

December 7, 2016

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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 2016

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 use objective measures and predetermined criteria to monitor the performance of the VIP as described in the "Vendor Inspection Program Plan," Revision 14, dated September, 2016 (Agencywide Documents Access and Management System Accession No. ML16265A631).

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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 2016, the VIP met nine 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 inspection reports, and will be reviewed and evaluated by management for corrective actions during the first and second quarters of FY 2017.

Enclosure:

Vendor Inspection Program Performance  
Metrics

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Vendor Inspection Program Performance  
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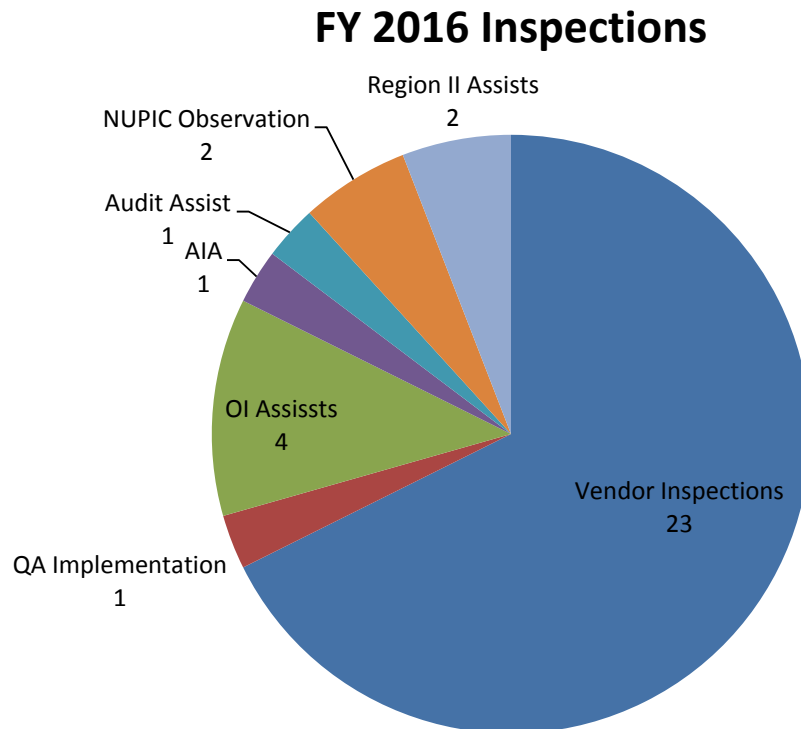
VENDOR INSPECTION PROGRAM PERFORMANCE METRICS

**VIP-O-1A** Accomplish the U.S. Nuclear Regulatory Commission’s Office of New Reactors Division of Construction Inspection and Operational Program’s (DCIP’s) 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 (per Congressional Budget Justification FY 2016 NUREG-1100 Volume 31).

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

**Goals:** Effective, Open



**Analysis:** DCIP’s Operating Plan directed the vendor inspection staff to perform a minimum of 30 inspections during FY 2016. The vendor inspection staff completed a total of 34 vendor inspections, including four Office of Investigation (OI) assists, two Region II assists, one Aircraft Impact Assessment (AIA) inspection, two Nuclear Procurement Issues Committee (NUPIC) observations, one audit assist, and one Quality Assurance (QA) implementation inspection during FY 2016.

**Metric Criteria Met:** Yes

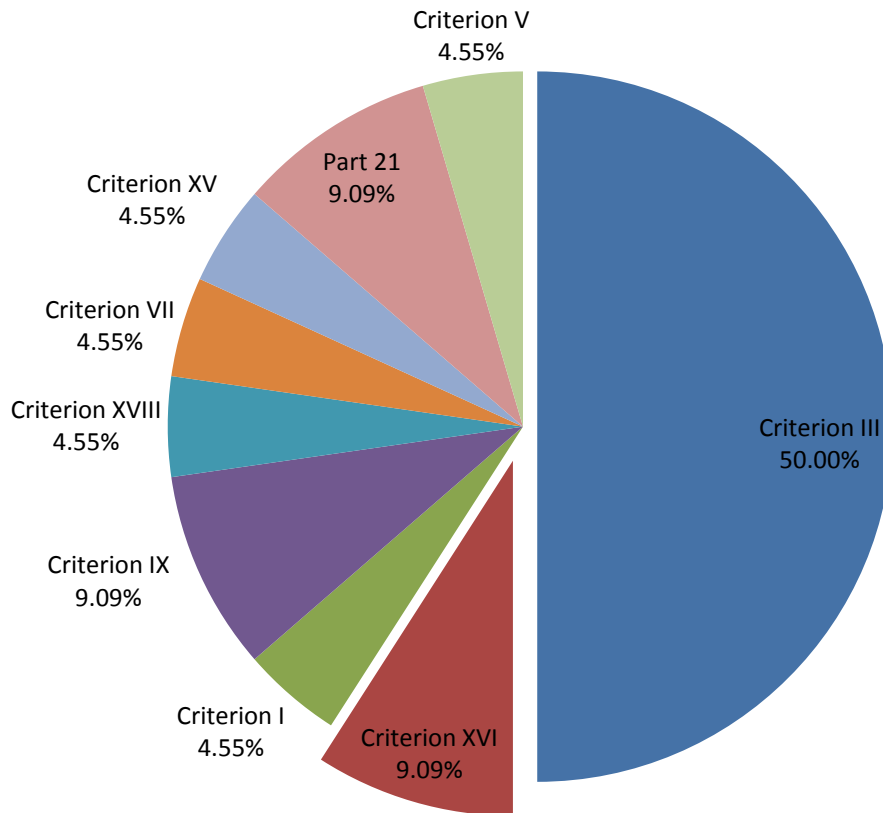
**VIP-O-1B: Completion of Annual Assessment of the Number of Notices of Violations (NOV) and Notices of Nonconformance (NON)**

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

**Criteria:** Expect industry attendance at vendor workshops and industry outreach meetings and through generic communications.

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

### FY 2016 NOVs and NONs



**Analysis:** The NRC issued a total of 21 NOVs and NONs against licensees, applicants, and vendors during FY 2016. The decrease in the amount of NOVs and NONs from FY 2015 to FY 2016 was due to several reasons including: (1) more management focus on the threshold for more than minor findings; (2) greater branch chief involvement at inspections improving the quality of findings; (3) several of the vendor inspections associated with AP1000 findings involved closing out previous findings and few new findings identified; and (4) inspection findings are becoming more technically focused.

**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 fill 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 two 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<sup>1</sup>**

**Definition:** Obtain data on the total number of inspections that were notified to the vendor within the timeliness goals stipulated in Section 10 of the Vendor Inspection Program (VIP) plan.

**Criteria:** Expect 90 percent of inspections to be announced to the vendor within the 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 25 notifications of inspection completed in FY 2016, the vendor inspection staff announced 23 within the VIP timeliness goal, which represents a score of 92%.

**Metric Criteria Met:** Yes

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<sup>1</sup> Staff collected data from inspection reports published in FY 2016. The data for inspections that occurred in FY 2016 but which will be issued in FY 2017, will be captured during FY 2017's assessment.

**VIP-O-2C      Inspection Plans are Timely<sup>1</sup>**

**Definition:** Obtain data on the total number of inspection plans issued within the timeliness goals stipulated in Section 10 of VIP 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 28 inspection plans completed in FY 2016, the vendor inspection staff completed 25 within the VIP timeliness goal, which represents a score of 89.3%.

**Metric Criteria Met:** No

**Corrective Actions:** The vendor inspection staff noted that the root cause for the late issuance of inspection plans was due to several reasons. In one instance, the plan was late due to the holidays and the team leader being out of the office. In the second instance, the inspection was a first-of-a-kind (FOAK) inspection that required review by staff and managers who were knowledgeable in the subject area. For those two instances, staff and managers have been sensitized to the need for better planning of resources and that staff unavailabilities due to vacations and travel has to be accounted for. For the last instance, the plan was late due to an Allegation Review Board request for an immediate inspection. Modifications are being made to the metric criteria to account for late requests for inspections.

**VIP-O-2D      Inspection Reports are Timely<sup>1</sup>**

**Definition:** Obtain data on the total number of announcement inspection reports issued within the timeliness goals stipulated in Section 10 of the VIP 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 23 inspection reports completed in FY 2016, the vendor inspection staff completed 20 inspections reports within the VIP timeliness goals, which represents a score of 86.97%.

**Metric Criteria Met:** No

**Corrective Actions:** The vendor inspection staff noted the root cause for one late inspection report was due to the fact that it was a complex inspection which required discussion at two Findings Review Panels (FRP). Each FRP included members from The Office of the General Counsel (OGC) and Office of New Reactors (NRO) Senior Executive Service (SES), in order to achieve on the AP1000's Aircraft Impact Assessment (AIA) findings. In the future, staff will request additional time to process AIA inspection reports due to their wide interest and number of concurrences. In two other instances, inspection staff indicated that the reports were late due to the holidays and staff being out of the office. As discussed in VIP-0-2C, staff and managers have been reminded to better plan to account for staff availabilities to prevent late plans, letters, and reports.

**VIP-O-2E Acknowledgment Letters Are Timely<sup>1</sup>**

**Definition:** Obtain data on the total number of acknowledgement letters issued within the timeliness goals stipulated in Section 10 of the VIP 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 nine vendor responses received in FY 2016, the vendor inspection staff issued nine acknowledgement letters within the VIP timeliness goals, which represents a score of 100%.

**Metric Criteria Met:** Yes

**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 10 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 during FY 2016. After the NRC conducted an independent review, we did not retract the NON. Therefore, no NON's or NOV's were retracted during FY 2016.

**Metric Criteria Met:** Yes

**VIP-O-3 Allegation Support**

**Definition:** Achieve the timely submittal of allegation response documents.



**Criteria:** Conduct all support within the Allegation program timeliness goals. Support includes, but is not limited to, providing input for Allegation Review Board materials, attending Allegation Review Boards, providing input to Requests for Information, participating in phone calls with the Concerned Individual(s), and providing input for closure and response after closure letters, etc.

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

**Analysis:** The vendor inspection staff provided support for 30 allegations and supported 131 allegation disposition actions during FY 2016. Of those allegations, three 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:** In FY 2016, five vendor inspectors qualified. All were within the two-year qualification timeline. There was one trainee undergoing the qualification process at the end of FY 2016.

**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