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NUCLEAR REGULATORY COMMISSION  
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October 31, 2019

MEMORANDUM TO: Christopher Miller, Director  
Division of Reactor Oversight  
Office of Nuclear Reactor Regulation

FROM: Kerri A. Kavanagh, Chief **/RA/**  
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Office of Nuclear Reactor Regulation

SUBJECT: VENDOR INSPECTION PROGRAM ANNUAL SELF-ASSESSMENT  
REPORT FOR FISCAL YEAR 2019

The Vendor Inspection Program (VIP) verifies that reactor applicants and licensees are fulfilling their regulatory obligations with respect to providing effective oversight of the nuclear supply chain. It accomplishes this through a number of activities, including: performing vendor inspections that will verify the effective implementation of a 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 21, dated October 2019 (Agencywide Documents Access and Management System Accession No. ML19289D680).

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:

- 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 2019, 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."

Enclosure:  
Vendor Inspection Program Performance Metrics

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REPORT FOR FISCAL YEAR 2019 Dated: October 31, 2019

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## VENDOR INSPECTION PROGRAM PERFORMANCE METRICS

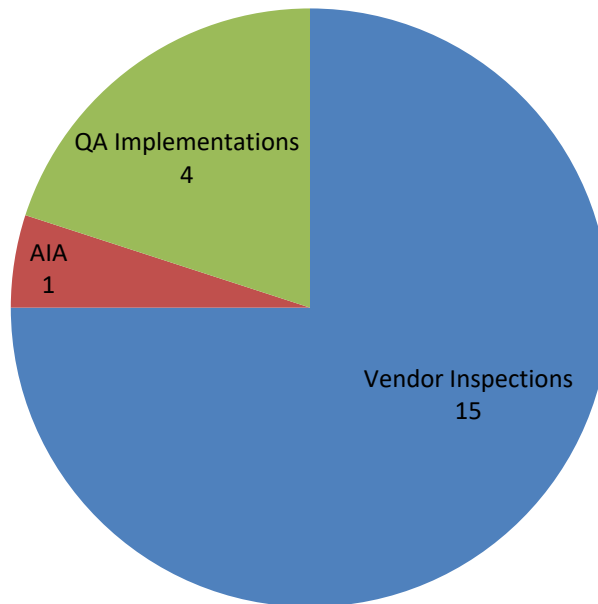
**VIP-O-1A** Accomplish DRO's (Division of Reactor Oversight) Established Number of Inspections per Fiscal Year<sup>1</sup>

**Definition:** Accomplish DRO'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 DRO to perform the required number of inspections established at the beginning of the fiscal year.

**Goals:** Effective, Open

### FY 2019 Inspections



**Analysis:** DRO's Operating Plan directed the vendor inspection staff to perform a minimum of 20 inspections during fiscal year (FY) 2019. The vendor inspection staff completed a total of 20 inspections, including 15 vendor inspections, four quality assurance (QA) implementation inspections, and one aircraft impact assessment (AIA) inspection during FY 2019. In addition, the vendor inspection staff observed two Nuclear Procurement Issues Corporation (NUPIC) audits and one Korea Institute of Nuclear Safety (KINS) inspection. Therefore, this represents a score of **100%**.

**Metric Criteria Met:** Yes

<sup>1</sup> 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.

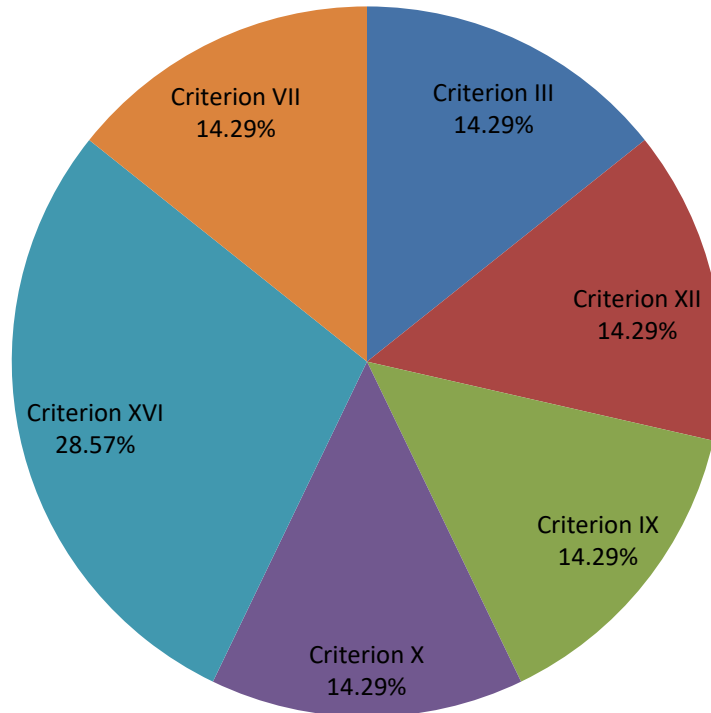
**VIP-O-1B: Completion of Annual Assessment of the Number of Notices of Violations (NOV) and Notices of Nonconformance (NON)<sup>2</sup>**

**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 2019 NOVs and NONs



**Analysis:** The NRC issued a total of seven NONs against vendors during FY 2019. The decrease in the total number of NONs from FY 2018 to FY 2019 follows a similar decrease from FY 2017 to FY 2018, during a time of a decreasing number of vendor inspections from both FY 2017 to FY 2018, and then again from FY 2018 to FY2019. Regarding 10 CFR Part 21, no NOVs were issued to vendors during FY 2019, as was the case during FY 2018. While the balanced spread this year

<sup>2</sup> 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.

of one to two NONs each (among various different Appendix B criteria) it does not indicate an overall industry trend. The balanced spread of issues indicates the continued need for a robust and wide-ranging vendor inspection program in order to distribute our inspection resources for greatest efficacy throughout the industry's supply chain of hundreds of safety-related Appendix B vendors. Although it is anticipated that the number of vendor inspections necessary for routine oversight, allegations, and tests, analyses, and acceptance criteria review associated with new reactor projects will continue to decline, there has been an increasing trend in the number of allegation related inspections. In addition to the inspections for new and operating reactors, it is also anticipated that we will need to continue to perform limited inspections of vendors' safeguards information programs and inspections of National Strategic Alliance for FLEX Emergency Response (SAFER) facilities. Therefore, this represents a score of **100%**.

**Metric Criteria Met:** Yes

**VIP-O-2A Obtain Feedback from Vendors After the Vendor Inspection<sup>3</sup>**

**Definition:** The Branch Chief 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 chief solicit feedback from the vendor's 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. Therefore, this represents a score of **100%**.

**Metric Criteria Met:** Yes

**VIP-O-2B Notification of Inspection<sup>4</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

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<sup>3</sup> 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.

<sup>4</sup> 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.

**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 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 17 notifications of inspection completed in FY 2019, 15 were within the VIP timeliness goal, which represents a score of **88.20%**. Although 20 total inspections were conducted in FY 2019, three announcement letters were captured in the FY 2018 metrics, one inspection was unannounced, and one announcement letter pertained to an inspection that will be conducted in FY 2020.

**Metric Criteria Met:** No

**Corrective Actions:** The vendor inspection staff noted that the root cause for the late issuance of the announcement letters were due to the following: (1) in one instance, the lead inspector was waiting to receive confirmation from the vendor regarding their availability of the proposed inspection date. For this instance, no corrective action is necessary since this was out of DRO's control. (2) In the second instance, the lead inspector had a considerable amount of competing work priorities and missed the metric by two days. Staff was reminded to plan accordingly to prevent the late issuance of plans, letters, and reports.

**VIP-O-2C Inspection Plans are Timely<sup>5</sup>**

**Definition:** Obtain data on the total number of inspection plans issued within the timeliness goals stipulated in Section 10 of the 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. 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 19 inspection plans completed in FY 2019, all were completed within the VIP timeliness goal, which represents a score of **100%**. Although 20 total inspections were conducted in FY 2019, two inspection plans were captured in the FY 2018 metrics, and one inspection plan pertained to an inspection that will be conducted in FY 2020.

**Metric Criteria Met:** Yes

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<sup>5</sup> This metric is based on the FY of when the inspection was announced to the vendor. Therefore, other metrics associated with this inspection could be captured in a different FY's assessment.

**VIP-O-2D      Inspection Reports are Timely<sup>6</sup>**

**Definition:** Obtain data on the total number of 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 September 2018.

**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 the 20 inspection reports issued in FY 2019, all but one was completed within the VIP timeliness goals, which represents a score of **95%**. Although 20 total inspections were conducted in FY 2019, one inspection report was issued for an inspection that was captured in the FY 2018 metrics and one inspection report will be issued in FY 2020.

**Metric Criteria Met:** Yes

**VIP-O-2E      Acknowledgment Letters Are Timely<sup>7</sup>**

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

**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 days after the vendor's last communication is entered into Agencywide Documents Access and Management System (ADAMS). Out of the five vendor NON responses received in FY 2019, all acknowledgement letters within the VIP timeliness goals, which represents a score of **100%**. Only seven vendor NON responses were required for FY 2019. Two vendor NON responses for FY 2019 will be captured in the FY 2020 metrics.

**Metric Criteria Met:** Yes

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<sup>6</sup> 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.

<sup>7</sup> 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.



**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 five NON's contested by a stakeholder during FY 2019. However, there were no retracted NON's during FY 2019, which represents a score of **100%**.

**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 (ARBs) 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.

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

**Analysis:** The vendor inspection staff supported 55 allegation actions during FY 2019. Of those allegations, two 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, which represents a score of **100%**.

**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 2019, one vendor inspector qualified. There was one trainee undergoing the qualification process at the end of FY 2019. He is on track to qualify within the two-year qualification timeline, which represents a score of **100%**.

**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 VIP plan and Section C-8 of Appendix D1 to Inspection Manual Chapter 1245, "Qualification Program for New and Operating Reactor Programs," dated August 2018. Therefore, this represents a score of **100%**.

**Metric Criteria Met:** Yes