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UNITED STATES OF AMERICA  
NUCLEAR REGULATORY COMMISSION

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BRIEFING ON STATUS OF OCFO PROGRAMS,  
PERFORMANCE, AND PLANS,

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ROCKVILLE, MARYLAND

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WEDNESDAY, FEBRUARY 23, 2005

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The Commission met in open session at 9:30 a.m., at the Nuclear Regulatory Commission, One White Flint North, Rockville, Maryland, the Honorable Nils Diaz, Chairman of the Commission, presiding.

COMMISSIONERS PRESENT:

- NILS DIAZ Chairman of the Commission.
- EDWARD MCGAFFIGAN Member of the Commission
- JEFFREY S. MERRIFIELD Member of the Commission
- GREGORY JACZKO Member of the Commission
- PETER LYONS Member of the Commission

(This transcript was produced from electronic caption media and audio and video media provided by the Nuclear Regulatory Commission.)

1 STAFF AND PRESENTERS:

2 JESSE L. FUNCHES, CFO

3 PETER J. RABIDEAU, DCFO

4 MARY S. GIVVINES, DIR., FINANCIAL MANAGEMENT DIVISION

5 TIMOTHY I. PULLIAM, DIR., FINANCIAL SERVICES DIVISION

6 LESLIE W. BARNETT, DIR., PLANNING, BUDGET, ANALYSIS

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8

1 PROCEEDINGS

2 CHAIRMAN DIAZ: Good morning. And welcome,  
3 everybody, to the briefing by the CFO. We are going to find out how  
4 much money we've got to spend and why we cannot spend it.

5 Of course, the purpose of this meeting is to ensure that  
6 the Commission and interested stakeholders are updated on initiatives  
7 and programs and accomplishments of the CFO, whose main obligation  
8 is to keep us always in the black. That is a very important thing.

9 Part of the job is keeping effective management controls  
10 to maintain internal controls of both our finances and our accounting,  
11 and then to provide effective management and coordination with the  
12 other agency offices so that all these programs are actually properly  
13 funded and proper controls are maintained.

14 We, of course, are interested in hearing how much you  
15 have progressed from last year. We look forward to hearing where you  
16 are going in this coming year and how we are going to continue to  
17 strengthen our accountability and financial practices.

18 And with that, do my fellow Commissioners have any  
19 comments.

20 COMMISSIONER MERRIFIELD: Mr. Chairman, the only  
21 thing I would note before we start. We talk a lot here at the agency  
22 about the importance of succession planning. And I think I will give a  
23 credit to our CFO for bringing with him three good pieces of evidence  
24 that he has accomplished a lot in succession planning his organization.

1

2

CHAIRMAN DIAZ: Thank you, Commissioner Merrifield.

3

With that, Mr. Funches.

4

MR. FUNCHES: Good morning, Chairman,

5

Commissioners. We appreciate the opportunity to be able to brief you

6

today on the OCFO programs and activities.

7

At the table with me today are the senior managers of the

8

office. To my left is Peter Rabideau, Deputy Chief Financial Officer. To

9

his left is Mary Givvines, who is the Director of the Division of Financial

10

Management.

11

Mary is a new senior executive, she's been with us as a

12

senior executive since around the beginning of January. Prior to that,

13

she worked within the office. So we are pleased to have her as a

14

member of the senior management team.

15

To my right is Timothy Pulliam. Tim is the Director of the

16

Division of Financial Services. And to his right is Leslie Barnett, the

17

Director of the Division of Planning, Budget and Analysis.

18

If you could go to chart 2, please.

19

Our briefing today will include a discussion of our goals,

20

our strategies and the major initiatives that we have in place to achieve

21

the goals that we have set.

22

We will also summarize our major accomplishments

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during the past year and discuss the challenges that we see for the

24

future.

1                   Prior to getting into the briefing, I would like to highlight  
2 one area that we continue to work on and continues to be an office  
3 priority. That is the area of human capital.

4                   We continue to work to improve the OCFO work  
5 environment, that includes the findings from the OIG's culture survey.  
6 While I believe we have made progress and continue to make progress,  
7 there are still activities and improvements that we would like to make to  
8 put the organization where we think we need to be.

9                   In that regard, we have a consultant that is working with  
10 us. We worked with him over the past year. And we had a  
11 management meeting in December.

12                   What we concluded at that meeting was that we should  
13 continue the efforts that we have in the areas of communication and  
14 improving communications at all levels, training, development, workload  
15 planning and team building.

16                   In addition, we concluded that to really move forward and  
17 continue to move forward, we would make team building a higher  
18 priority. And not only include people at the team level, but include all  
19 management, including myself and Pete, across the organization.

20                   So that is going to be a focus for us during the coming  
21 year. We expect to have that kicked off in March of this year. So it will  
22 be a major priority for the office going forward.

23                   With that, I would like to turn it over to Pete and ask him  
24 to talk about our goals going forward.

1 MR. RABIDEAU: Good morning.

2 Slide three, please.

3 We have established four goals for the Office of the Chief  
4 Financial Officer. Our first and most important goal is to maintain a  
5 diverse and high quality staff.

6 Our management team is focused on emphasizing the  
7 importance of our people and their views to both the CFO and the NRC.  
8 We are also emphasizing communication, information sharing, staff  
9 development and performance expectations.

10 Our second goal is to protect agency financial assets  
11 consistent with risk. Our strategies that we are employing in pursuing  
12 this goal are to focus our assessment of internal controls on high risk  
13 areas and to use improved information technology to reduce risks and  
14 to reduce costs.

15 Our third goal is to better integrate financial and  
16 performance information into decision-making. This goal's strategies  
17 focus primarily on improving the agency's planning, budgeting and  
18 performance management process, including better integrating of  
19 program results into the planning and budgeting process, and providing  
20 accurate, timely and more useful financial information to agency  
21 managers.

22 Our fourth goal is to provide high quality financial  
23 services. Our strategies that we are using are to employ information  
24 technology to improve the delivery of services and to reduce costs and

1 to use cost-effective ways to increase customer satisfaction.

2 At this point in the presentation Ms. Givvines, Mr. Pulliam  
3 and Mr. Barnett will summarize our successes and our challenges and  
4 our initiatives toward meeting these goals.

5 MS. GIVVINES: Good morning.

6 Slide four, please.

7 I am going to start with our five key accomplishments in  
8 the area of financial management. First, we received a clean opinion  
9 on our '04 financial statements. On our report of effectiveness on  
10 internal controls, we were cited with one material weakness, which I will  
11 cover a little later, and two reportable conditions.

12 We did have to restate our 2003 financial statements  
13 because of a billing error that was discovered subsequent to submitting  
14 the statements.

15 The statements or the opinion which changed from an  
16 unqualified to qualified opinion, we were not able to completely provide  
17 the evidence that they were looking for for the completeness of our  
18 accounts receivable.

19 Our second major accomplishment is meeting the  
20 accelerated performance and accountability report referred to as the  
21 PAR. You may know that this year we were asked to complete it by  
22 November 15th, which is five weeks ahead of last year's schedule. We  
23 did complete it timely.

24 We were also selected as one of ten agencies last year to

1 receive the association of Government accounts certificate for our  
2 excellence in that accountability report. This was the report for 2003  
3 that we submitted in 2004.

4           Next, we did meet all our financial reporting requirements.  
5 There are a number of monthly, quarterly and annual reports that we  
6 submit to Office of Management and Budget and Treasury. We  
7 completed those accurately, on time and in some cases ahead of  
8 schedule. And I think that validates the integrity of managing our  
9 assets, liabilities and budgetary resources.

10           Next, we move to meeting our fee collection requirements.  
11 There were a number of items that took place that made us a success  
12 in this area.

13           First, our proposed fee rule and our final fee rule were  
14 published ahead of last year's schedule.

15           Backup slide 1, please.

16           In 2004, we collected 100.4 percent of our billings. Our  
17 goal is 100 percent. We collected 547.5 million.

18           We also updated our 1994 study that deals with the  
19 fairness and equity issues. We issued 4,900 bills associated with the  
20 reactor program and approximately 1,800 associated with license and  
21 inspection activities.

22           Backup slide 2, please.

23           And finally, as far as accomplishments, we continue to  
24 keep our debt collection or our delinquent debt low. It was at an all time



1 low last year, 50 percent lower than the year before. Our goal is the  
2 keep it 1 percent under billings. We were actually less than two-tenths  
3 of 1 percent under that billings. We believe this is due to our  
4 aggressive debt collection strategies and we are proud of that.

5           Next, we will move to our key initiatives. We have five.  
6 The first one has to do with the internal controls we spoke about in the  
7 license fee area. This was the material weakness we received.

8           There were three specific deficiencies the auditor cited.  
9 They said that we had inadequate acceptance testing for software  
10 modifications, there was intensive manual processes and we lacked  
11 comprehensive Q and A over our processes.

12           Now, we have already taken a number of steps to  
13 hopefully resolve the material weakness. We believe we have an  
14 aggressive schedule ahead of us. We have changed the entire testing  
15 process to include acceptance testing and also some independent  
16 testing. We are making sure that all the applicable interfaces are tested  
17 as well.

18           We are taking steps to improve our reconciliation process  
19 to make there is adequate manual audit trails. And also making sure  
20 there is documentation to cover all our processes and procedures.

21           And finally, we are doing some detailed reviews of our  
22 own and of our internal controls of all the processes to make sure that  
23 the controls in place for all the processes dealing with fee billing are  
24 adequate.

1                   Our long-term solution is to replace the fee billing system.  
2 Now, that gets to us the next initiative, which is to replace our current  
3 fee billing system.

4                   The fee billing system that we have today is actually  
5 comprised of multiple systems with multiple interfaces. There is lots of  
6 platforms. It's very manual intensive, requires a lot to maintain. And  
7 we think that we need to better protect our assets with a newer system.  
8 We have begun this project. It is going to be in two phases. We  
9 believe this project will help streamline the fee billing process, give us a  
10 little more flexibility when it comes time to make changes, and help us  
11 remain compatible with the IT infrastructure and just overall improve our  
12 integrity of our data and our controls in our system.

13                   The first phase will be completed in January of 2006.  
14 That will be basically all the requirements -- we would have gathered all  
15 the requirements at that point and also put what they call the CPIC  
16 together, the capital project and investment control.

17                   The second phase, which would be to implement  
18 whatever alternative we decide on, and that would be by the end of  
19 2007.

20                   Next we have -- we would like to reach closure on the  
21 possibility of revising our current license fee method. We believe that  
22 the method that we have today -- we need to reduce the administrative  
23 burden on our internal staff. We would also like to make it transparent  
24 to the external licensees. And we also need to respond to an IG

1 recommendation that deals with using cost data to better refine our  
2 hourly rates.

3 We do have a pilot fee model that we put in place in 2004  
4 or that we produced. We are looking at that closely and analyzing the  
5 data. And we hope to make a decision this fall of whether we want to  
6 proceed and change to a new method.

7 COMMISSIONER MERRIFIELD: Mr. Chairman, can I ask  
8 a question to clarify?

9 On the license fee billing system, is it your intention and/or  
10 expectation that that will be a commercial office system that you will be  
11 obtaining?

12 MS. GIVVINES: My understanding is yes, it will be.

13 Next item is meeting internal control requirements. OMB  
14 Circular A-123 entitled "Management Responsibility Over Internal  
15 Control" was significantly revised this past year, December 2004. This  
16 circular provides our internal control standards for the government, and  
17 it discusses how agencies need to put effective controls or assess the  
18 controls they have in place.

19 There is added emphasis on internal controls,  
20 documenting those internal controls and also, assessing how to go  
21 about making sure you have effective internal controls. This is a result  
22 of the Sarbanes-Oxley Act that was passed or created after the Enron  
23 scandals. We are still accessing the impact this is going to have on our  
24 agency.

1           We this is effective in the fiscal year 2006. We have  
2 already started or are planning to do internal control reviews for the  
3 financial side of the house this year.

4           We are working on a plan for next year and will determine  
5 how that is going to affect the agency.

6           We believe that this is going to place considerable  
7 resources in order to both plan, conduct and do any follow-up reviews  
8 or actions that are necessary.

9           And finally, our last initiative is to clarify the purpose and  
10 use of cost information. We have come a long way with our cost  
11 accounting system. We actually eliminated a material weakness in  
12 2003 and a reportable condition in 2004. And we feel like it is much  
13 more efficient and that the integrity of the data has improved.

14           We are at the point now where we need to continue to  
15 determine the uses of cost information. And we will work with offices to  
16 support their needs.

17           The primary use right now is we use the cost data to  
18 support our financial statements. That's required.

19           That concludes my portion. I'll turn it on over to Tim.

20           MR. PULLIAM: Thank you, Mary.

21           Good morning, Mr. Chairman and Commissioners.

22           It is my pleasure to present the Division of Financial  
23 Services' key accomplishments and update you on our initiatives for  
24 this year.

1           The Division of Financial Services continues to provide  
2 the services required for the NRC's community to effectively do their  
3 jobs. We realize that our job impacts inspectors, regional and  
4 headquarters staff to help regulate and carry out their mission for the  
5 agency. That's why we take pride in providing the best customer  
6 service we can in the area of financial services.

7           In the area of travel, we provide policy and regulation and  
8 guidance, process electronic tickets, assist in airline reservations,  
9 obtain passports and visas and provide training to our staff in travel and  
10 in charge card regulations.

11           We manage relocation services, providing guidance  
12 related to all change of station moves and obtain movers. In FY '04, we  
13 provided relocation services for 155 members of the staff, and also  
14 provided a guaranteed home sale program.

15           We authorize and certify funds for travel and maintain the  
16 funds from some of the smaller offices.

17           The division also conducts time and attendance reviews,  
18 trains timekeepers and labor coordinators, and most importantly to  
19 most of us is the overseeing of the pay cycle every two weeks.

20           Backup slide number 3, please.

21           Another vital role we play is payment services. Our  
22 services include payments of staff, vendor and other government  
23 agencies, accurately and timely.

24           In FY 2004, we made approximately 30,000 payments in

1 staff travel, commercial and interagency payments with an error rate of  
2 less than one percent.

3 Chart six, please. Slide six.

4 We also managed payroll services and made  
5 approximately, 81,000 payments for NRC salaries and awards.

6 In the area of E-travel. As you know, E-travel is the  
7 government-wide initiative with the goal of providing government-wide,  
8 web-based services that apply world class travel management practices  
9 to consolidate federal travel.

10 Over the past year with input from our travel review group,  
11 which is made up of the majority of the offices, we interviewed all  
12 E-travel providers and selected Carson Wagonlit Government Travel.

13 I also would like to stress that we could not have made  
14 the timely deadlines that GSA put upon us without the help of the Office  
15 of Information Services and the Division of Contracts.

16 Next slide, please.

17 We have two initiatives for this year. The first initiative is  
18 to implement E-travel. We are required to fully implement E-travel by  
19 October 1, 2006. So over the next year and a half is extremely  
20 important -- the next year and a half will be extremely important for the  
21 successful implementation.

22 Over the next few months, we will be working with GSA,  
23 the E-travel sponsor, Carlson Wagonlit, and DOI national business  
24 center in setting up a full implementation schedule.

1 NRC has combined with 15 other small agencies to have  
2 DOI cross service this effort. DOI will also cross service our E-travel  
3 into our accounting system of the federal financial systems. This  
4 should minimize expenses for the interfaces.

5 As we move forward, the NRC family will continue to play  
6 a vital role in this successful implementation. We will continue to work  
7 with the travel review group and anticipate starting pilots later in 2005.

8 Our second initiative is to determine a long-term solution  
9 for collecting time and labor. Over the past year, we have reviewed  
10 over 20 time and labor systems and our currently in the final stages of  
11 evaluating how best to proceed with meeting our system requirements.

12 We anticipate deciding on our course of action sometime  
13 in March or April of this year. If we decide a transition to a new system,  
14 conversion will be during FY '06.

15 Thank you for your time. And I would like to pass the  
16 briefing over to Mr. Leslie Barnett, Director of Division of Planning,  
17 Budget and Analysis.

18 COMMISSIONER MERRIFIELD: Mr. Chairman, the  
19 same question I directed to Ms. Givvines, I direct to Mr. Pulliam. Is that  
20 a COTS, commercial off-the-shelf system, that we will be seeking to  
21 implement for time and labor?

22 MR. PULLIAM: Most of the systems are COTS. Some  
23 are from other agencies. Some are from outside, commercial entities.  
24 But all of them would have to have some type of a change to make

1     them meet our requirements.

2                     MR. BARNETT: Thank you, Tim.

3                     Good morning, Mr. Chairman and fellow Commissioners.

4                     As the Director of the Division of Planning, Budget and  
5     Analysis, it is my pleasure to cover the key accomplishments and  
6     initiatives in the division.

7                     Please turn to slide 8.

8                     Key to the agency meeting its mission is obtaining the  
9     required resources. I believe we have been effectively fulfilling this  
10    important function.

11                    Over the last five years, the agency's workload has  
12    expanded significantly, resulting in increased resource needs.  
13    Increased demands have manifested themselves in areas such as  
14    homeland security, high-level waste and new reactor licensing.

15                    More recently, the Defense Authorization Act placed new  
16    requirements on the NRC in the oversight of DOE's  
17    waste-incident-to-reprocessing.

18                    During this period of increased demand, NRC budgets  
19    have been supported by OMB on behalf of the President and the  
20    Congress with minimal changes. The changes that have occurred  
21    amounted to small rescissions throughout most federal agencies and  
22    fact-of-life changes in high-level waste resources to reflect the delay in  
23    expected submission of DOE's application.

24                    Please turn to backup slide number 4.



1           This slide shows the trend of the NRC budget, which has  
2 gone from \$559 million in fiscal year 2002 to \$702 million in fiscal year  
3 2006, and displays the amounts in the general fund, nuclear waste fund  
4 and offsetting fees.

5           MR. FUNCHES: I would like to make one point as it  
6 relates to fiscal year 2006. 2006, if you look at the blue, it shows the  
7 offset in fees. That represents the OMB's decision during the budget to  
8 request that the fee legislation be extended to beyond 2005.

9           If legislation is not passed, then the fee recovery  
10 requirement would revert back to 33 percent. So 2006 assumes that  
11 there will be legislation that will be passed at the 90 percent level, if  
12 nothing happens, will revert back to 33 percent. And we will continue to  
13 work with the staff on the hill to make sure that they are aware of that  
14 particular factor.

15           MR. BARNETT: Thank you, Jesse.

16           If we could just please turn to backup slide 5.

17           Just like we have shown dollars, this slide shows the trend  
18 in full time equivalents, which have gone from a level of 2,865 in fiscal  
19 year 2002 to 3,154 in fiscal year 2006.

20           We can return to slide number 8, please.

21           Continuing with the accomplishments, we have completed  
22 an agency-wide effort to develop NRC's fiscal year 2004-2009 Strategic  
23 Plan which was published in August of 2004.

24           The new Strategic Plan incorporates improvements such

1 as eliminating redundancies which previously existed in the previous  
2 Strategic Plan, more streamlined and focused, incorporates a vision  
3 statement, and reflects revisions in order to address a changing  
4 environment. I think it has been a significant improvement.

5 We have met all requirements in budget execution and  
6 have consistently stayed within the guidelines mandated in the  
7 Anti-Deficiency Act, Budget Empowerment Act and Appropriations Acts.

8 We have successfully managed funding for the agency  
9 without impacting essential agency activities during numerous  
10 continuous resolutions over the past 18 months. This has been a  
11 particularly difficult period for us and for the rest of the agency. And we  
12 have had to keep close monitoring over the situation.

13 During this time frame, we effectively dealt with ten  
14 continuing resolutions with our allowance holders, we processed 30  
15 allotments and issued over 430 allowances to allowance holders,  
16 ensuring funding of agency activities while maintaining effective  
17 management controls.

18 We have monitored financial performance including the  
19 issuance of the budget execution report which is issued quarterly to the  
20 Commission and is made available to all financial managers.

21 In the budget execution area, I think we have furthered  
22 and have made some improvements this year. By expanding the  
23 coverage of the budget execution report to start reporting after  
24 E-utilization, and also, we have issued threshold for reporting resource

1 reallocations to the Commission, and we have issued nuclear waste  
2 fund policies and procedures for more effective controls over charges to  
3 the Nuclear Waste Fund.

4 Please turn to backup slide number 6.

5 This slides shows the trend in carryover funds, which has  
6 been slightly higher than in previous years. This is largely attributable  
7 to the late receipt of our appropriations over the last several years.

8 Unliquidated carryover was 143 million, representing  
9 approximately seven months of non-salary and benefit expenditures  
10 compared to the goal of four.

11 Unobligated carryover did decline from previous year to  
12 29.8 million, representing approximately 4 percent of the budget  
13 compared to the goal of 5 percent.

14 Returning to slide 8.

15 We have worked closely with offices that have  
16 implemented several actions to improve the effectiveness and efficiency  
17 in the budget process, which have resulted in improved communication  
18 and coordination with internal stakeholders, improving planning and  
19 guidance, including earlier involvement of the staff and the Commission  
20 in the budget process, and also system and data improvements.

21 These improvements are demonstrating results. As one  
22 example, we have provided the fiscal year 2007 key planning  
23 assumptions, major program outputs and performance measures to the  
24 Commission for decision one month earlier than last year.

1 NRC received OMB's top score "effective" on its program  
2 assessment rating tool for the nuclear materials user licensing and  
3 inspection program in the fiscal year 2006 President's budget. A lot of  
4 that credit goes to the NMSS staff and the other contributing offices  
5 along with CFO.

6 NRC has now completed PART assessments. All three  
7 programs received a score of "effective" government-wide.

8 To put this achievement into perspective, a cumulative  
9 total of 600 programs have been assessed by OMB's PART. Only 15  
10 percent, including the three NRC programs I mentioned, received the  
11 rating of "effective".

12 Finally, we substantially improved the 2004, 2005 edition  
13 of the NRC Information Digest and we greatly appreciate the staff of the  
14 Office of the Information Services working closely with OCFO and  
15 contributing offices in making these improvements.

16 Please turn to slide 9.

17 I would like to briefly touch on the two initiatives within the  
18 division.

19 First, we are working to replace the agency's budget  
20 system and we are making good progress. The current system called  
21 Controller Resource Database is over ten years old, based on outdated  
22 technology and does not effectively support current needs.

23 OCFO is working with the Office of Information Services  
24 and following the CPIC process, the business case has been

1 completed, requirements have been assessed, and yes, we would  
2 expect, Commissioner Merrifield, that it would be a COTS product at  
3 this point in time.

4 Acquisition of the system is expected in May and launch is  
5 expected in January 2006 for using the 2008 budget formulation cycle.  
6 OCFO expects the new system to continue improvements in the  
7 efficiency of the budget process.

8 Our second initiative is to improve the documentation of  
9 the planning, budgeting and performance management process.  
10 Specifically, we are updating Management Directive 4.7 to better  
11 document the PBPM process. This initiative will also address the  
12 recent OIG budget formulation audit recommendations.

13 This concludes my part of the presentation. At this point, I  
14 will return the presentation to Mr. Funches.

15 MR. FUNCHES: As you can see, we have made  
16 accomplishments during the past year, but we still have challenge in  
17 front of us. And I think we are all committed to the goals that we have  
18 set.

19 Obviously, one thing you might have noticed is that we  
20 have made the human capital goal our number one goal, and will  
21 continue to focus on that as well as initiatives to improve the  
22 effectiveness and efficiency of all of our financial management  
23 activities.

24 With that, that concludes the formal presentation by

1 myself and the staff. We are prepared to answer your questions.

2 CHAIRMAN DIAZ: Thank you, Mr. Funches, and each  
3 one of you. We appreciate your presentation.

4 Commissioner Lyons.

5 COMMISSIONER LYONS: Thank you, Mr. Chairman.

6 Jesse, let me start by congratulating you and your team  
7 on those PART scores. Those are most impressive.

8 And let me also note that as I begin my service here, I  
9 think the first document that was highlighted for me to pay a lot of  
10 attention to is your Information Digest. I doubt there's a day that I have  
11 been here that I have not looked up something in that Information  
12 Digest. I found it extremely easy to use. And I really do appreciate it.

13 I can't comment on how it was improved from the past,  
14 because I didn't see the past. I can only congratulate you on the  
15 version that you have now.

16 MR. FUNCHES: Thank you.

17 COMMISSIONER LYONS: Perhaps a couple of  
18 questions for Mary.

19 I was curious, what it means when the debt collection  
20 goes over 100 percent? And I was also curious what it meant when we  
21 talk about aggressive debt collection strategies?

22 I have to admit, I was conjuring up various words that  
23 could fit that.

24 MS. GIVVINES: The first question is how –

1 CHAIRMAN DIAZ: You are very good.

2 [Laughter.]

3 MS. GIVVINES: The first question is how do we get to the  
4 100.4?

5 COMMISSIONER LYONS: Yes.

6 MS. GIVVINES: When we prepare our budget every year,  
7 that's the basis that we use to develop the rates, both the annual fees  
8 and the hourly rates.

9 So we do our best based on those resources or those  
10 estimates to come up with what those rates should be.

11 So on occasion, we actually can go over 100 percent of  
12 the budget.

13 MR. FUNCHES: Let me just add to what Mary said. The  
14 Act itself basically says approximately 100 percent or approximately 90  
15 percent in this case now. And the reason it was written that way as  
16 approximate is to recognize the inherent inaccuracies, if you will, in  
17 trying to estimate how much you are going to collect.

18 So we usually try to target a band around plus or minus 2  
19 percent; around typically, we stay within that band. There have been  
20 years where we have been slightly under also. But it is really the  
21 inherent inability to make accurate estimates.

22 COMMISSIONER LYONS: Thank you for that  
23 explanation.

24 COMMISSIONER MERRIFIELD: Isn't it also because

1 part of what we collect is based on fixed costs? We send a fee to our  
2 utilities.

3 MR. FUNCHES: Right.

4 COMMISSIONER MERRIFIELD: But also, the fees that  
5 are spent on inspection are not predictable. We may be responding to  
6 something that occurs in a given year that may take a lot more  
7 resources than were originally in the budget. And then we have to pass  
8 those costs off to the licensees for inspection.

9 MR. RABIDEAU: Anything that is collected over 100  
10 percent is carried over to the following year and is used to reduce  
11 annual fees in that year.

12 COMMISSIONER LYONS: Thank you.

13 What about aggressive debt collection --

14 MS. GIVVINES: We have made some changes. First, we  
15 put a senior staff person on the debt collection process.

16 We also used to send out three letters after 30 days, 60  
17 days and 90 days. We now only send two letters and we do an awful  
18 lot of making calls to make sure we hound our licensees to collect our  
19 payments.

20 So we believe those efforts, having that extra resource on  
21 there, changing it around from three to two has really made a difference  
22 in the collection.

23 MR. FUNCHES: And we do issue orders. If people don't  
24 pay, we will issue them orders to revoke their license if they don't pay



1 on time.

2 COMMISSIONER LYONS: But it is not like we're using a  
3 debt collection agency or something like that?

4 MS. GIVVINES: Actually, after 180 days, if we have a  
5 delinquent debt, we do turn it over to the Department of Treasury, who  
6 does that part for us. So they are our debt collection agency in a  
7 sense.

8 MR. FUNCHEES: In fact, we are required to turn it over to  
9 Treasury after 180 days. And they can also do offsets. They can do  
10 offsets. They have a lot of authority to collect that.

11 COMMISSIONER LYONS: Commissioner Merrifield  
12 asked the question that I most wanted to discuss and to emphasize, so  
13 it's slightly passed now. But the emphasis on COTS, wherever possible  
14 for software, is one that I would very strongly agree with.

15 And I think given the range of products that are out there,  
16 I'm glad to hear that you are looking first at COTS opportunities as  
17 opposed to doing things in-house. My compliments on that.

18 The only other question I had perhaps for Tim, and it may  
19 be a little premature, but I was just curious on the E-travel system. If  
20 we have any data on evaluation of that system and how it is going to  
21 work or is it simply too early? Is that what we will be gathering in the  
22 next year.

23 MR. PULLIAM: We have had them come in and before  
24 we made a decision, we sat down at the computer and we went through

1 how the implementation would go and also how it would work.

2 If you're saying how would we implement or --

3 COMMISSIONER LYONS: Well, I was just curious if you  
4 had any evaluative data as to whether it will be a simplification or an  
5 improvement for the staff, will it be easier?

6 MR. PULLIAM: I think it will be easier because it will be  
7 all on-line. It will also give the managers some more information when  
8 they are approving orders, they will see the different types of flights that  
9 are going out of the different airports within this area, so they will have  
10 more choices and say, okay, this is not necessarily the cost effective  
11 way for to us view travel or to send you out of this airport. We think you  
12 should go out of this one instead.

13 So it will give the managers a more effective tool in  
14 reviewing their travel budgets.

15 COMMISSIONER LYONS: I'll be interested as you get  
16 more data on it.

17 MR. RABIDEAU: Also today one has to prepare  
18 separately a travel authorization, a travel voucher. Both of those are  
19 prepared separately.

20 Data from each of those are then keypunched into an  
21 accounting system. And what you are going to look at in the future is  
22 one entry of data once. It will be able to be reused by traveler. It will  
23 be able to be reused by the CFO organization.

24 You are also talking about a large number of paper

1 records. We do, what, 19,000 trips a year. A large number of paper  
2 records that will no longer have to be retained.

3 COMMISSIONER MERRIFIELD: Will that be carried over  
4 into reimbursement paperwork as well?

5 After the travel, the individual member of the staff has  
6 conducted their travel and they have to put in the paperwork to get  
7 reimbursed, is that all going to follow through on that same system?

8 MR. RABIDEAU: Yes. But the one thing we are still  
9 looking at are receipts and how best -- there is a limited number of  
10 receipts that now have to be retained. And we are looking at how best  
11 to do that, whether to do that electronically or a paper copy.

12 MR. FUNCHES: But the voucher will be produced by the  
13 system. So you do the authorization, put in where you are going. And  
14 then when you come back, you do the voucher.

15 You would bring up that authorization, fill in the  
16 information you need for the voucher, and it again will be processed  
17 electronically across the system.

18 So you would not have to re-enter the trip date, time and  
19 all that. You just bring that back up and just complete the necessary  
20 information for payment.

21 COMMISSION LYONS: Just as a comment, the Senate  
22 that I just left transitioned to a system very similar to what you are  
23 describing, I assume part of the same government initiative about four  
24 to six months ago. It was a vast improvement.

1                   It was a very, very good system. So I wish you luck.

2                   MR. FUNCHES: They are web based, so that will help,  
3 too.

4                   COMMISSIONER LYONS: Thank you, Mr. Chairman.

5                   CHAIRMAN DIAZ: Thank you, Commissioner Lyons. Of  
6 course, we have been trying to put tight controls on our travel. We  
7 hope this will help us achieve that.

8                   First, I want to recognize that there have been so many  
9 areas in which you have done so very well. I mean, that is an important  
10 issue for the Commission that our financial business and our internal  
11 controls are where they should be.

12                   We noted that you got a clean report on '04 that certainly  
13 indicated that you took the issues of the previous year seriously. And  
14 we appreciated that. We look forward to keeping that where it is right  
15 now. And so I'm sure you have work worked hard on this that.

16                   Let me go back to some of the issues that you dealt with.  
17 First, you talk about, you know, your diverse high quality staff. And like  
18 Commissioner Merrifield said, we are very pleased you have taken a  
19 series of initiatives.

20                   We still would like to see when you get your hands around  
21 the total issue some measures in how you have responded to the IG  
22 concerns. I think that the date has passed and I'm sure you have taken  
23 the appropriate actions. Sometime in the future when you really have  
24 measures that you can say we have resolved the issue, I think it will be

1 important for the Commission to see that you did what you believe  
2 needed to be done and that those issues are resolved.

3           There was a concern at a time. I'm sure you have taken  
4 all the appropriate actions, but we want -- I would like to see what the  
5 fundamental things are.

6           MR. FUNCHESE: We are continuing to work that issue.  
7 The big thing we want to do in the coming year is to have some  
8 facilitated expert come in to help us with team building. And we have a  
9 person that the contract is almost final now and we are going to work  
10 across the organization on that team building effort, myself, people at  
11 the table and the other managers and staff within the room.

12           CHAIRMAN DIAZ: Okay.

13           Pete, you have stated that all the required monthly,  
14 quarterly, annual reports to OMB and Treasury were submitted  
15 accurately and on time. Have you received any feedback from OMB  
16 and the Treasury on those or is there a feedback mechanism?

17           MR. RABIDEAU: We have. Everybody is going to sort of  
18 like a red light score card nowadays. And Treasury has consistently  
19 told us that our measures with them have been green.

20           And there is a new score card that's out, that OMB has  
21 recently put out on some measures associated with government  
22 agencies. That's still getting its legs so-to-speak. And some of the  
23 issues there show up that we are red in a couple of areas.

24           And one is a function of, for example, how they make the

1 measurement. It is a percentage change. So if you go from zero on  
2 clearing out old funds, prior months' funds, if you go from zero to a  
3 number of 25,000, let's say, it shows up as 100 percent increase, which  
4 is a red finding.

5 But if I go from a billion dollars from the prior month to  
6 \$1.1 billion it shows me as being green.

7 So, since it's based on a percentage function, it gives --  
8 show us as being red when, in fact, we are doing the job very well.

9 CHAIRMAN DIAZ: It is probably an engineer.

10 [Laughter.]

11 MR. FUNCHES: Divide by zero again, right.

12 MR. RABIDEAU: There are a couple of other measures  
13 where we are showing up red. And I think that is a function more that  
14 what has happened this year is that the score for the measurement  
15 criteria has changed a little bit.

16 For example, on electronic payments. They have  
17 changed what they count for electronic payments. And we are doing  
18 that also, changing what we count.

19 As a result of that, we are not this year where we would  
20 like to be. We would like to be at a higher percentage. And we are  
21 working to get there.

22 CHAIRMAN DIAZ: Now, throughout the presentation,  
23 there were a series of issues, internal controls, documentation, there  
24 seems to me that I'm hearing that you have a large number for OCFO

1 of serious challenges using NRC auspices.

2 Are any of these challenges a problem? Or do you see  
3 them as something that you have managed and will be able to resolve  
4 them in the time and resources that is you have allocated?

5 MR. FUNCHES: I think we might have over emphasized  
6 these. The near term internal control issue has to do with the fee  
7 system. The rest of the accounting system, the payments, a couple of  
8 minor issues in the payment area for improvement are not there.

9 But it is an important issue and one that we obviously take  
10 very seriously. And as Mary mentioned, we have steps in the way we  
11 believe that we can -- it is a solvable issue. We have actions underway  
12 and planned that we think will eliminate those issues.

13 CHAIRMAN DIAZ: Jesse, that was one issue. I was  
14 listening very attentively to all your presentations. They there keep  
15 being a series of initiatives or challenges.

16 When you look at each one of them separately, you say,  
17 yes, this is something. But looking at them, it seems to me that you do  
18 have some series of challenges.

19 My point, since my time is expired, is that I think when you  
20 can take each one of these challenges and put them in a manner that  
21 the Commission can fully understand what issue you are addressing,  
22 certainly, it will be appropriate for us to have that information.

23 In other words, each one of you have an area that you are  
24 responsible for, each one of you have highlighted a series of issues.

1 And they were highlighted in broad terms, which is adequate for this  
2 meeting.

3 But for us to be making serious decisions, I think they  
4 should be put in a framework that we can understand what the issues  
5 are, the time constraint, resources involved, how it is going to affect,  
6 how is the connectivity with the other agency's offices. And I think we  
7 look forward to receiving that.

8 And with that, Commissioner McGaffigan.

9 COMMISSIONER MC GAFFIGAN: Thank you, Mr.  
10 Chairman.

11 Jesse mentioned something I want to emphasize. This is  
12 a year in which Congress has to act on fees. The proposal that OMB  
13 will make will be to make the 90 percent permanent so we don't have to  
14 deal with it every five years. But this year we must deal with it.

15 I was talking to a senior Senate staffer yesterday and he  
16 was not aware of that. And I regret that when Luis Reyes testified  
17 before the House Committee that he didn't write in a paragraph about  
18 that.

19 If they are going to do an Energy Bill, we told you guys to  
20 track that everywhere you can think of. But it is a very important thing.  
21 It is \$300 plus million in the General Fund if it is not enacted.

22 The last time that this happened, it was authorized under  
23 an Appropriations Act, a fiscal year 2001 Appropriation Act.

24 But that is a very important thing. I mention it just



1 because we have to get it done this year.

2 Turning to another subject. The computer or the  
3 appropriators from which Commissioner Jaczko came will be highly  
4 motivated to get this done, if nobody else gets it done this year, since  
5 300 million dollars does not grow on trees.

6 The computer initiatives, from my new colleagues -- when  
7 I first got here, I was all hot to trot for COTS. And I'm absolutely for  
8 commercial off the shelf software. I do warn you having been here a  
9 long time now, the devil is in the details. And one of the presenters said  
10 we will have to change some of these to meet our requirements.

11 What was the name of the financial mega system that you  
12 pulled the plug on because it just absolutely went array?

13 MR. FUNCHES: We were trying to bring up a COTS  
14 system.

15 COMMISSIONER MC GAFFIGAN: What was it called?

16 MR. FUNCHES: Starfire.

17 COMMISSIONER MC GAFFIGAN: You guys want to  
18 learn the Starfire story. That was commercial off the shelf.

19 I commend Jesse. He pulled the plug when many  
20 modules clearly were not going to be delivered.

21 A lot of these computer programs you heard talked about  
22 today would have been solved by Starfire if Starfire had worked. We  
23 now have to do it bit by bit.

24 But the devil is in the details as to how many changes we

1 have to make to meet our requirements, to meet our IT infrastructure  
2 and match it up with it. And that's where the money goes. Just so you  
3 know that.

4 I mention that -- but I for my new colleagues, I suggest  
5 that -- it is actually a success story in some sense. We pulled the plug.  
6 It was not going to work and we pulled the plug.

7 But it was a disaster in terms of what was delivered.

8 COMMISSIONER MERRIFIELD: You're not meaning to  
9 leave the impression you are against COTS.

10 COMMISSIONER MC GAFFIGAN: No. I'm for COTS.  
11 The fewer the changes we need to make to meet our requirements and  
12 the more all these different systems are thought about -- I suspect  
13 yesterday when Ms. Silber was talking to us about the 17 systems that  
14 she has to re-certify this year -- 16, that a fair number of those are  
15 these guys' systems. And the reason they are looking for change is  
16 that they are going to have to do patch work in order to meet the  
17 security requirements.

18 But, I think -- I don't know. I don't know what the answer  
19 is. But I think it is more an OIS issue than a CFO issue.

20 But thinking about all these things in some strategic way,  
21 we always hearing that people have ceased to support our computer  
22 systems any longer. And that's built into the computer industry. They  
23 will do it to you at home.

24 If you try to stay at Windows '98, it gets really hopeless

1 really fast, as I can attest. So they force you to XP. In four years, there  
2 will be superstar or something and everybody will have to transition and  
3 whatever.

4 COMMISSIONER MERRIFIELD: Since you are on this  
5 topic, I'm supportive of COTS, too. I think we did have our problems  
6 with Starfire.

7 Hopefully, now that time has passed, I think there has  
8 been greater connectivity, to use the Chairman's word, in the industry to  
9 try to have systems that make more sense.

10 I do want to point out if there are procedures that we have  
11 that are making it less likely that we can adopt COTS software, we are  
12 required to do additional tweaks to it to drive up the cost, drive up the  
13 complexity, and drive up the likelihood of failure.

14 I mean, I think those are the kind of things that should be  
15 brought to the Commission. If there are policy issues that we need to  
16 change that would make it more welcoming to use the COTS software, I  
17 think that's something you need to keep us aware of.

18 MR. FUNCHES: I fully agree with that. Sometimes you  
19 do need to adjust policy, processes, procedures to fit the COTS as  
20 opposed to modifying the COTS to try to fit the current processes and  
21 procedures. And we are very mindful of that.

22 And we have a kind of a standing thing. We will make  
23 sure we look at those issues.

24 COMMISSIONER MC GAFFIGAN: One last -- it's more

1 a comment than anything. I use this forum because I think it is the right  
2 one.

3 Some outside groups, Riverkeeper comes to mind, claim  
4 that because we get 90 percent of our fee budget from licensee fees,  
5 where we are simply a tax collector, they claim that that somehow  
6 influences policy here.

7 I just want to say publicly, we get our budget from the  
8 Congress. Congress gives us an appropriation every year. They tell us  
9 how much of it they want us to be a tax collector for.

10 You folks carry out the tax collection function or the fee  
11 collection function. And it has no effect on policy whatsoever. And that  
12 has been the case forever, and it will be the case going forward.

13 It's a total canard that somehow our tax collection function  
14 influences our policy making function.

15 No need to respond to that. It is just fact.

16 CHAIRMAN DIAZ: Thank you, Commissioner  
17 McGaffigan.

18 Oh, I'm sorry.

19 COMMISSIONER MERRIFIELD: A couple of quick  
20 comments.

21 You know, I've spoken at length privately with you, Jesse,  
22 about our electronic payment activity and the notion I think we can do  
23 better. And you have told me that you are going to try to do better in  
24 that regard. So I don't think we need no go over that one today.

1 I want to thank Commissioner Lyons for his comments  
2 about the Information Digest. As Jesse will tell you, privately, I have  
3 badgered him the entire time I have been a Commissioner to make  
4 improvements in that document.

5 You like it, I think that is a -- well, we will talk about that  
6 one later on.

7 We talked a little bit about the Inspector General's survey  
8 of culture and climate. And I want to associate myself with the remarks  
9 of the Chairman.

10 In terms of that effort on the part of the inspector general,  
11 clearly, your office was one that really I think a lot of light was shined on  
12 some gaps there. And I think it is very positive you are working on  
13 team building, you are bringing in some consultants to help work on  
14 that.

15 The proof of the pudding will be in the eating. And I think  
16 I share the Chairman's hope and expectation that when that survey  
17 happens again, that we will see significant improvement in the results.

18 The Inspector General recently issued an audit of the  
19 budget formulation process. You didn't go into very much detail in your  
20 presentation on that audit and how you are going to be responding to  
21 that. I am wondering if you can talk a little bit more about some of the  
22 recommendations made in that audit and how you will respond to  
23 them?

24 MR. BARNETT: Commissioner, there are really four

1 recommendations that the IG audits has, three of them dealing with  
2 basically updating management directives within OCFO to clarifying  
3 coordination with the EDO, the roles and responsibility of CFO/  
4 Executive Director of Operations in the budget formulation process.  
5 That's the first.

6 The second is to document the decision-making process  
7 and roles and responsibility of the PRC, Program Review Committee.

8 And the third is documenting the budget formulation  
9 process to ensure logical comprehensive sequencing of events that  
10 provide for obtaining early Commission direction approval.

11 We are in the process to responding back with specific  
12 actions to the IG recommendations. And we are doing that.

13 But I did address -- we have a full initiative under my  
14 division to basically deal with the documentation of the budget process.

15 Part of the budget formulation replacement system, we  
16 had a contractor come in and document the process as is, looking at  
17 that process with our stakeholders to see where there are efficiencies  
18 and where there are logical sequencing steps that can take place.

19 So between that effort and the effort of 4.7, I believe we  
20 would be able to address these recommendations.

21 MR. FUNCHES: A key thing in those documents that Les  
22 mentioned is the management directives -- they exist today, but they  
23 are dated. And what we will do is in responding to the  
24 recommendation, address the recommendations and the findings that

1 the IG had there, working with the EDO's office to develop those  
2 management directives. And we will use the standard coordination  
3 process.

4 But our belief is that we take that management directive,  
5 document the entire PBPM process as well, the steps as well as the  
6 decision points and flow charts that we will address those  
7 recommendations.

8 COMMISSIONER MERRIFIELD: Well, I think the issue of  
9 the dialogue between the EDO's office and your office in budget  
10 formulation I think is a good issue that the IG has brought out.

11 I know on your part, there has been an effort to have a  
12 greater degree of connectiveness between your office and that of the  
13 EDO.

14 There is obviously progress, as he points out, that still  
15 needs to be made. Without going into detail, we are obviously in the  
16 early parts of our budget formulation process for '07. And in terms of  
17 the materials that were provided the Commission, I think a greater  
18 degree of consistency in terms of level of information and the  
19 assumptions made by individual offices needs to be harmonized.

20 We had some who really get down into detail and I think  
21 provide the Commission a good level of understanding of those  
22 assumptions and why we should support those. Some of the offices,  
23 frankly -- and I mentioned those in particular to you -- are insufficient.

24 So I think that connectiveness would certainly help in

1 giving the Commission a better product for its deliberations.

2           The last one very quickly, there is a lot of measurements  
3 that we are subject to. And more frequently, we are mentioned in the  
4 Federal Digest. So there is more transparency, at least  
5 government-wide, into some of those.

6           Do we have any correlation, any compilation of all these  
7 measurements?

8           Because it seems to me as a Commissioner, either I read  
9 in the trade press or I read in the information that you give us, here is  
10 where we are being graded here, here is where we are being graded  
11 here. Without some greater understanding in totality how, through your  
12 efforts we are being graded as an agency, I don't have that right now.  
13 Am I missing something?

14           MR. FUNCHES: Each set of measures tend to measure a  
15 specific area. For example, GSA has a set of measures on travel card  
16 and purchase card. And their emphasis is on, obviously, keeping the  
17 delinquent debt on those cards low. That's what they measure. We  
18 come out very well there. So their measure is to have a purpose there.

19           We have some measures on the performance and  
20 accountability report -- Mercatus report. And there are some different  
21 ones. I think last year, we gave you some mention of those.

22           But they each have their own issue they are trying to  
23 measure or area they are trying to focus on.

24           We look at them all and try to -- overall, I think most of the



1 ones we have are green. The ones we get from Treasury, which are  
2 directly from Treasury in terms of getting information to them, feeding  
3 into their centralized system are green.

4 The ones that we get on GSA, basically I think that they  
5 use color green.

6 The ones we have, the three reds now are the only areas  
7 I know we are red in would be in the new ones that were just created  
8 kind of out of an effort from the CFO's Council. And we have those  
9 three area that were red. I think there are nine others.

10 MR. RABIDEAU: There are eight total.

11 MR. FUNCHES: Eight. The other five are green.

12 Overall, I think our metrics would be green if you look at it.  
13 They each tend to measure a different issue. But if you look at them in  
14 total, I think overall we would be green from just looking at the  
15 measures that are available.

16 COMMISSIONER MERRIFIELD: Thank you, Mr.

17 Chairman.

18 CHAIRMAN DIAZ: Thank you, Commissioner Merrifield.

19 Commissioner Jaczko.

20 COMMISSIONER JACZKO: Thank you, Mr. Chairman.

21 I do also want to congratulate you on your work on getting  
22 the PART score and also on the wonderful Information Digest. I often --  
23 well, not often, but recently been reminded by the Chairman that the  
24 honeymoon for Commissioner Lyons and myself is soon coming to an

1 end. At that point, I think I will be using the Information Digest even  
2 more.

3 So I appreciate the good information there.

4 I did want to ask one question on this issue with the  
5 homeland security activities and the request that was made this year to  
6 OMB to have that taken outside of the fee collection system. As you  
7 know, the Commission recently sent our legislative package to the  
8 Congress or approved a package to the Congress that asked –

9 COMMISSIONER MC GAFFIGAN: We have not sent it  
10 yet. We are still working with OMB.

11 COMMISSIONER JACZKO: We have approved a  
12 package that includes a request to take those activities outside of the  
13 fee schedule.

14 And I know this year that request was made to OMB to do  
15 that at OMB's level and they rejected that.

16 Where are you -- in FY '07, do you intend to make that  
17 request again or do you expect a similar response from OMB?

18 MR. FUNCHES: Let me give you a little bit of history on  
19 homeland security. The first funds we had from homeland security we  
20 got through a -- specific on homeland security we received from a  
21 supplemental. And that was funded from the General Fund.

22 I think the next year, we had a request and OMB made a  
23 request to the Congress to fund homeland security off the fee base the  
24 following year.

1                   COMMISSIONER JACZKO: I'm sorry. That year they  
2 requested to do it outside the fee?

3                   MR. FUNCHES: Yes. 2003. That was not approved by  
4 Congress.

5                   COMMISSIONER MC GAFFIGAN: So OMB has largely  
6 taken its lead from the Congress the last couple of years.

7                   MR. FUNCHES: Right. So what the Commission has  
8 asked to us do is kind of re-look at what ought to be on a fee base,  
9 what are the options. We did that last year. So we had an initiative last  
10 year to take a re-look at it. I don't think it was mentioned, but we  
11 completed that.

12                   And what that laid out was the different options, the ten  
13 percent, using the same rationale that the original ten percent was,  
14 looking at also the issue that is caused by when you get to a very low  
15 number of materials license, the national materials program issue, how  
16 do you fund a core set of activities?

17                   And then it also looked at homeland security as an issue.  
18 And it came up with a range, I believe it was from 10 to 17 percent.  
19 And that was put on the table for discussion with OMB this year.

20                   And that's where we are now. That information is there.

21                   What happens next year would be a policy call by the  
22 Commission on how we go forward next year, depending -- and I would  
23 assume it depends on what happens.

24                   COMMISSIONER MC GAFFIGAN: All versions of the

1 Energy Bill have included the provision to take the non-inspection  
2 security off the fee base. I hasten not to tell an appropriation's staffer  
3 how they would react if both provisions were enacted, the permanent  
4 extension of the 10 percent and the -- but I think their people know how  
5 to write, provide that notwithstanding this year, we will collect more if we  
6 need to in order to meet their appropriations target. That has happened  
7 a few times.

8 I doubt that we will go to 15 percent all at once as a  
9 practical matter.

10 COMMISSIONER JACZKO: About how much does it  
11 amount to?

12 MR. FUNCHES: We are talking a little over \$600 million,  
13 so another 5 percent, 30 million.

14 COMMISSIONER JACZKO: Thanks. Just one other  
15 question.

16 On the new labor, time and labor management system,  
17 time and labor systems, you talked about making a decision in March,  
18 April of this year on a course of action and that the conversion would  
19 start in FY 2006.

20 How long would it take to get that system implemented?

21 MR. FUNCHES: We are looking at two things. One is  
22 whether we stay with the current system. Or can we find something  
23 that is better - a COTS - that is better is cost effective to move from the  
24 current system in this particular case.

1                   And I think what Tim said was that if the decision is to go  
2 to a new system, then we would begin implementation –

3                   MR. PULLIAM: It would probably take us about two  
4 years.

5                   MR. FUNCHES: Because you want to test it real well. It  
6 would touch almost all of the people. Then you would have to go  
7 through the training and all that, because when we brought this one up,  
8 before we used to do paper time and attendance and labor distribution.

9                   And you have to train the people, you have to roll it out  
10 gradually. And it just takes time. It's probably a year to get it up and --  
11 a year to 18 months to get it up, and another six months just to kind of  
12 roll it out to people.

13                  COMMISSIONER JACZKO: The expectation would be  
14 that this overall system provides cost savings and improved  
15 efficiencies?

16                  MR. FUNCHES: Right. That's what we are looking at.  
17 Can we do it better? Can it be more effective for us? Can it be more  
18 efficient for us? And that's the input to the decision that we have to  
19 make on this particular one.

20                  The one we are using now is a version of People Soft that  
21 we had linked to the payroll system. But then the government decided  
22 to go to three providers of payroll. And so, rather than upgrading the  
23 payroll system to the next version, we then migrated to one of the six.  
24 And we are still using the input to the system because there was no

1 input that would serve our needs at the time.

2 MR. RABIDEAU: It is also software that is no longer  
3 supported.

4 MR. FUNCHES: The version we have.

5 COMMISSIONER MERRIFIELD: If I have not heard that  
6 statement once, I must have heard it 50 times.

7 COMMISSIONER MC GAFFIGAN: There is some benefit  
8 to having OIS and CFO go back to back.

9 COMMISSIONER JACZKO: Thank you.

10 CHAIRMAN DIAZ: Well, thank you, fellow  
11 Commissioners. I think you are showing remarkable discipline in your  
12 questioning. I just have the feeling that we didn't give you all of the  
13 drilling that you deserve.

14 So, I think that we were left here with some need for going  
15 further, some of the questions.

16 I think that, obviously, there is tremendous amount of  
17 interest in these things. And we don't have the opportunity to get in  
18 touch with you and your problems and your accomplishments  
19 practically once a year, although we will have an opportunity to  
20 challenge you during the budget process.

21 Seems to me like we need to make this meeting a little  
22 longer, give you a little bit more time, and provide significant more time  
23 for the Commissioners to question.

24 I think one of the things that I am seeing in this round this

1 year is that the staff -- and this is as I'm talking to common meetings --  
2 needs to be a little more pointed in their answers. It's not talking about  
3 specifically any of you. But this is what makes some of the questioning  
4 so important is to get answers that are specific in short period of time.

5 We always have the opportunity to provide questions in  
6 writing and also being sent back to the Commission as a whole.

7 Overall, I want to thank you for today. I think that we  
8 know pretty much where you are. But we do expect to see you again  
9 shortly and challenge you in some of these areas. And I think that  
10 overall we have accomplished the objective of the meeting. We do  
11 want to have an opportunity to interact a little more with you next time.

12 Unless my fellow Commissioners --

13 COMMISSIONER MERRIFIELD: Yes, Mr. Chairman, just  
14 real briefly on that score, and I thought it was a good briefing, I too  
15 would like some additional time.

16 I also think that perhaps next year, the backup slides and  
17 information to the Commission could be at a higher level of detail. I  
18 know some of the other offices have provided a lot more in terms of  
19 backups, perhaps not slides that would go on the screen, but in terms  
20 of background material for our reading to get us up to speed in more  
21 detail about some of the programs that they are involved with, I think  
22 that would be helpful.

23 My last question about sort of a compilation of all of these  
24 ways in which we are being measured, Mr. Chairman. I would like to

1 discuss that as something we need to consider. We have a lot of  
2 different data points.

3                   As we know, even though each one of those surveys has  
4 a different purpose, having them in some kind of a compilation to see  
5 trending of where we are going on these important financial issues, I  
6 think, is something we ought to think about.

7                   CHAIRMAN DIAZ: I think so. And with that, we are  
8 adjourned.

9                   MR. FUNCHESS: Thank you.

10                   (Whereupon, the hearing was adjourned.)

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