

November 27, 2006

MEMORANDUM TO: Luis A. Reyes
Executive Director for Operations

FROM: Stephen D. Dingbaum */RA/*
Assistant Inspector General for Audits

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

REFERENCE: DIRECTOR, OFFICE OF STATE AND TRIBAL PROGRAMS
MEMORANDUM DATED JULY 6, 2006

Attached is the Office of the Inspector General (OIG) analysis and status of the recommendations as discussed in the agency's response dated July 6, 2006. Based on this response, recommendation 1 is closed and recommendation 2 remains resolved pending completion of the actions contained in the Agency's response. We ask that the OEDO please provide an updated status of the resolved recommendation by July 15, 2007.

If you have questions or concerns, please call me at 415-5915 or Tony Lipuma at 415-5910.

Attachment: As stated

cc: M. Johnson, OEDO
M. Malloy, OEDO
P. Tressler, OEDO

Audit Report
Audit of Agreement States' Licensing Actions
OIG-06-A-12

Status of Recommendations

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*.

Agency
Response Dated
July 6, 2006:

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

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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.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. The recommendation is therefore closed.

Status: Closed.

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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*.

Agency
Response Dated
July 6, 2006:

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.

OIG Analysis: The proposed corrective action addresses the intent of OIG's recommendation. Recommendation 2 will be closed once the procedures are revised (June 2007).

Status: Resolved.