actions: The vendor inspection staff noted that the root cause for the late issuance of inspection reports was due to unavoidable circumstances. Of the six inspection reports that did not meet the timeliness requirement, one report was intentionally delayed due to its relationship to another significant internal process; while another report was highly technical and

unique with regard to the design acceptance criteria (DAC) tests, analyses and acceptance criteria (ITAAC). Therefore, the additional time spent issuing these reports was justifiable. For the remaining four reports, the applicable staff has been counselled about meeting the 45 day metric.

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 2014, the vendor inspection staff issued 16 acknowledgement letters within the VIP timeliness goals. However, of the three late inspection reports, two of them were late due to unavoidable and justifiable reasons, which represents a score of 94.7%. The total average time for responses was 17 days.

Metric Criteria Met: Yes

Corrective Actions: The vendor inspection staff noted that the root cause for the late issuance of acknowledgement letters was due to several reasons. Of the three acknowledgement letters that did not meet the timeliness goals, one letter was issued late because the inspection team leader did not appropriately communicate the requirements to the administrative staff and failed to appropriately follow up on the issue. The individual was reminded of his responsibilities. For the remaining two letters, the complexity of the responses required additional time to develop the response. Corrective actions were taken as needed for these two instances.

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 were no NOV's or NON's contested by stakeholders during FY 2014, therefore, the vendor inspection staff did not retract any NOV's or NON's. There

is one ongoing contested NOV from FY 2013. We are currently waiting to resolve the issue with OGC and receive further guidance from OI.

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 to a total of 73 allegations (6 NRR and 67 NRO) during FY 2014. Of the 73, four resulted in reactive inspections based on the outcome of an Allegations Review Board (ARB). All input provided to the allegation staff in NRR 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 two years.

Goals: Effective, Predictable, Understandable

Analysis: Three vendor inspectors qualified in FY 2014. Of the three, one was outside of the two-year qualification timeline. There were nine trainees undergoing the qualification process at the end of FY 2014. They are all on track to meet their two year qualification period.

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