

November 1, 2018

MEMORANDUM TO: William B. Jones, Acting Director
Division of Construction Inspection
and Operational Programs
Office of New Reactors

FROM: Kerri A. Kavanagh, Chief **/RA/**
Quality Assurance Vendor Inspection Branches 1 and 2
Division of Construction Inspection
and Operational Programs
Office of New Reactors

SUBJECT: VENDOR INSPECTION PROGRAM ANNUAL SELF-ASSESSMENT
REPORT FOR FISCAL YEAR 2018

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 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 19, dated September 2018 (Agencywide Documents Access and Management System (ADAMS) Accession No. ML18215A184).

The performance metrics are based on input from various sources, including, but not limited to, inspection reports and vendor inspection staff 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:

CONTACT: Antoinette Sakadales, NRO/DCIP
301-415-6441

- 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 analysis are enclosed. The vendor inspection staff found that for fiscal year 2018, the VIP met 11 out of 11 performance metrics by meeting the criteria defined in Appendix D, "Vendor Inspection Program Performance Metrics," to the "Vendor Inspection Program Plan."

Enclosure:
Vendor Inspection Program Performance Metrics

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REPORT FOR FISCAL YEAR 2018 Dated November 1, 2018

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| DATE | 10/31/2018 | 10/31/2018 | 10/31/2018 | 11/1/2018 |

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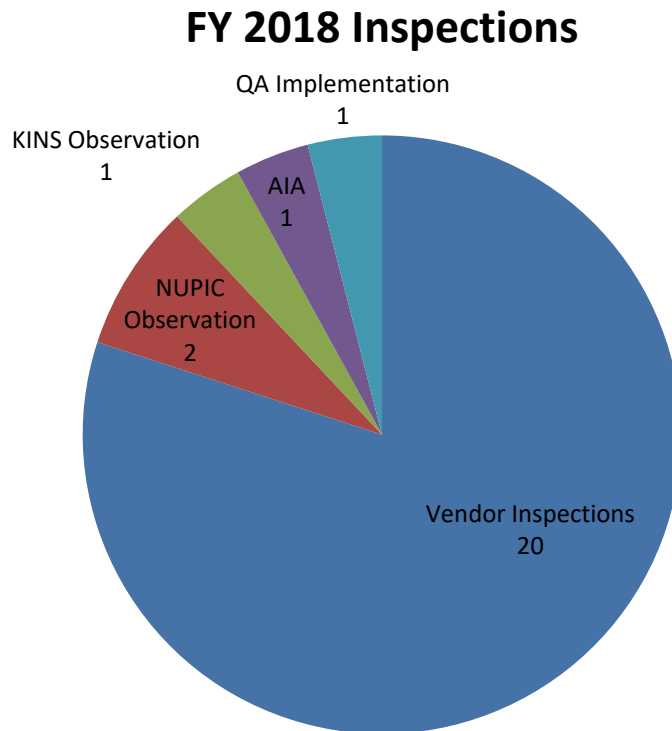
VENDOR INSPECTION PROGRAM PERFORMANCE METRICS

VIP-O-1A Accomplish DCIP’s (Division of Construction Inspection and Operational Programs) Established Number of Inspections per Fiscal Year¹

Definition: Accomplish DCIP’s established number of inspections per fiscal year to capture a reasonable perspective of industry performance (per NUREG-1100, “Performance Budget/Congressional Budget Justification”).

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

Goals: Effective, Open



Analysis: DCIP’s Operating Plan directed the vendor inspection staff to perform a minimum of 25 inspections during fiscal year (FY) 2018. The vendor inspection staff completed a total of 25 inspections, including 20 vendor inspections, two Nuclear Procurement Issues Committee (NUPIC) observations, one Korea Institute of Nuclear Safety (KINS) observation, one aircraft impact assessment (AIA) inspection, and one quality assurance (QA) implementation inspection during FY 2018.

Metric Criteria Met: Yes

¹ This metric is counted based on the FY of the entrance date of the inspection. Therefore, other metrics associated with this inspection could be captured in a different FY’s assessment.

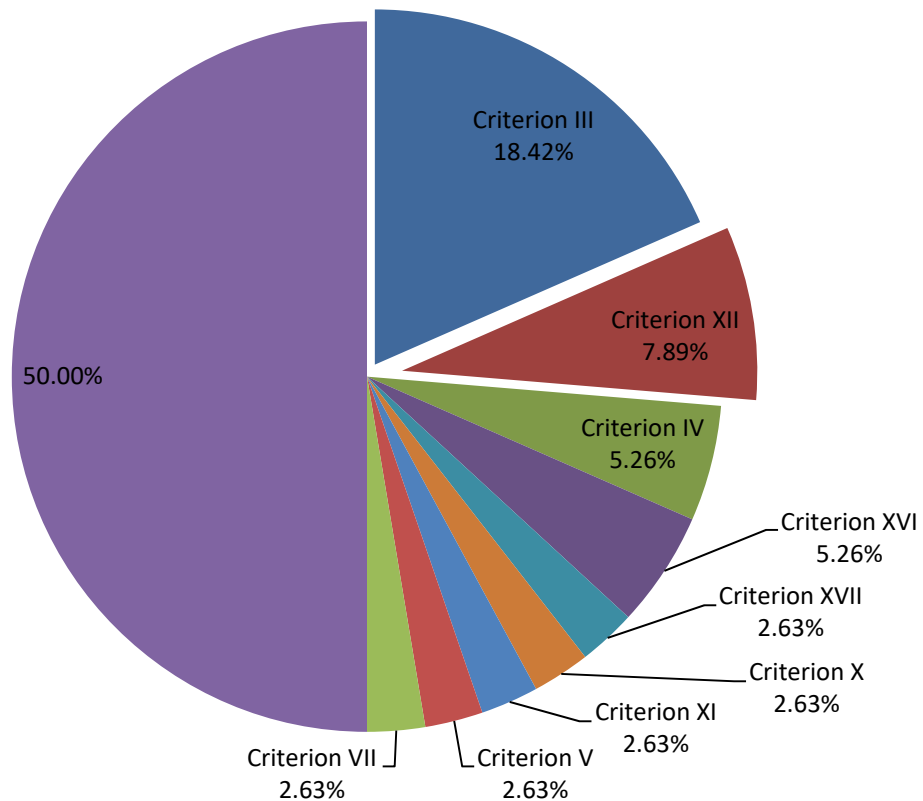
VIP-O-1B: Completion of Annual Assessment of the Number of Notices of Violations (NOV) and Notices of Nonconformance (NON)²

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 2018 NOVs and NONs



Analysis: The NRC issued a total of 19 NONs against applicants and vendors during FY 2018. This equates to approximately 5.07 findings per 1000 inspection hours. There were no NOVs issued in FY 2018. In FY 2018 there was a significant decrease in the number of NONs issued when compared to FY 2017 (44). The decrease in the number of NONs can be attributed to performing fewer inspections in FY 2018 when compared to the 37 inspections completed in FY

² This metric is counted based on the FY of when the inspection report is issued. Therefore, other metrics associated with this inspection could be captured in a different FY's assessment.

2017. Further, the absence of NOV's can be attributed to effective vendor outreach efforts by the NRC staff throughout the FY. Although there was a decrease in overall number of NONs issued, the staff noted that Criterion III, "Design Control," of Appendix B to 10 CFR Part 50 remains the criteria with the most NONs. Most of the NONs in Criterion III were issued due to the failure to adequately identify the critical characteristics, failure to adequately translate purchase order requirements into design specifications, and failure to perform suitable qualification testing. The NRC will continue to engage the nuclear industry in the area of commercial-grade dedication to ensure there is a clear understanding of the applicable requirements.

Metric Criteria Met: Yes

VIP-O-2A Obtain Feedback from Vendors During Vendor Inspections³

Definition: Branch chiefs and senior inspectors will solicit feedback from vendors on such aspects as the immediate inspection effort, vendor oversight, or NRC requirements and guidance.

Criteria: Expect stable or increasingly positive perception over time.

Goals: Effective, Open, Understandable

Analysis: This metric requires that the vendor branch chiefs and senior inspectors, as applicable, solicit feedback from the vendor management on such aspects as the immediate inspection effort, vendor oversight, or NRC requirements and guidance. The NRC received positive feedback from the vendors on the thoroughness of the inspections and the professionalism of the staff.

Metric Criteria Met: Yes

VIP-O-2B Notification of Inspection⁴

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 unless the inspection is unannounced. In cases where the need for the inspection arises (i.e., allegation, testing schedule, and/or specific vendor activity) less than 35 days before the

³ This metric is counted based on the FY of the exit date of the inspection. Therefore, other metrics associated with this inspection could be captured in a different FY's assessment.

⁴ This metric is counted based on the FY of the first announcement of the inspection to the vendor if applicable. Therefore, other metrics associated with this inspection could be captured in a different FY's assessment.

inspection start date, issue the announcement letter within 5 calendar days of being notified of the need for the inspection. In cases where the need for the inspection arises less than 5 calendar days, issue the announcement letter prior to inspection. Out of 23 notifications of inspection completed in FY 2018, the vendor inspection staff announced all within the VIP timeliness goal, which represents a score of 100%.

Metric Criteria Met: Yes

VIP-O-2C Inspection Plans are Timely⁵

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. In cases where the need for the inspection arises (i.e., allegation, testing schedule, and/or specific vendor activity) less than seven calendar days before the inspection start date, issue the inspection plan prior to the inspection. Out of 23 inspection plans completed in FY 2018, all but one was completed 30 within the VIP timeliness goal, which represents a score of 95.65%.

Metric Criteria Met: Yes

VIP-O-2D Inspection Reports are Timely⁶

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 August 2017.

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, extended until the next business day if the 45 days end on a weekend or Holiday. Out of 21 inspection reports completed in FY 2018, all but

⁵ This metric is based on the FY of when the inspection plan was completed to by the lead inspector, and relative to when the inspection began. Therefore, other metrics associated with this inspection could be captured in a different FY's assessment.

⁶ This metric is based on the FY of when the inspection report was issued to the vendor. Therefore, other metrics associated with this inspection could be captured in a different FY's assessment.

one was completed within the VIP timeliness goals, which represents a score of 95.24%.

Metric Criteria Met: Yes

VIP-O-2E Acknowledgment Letters Are Timely⁷

Definition: Obtain data on the total number of acknowledgement letters issued within the timeliness goals stipulated in Section 10 of this plan.⁷

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 calendar after the vendor's last communication is entered into Agencywide Documents Access and Management System (ADAMS). Out of the 13 vendor responses received in FY 2018, the vendor inspection staff issued 13 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 were no contested NON's by stakeholders during FY 2018. Therefore, no NON's were retracted during FY 2018.

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 (ARB) materials, attending ARBs, providing input to Requests for Information, participating in phone calls with the Concerned Individual(s), providing input for closure and response after closure letters, etc.

⁷ This metric is based on the date that the vendor's correction actions are received by ADAMS and the date that the staff acknowledges receipt of the vendors corrective actions. Therefore, other metrics associated with this inspection could be captured in a different FY's assessment.

Goals: Effective, Objective, Risk-Informed

Analysis: The vendor inspection staff supported 37 allegation actions during FY 2018. Of those allegations, none resulted in reactive inspections based on the outcome of the ARB. All input provided to the Headquarters Allegation Team was submitted within the Allegation Program's 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: In FY 2018, one vendor inspector was qualified. There was one trainee undergoing the qualification process at the end of FY 2018. He is on track to qualify within the two-year qualification timeline.

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 19, dated September 2018 (ADAMS Accession No. ML18215A184) and Section C-8 of Appendix D1 to Inspection Manual Chapter 1245, "Maintaining Qualifications," dated December 2011.

Metric Criteria Met: Yes