

July 6, 2006

MEMORANDUM TO: Stephen D. Dingbaum  
Assistant Inspector General for Audits

FROM: Janet R. Schlueter, Director */RA/*  
Office of State and Tribal Programs

SUBJECT: AUDIT OF AGREEMENT STATES' LICENSING ACTIONS  
(OIG-06-A-12)

This memorandum is to inform you of actions the Office of State and Tribal Programs (STP) has taken in response to the Office of Inspector General's (OIG) Report OIG-06-A-12, "Audit of NRC's Oversight of Agreement States' Licensing Actions." The recommendations and current statuses are listed below.

#### Recommendation 1

Seek and apply guidance from NRC's statistician on sampling methodology and criteria for assigning ratings for Common Performance Indicator 4, Technical Quality of Licensing Actions.

#### Current Status

The Integrated Materials Performance Evaluation Program (IMPEP) Project Manager met with the Agency's statistician on June 12, 2006 to seek and apply guidance on the application of statistics to the evaluation of Agreement States' licensing actions during IMPEP reviews. Currently, the principal reviewer uses a judgmental sampling method to select licensing casework for review as part of the overall evaluation of an Agreement State's licensing program. The Agency statistician supports the use of judgmental sampling in the selection of casework for IMPEP reviews. Judgmental sampling in this application is more conservative than a true random sample, as a judgmental sample is more likely to identify deficiencies and focuses on safety.

Judgmental sampling also makes an efficient and effective use of Agency resources. Random sampling of licensing actions during IMPEP reviews would create a tedious amount of work for the principal reviewer and would require more time than the traditional one week dedicated to an on-site IMPEP review. By using judgmental sampling, the principal reviewer can utilize his or her time more effectively by focusing on licensing casework with greater health and safety significance. This practice is consistent with the Agency's risk-informed and performance-based regulation approach.

Although a quantitative confidence level cannot be directly determined through a judgmental review of licensing actions, a confidence level can be inferred based on several assumptions. Given that there are no ulterior motives to the selection of casework in a judgmental sample, one can assume that the confidence level of a judgmental sample of licensing actions would

actually be higher than the confidence level of an equivalent random sample of the same population. Therefore, the results of the review of an Agreement State's licensing actions can be applied to the Agreement State's entire licensing program with a degree of confidence.

Based on the results of the discussion with the Agency's statistician, the use of judgmental sampling for selecting casework for evaluation during IMPEP reviews will continue as it minimizes the resource impact on the Agency while still yielding conclusions with a degree of confidence that can be applied to the entire performance indicator. STP believes that the actions taken in response to this recommendation satisfy the intent of the recommendation.

### Recommendation 2

Document the rationale and basis for the sampling methodology for selecting licensing actions contained in IMPEP guidance for evaluating Common Performance Indicator 4, Technical Quality of Licensing Actions.

### Current Status

To address this recommendation, the Office of State and Tribal Programs (STP) will revise IMPEP procedures to document the rationale and basis for using judgmental sampling in selecting casework during IMPEP reviews. Affected STP procedures will be revised by June 30, 2007. Due to the labor-intensive process of revising a Management Directive (MD), MD 5.6, *Integrated Materials Performance Evaluation Program (IMPEP)*, will be revised to incorporate the rationale and basis for sampling methods for affected performance indicators during its next routine revision.

If you have any questions regarding this communication or wish to obtain additional information, please contact me or Aaron T. McCraw of my staff at 301-415-1277 or via e-mail at: [ATM@NRC.GOV](mailto:ATM@NRC.GOV).

cc: M. J. Virgilio, DEDMRS

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