

June 18, 2003

MEMORANDUM TO: Chairman Diaz
Commissioner Dicus
Commissioner McGaffigan
Commissioner Merrifield

FROM: William D. Travers */RA/*
Executive Director for Operations

SUBJECT: STATUS OF THE OFFICE OF NUCLEAR MATERIAL SAFETY
AND SAFEGUARDS BUSINESS PROCESS IMPROVEMENT
INITIATIVE

SECY-02-0103, "*Staff Response to Item 3 of COMSECY-01-0022-FY 2003 - FY 2004 Budget Proposal Regarding the Office of Nuclear Material Safety and Safeguards Business Process Improvement Initiative,*" dated June 14, 2002, states that the Office of Nuclear Material Safety and Safeguards (NMSS) will keep the Commission fully informed of the progress and results of the Business Process Improvement (BPI) effort for both the Licensing and Contract Financial Management initiatives.

The last status update, provided by memorandum on December 23, 2002, for the quarter ending September 30, 2002, included planned project schedules, in addition to proposed metrics and measures. The attached status summaries for the Licensing and Certification BPI and the Contract Financial Management BPI (Attachments 1 and 2, respectively), reflect the progress and results of each BPI to date.

Both the direction and resource commitment for the BPI effort have changed markedly since the inception of this initiative (see attachments for details), and schedule adjustments have had an impact on previous reporting dates. While the staff will continue to keep the Commission fully informed, a change in reporting frequency is requested. In lieu of further quarterly reports, NMSS will provide a summary report at the end of FY03 and a mid-year and summary report for FY04.

Secy, please track.

Attachments:

1. Status Summary: Licensing & Certification BPI Project
2. Status Summary: Contract Financial Management BPI Project

cc: SECY
OGC
OCA
OPA
CFO

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Status Summary

Licensing and Certification Business Process Improvement Project

Objective: To realize an efficiency of at least a 10% savings (i.e., approximately 8 FTE in FY 2004).

Desired Outcome: Achieve maximum efficiency gains without reducing safety.

Original Schedule: July 2002-December 2002: Planning and Assessment Steps
December 2002-March 2003: Improvement Step
March 2003-September 2003: Implementation and Measurement Steps

Revised Schedule: October 2002-September 2003: Planning and Assessment Steps
October 2003 → FY 04: Improvement Step
FY-04: Implementation and Measurement Steps

Success (Output)

Metric: Specific output performance measures will be developed as part of the Implementation Step.

Comments: The Office of Nuclear Material Safety and Safeguards (NMSS) has re-evaluated the approach to be used for achieving our efficiency and effectiveness goals in the Licensing and Certification area.

The emphasis on improving the efficiency and effectiveness of programs within NMSS predates the establishment of the BPI initiative. As a result, NMSS recognizes that several efficiencies occurred prior to the beginning of the formal Licensing BPI process. For example, a number of program efficiencies and reductions were made in Fuel Cycles Licensing and Inspection to provide for fact-of-life high priority increases. This effort, when combined with new initiatives, will result in an efficiency of about 8 FTE for 2004, 6 FTE for FY 2005 and 6 FTE for 2006. In addition, a decreased labor rate for the review of Integrated Safety Analyses for fuel facilities will result in the realization of additional efficiencies of approximately 3 FTE in FY 2004, 2 FTE in FY 2005 and 2 FTE in FY 2006, for an overall efficiency gain of 11 FTE for FY 2004, 8 FTE for FY 2005 and 8 FTE for FY 2006.

The goal of the Licensing BPI was to achieve at least a 10 percent savings (i.e., 10 percent of the approximately 87.3 FTE in licensing, or 8.7 FTE). The efficiency gains realized in the Fuel Facilities Licensing and Inspection area well exceed the NMSS office-wide goal established for the Licensing BPI initiative (i.e., 8 FTE in FY 2004). These gains alone essentially meet the goal of the Licensing BPI.

NMSS management recognizes the need for continued improvement and plans to pursue future efficiency gains into FY 2004 and beyond. NMSS management determined that most of the opportunities for achieving gains in efficiencies and effectiveness will be made in the technical components of activities, (i.e., licensing, inspection, rulemaking) with minimal efficiencies anticipated by changes in the administrative components.

Therefore, NMSS intends to substantially reduce its contractor support for the administrative portion of this BPI effort. However, the BPI contractor will continue to contribute to process improvements by assisting in the development of process maps which will provide management with a better understanding of the inter relationships of each step in the activity. The creation of process maps will be funded with existing available resources.

The NMSS Risk Task Group (RTG) will be participating in the BPI activities using risk information. RTG will work with the Divisions that are performing the analyses and developing the recommendations to streamline licensing, inspection and rulemaking processes. In addition, the RTG will be working with the Divisions to identify modifications to the technical aspects of the regulatory programs (e.g., licensing and inspection) through the use of risk information. This work will support the NMSS initiative to take a broader look at all of the waste and materials arena activities in order to determine how resources can be directed more effectively within NMSS to those activities of highest risk and safety significance.

Budget Impact:

Resources originally budgeted for the BPI effort for fiscal years FY04 through FY06 included 14 FTE, and \$700K for contractor support. It is projected that the remainder of this project will require a maximum of 2 FTE (approximately 0.5 FTE for each of the four technical divisions in NMSS) and 100K in contractor support funding (\$25K for each technical division in NMSS), for a savings of 12 FTE and \$600K in budgeted contractor support.

Status Summary

Contract Financial Management Business Process Improvement (BPI) Project

Objective: To realize an efficiency of at least a 10% savings (i.e., approximately 0.8 FTE in FY 2004).

Desired Outcome: Achieve maximum FTE efficiency gains with a minimum of 10% savings.

Original Schedule: October 2002- January 2003: Planning and Assessment Steps
January 2003-March 2003: Improvement Step
March 2003- May 2003: Implementation and Measurement Steps

Revised Schedule: October 2002-February 2003: Planning and Assessment Steps
February 2003-April 2003: Improvement Step
April 2003-June 2003: Implementation and Measurement Steps

**Success(Output/
Outcome) Metric:** Specific output performance measures will be developed as part of the Implementation Step. These measures will provide an operational means of monitoring the contract and financial management function and will contribute to the continual improvement of the program.

Comments: Schedule: The original schedule was adjusted to allow 4 additional weeks to accommodate staff and senior management workload priorities.

On May 7, 2003, the NMSS Leadership Team (LT), followed by the Executive Team on June 5, 2003, were briefed on the following near term ("quick hit") efficiency improvements developed by the BPI team:

- replacement of individual Project Descriptive Summaries (PDS) for contracts and tasks planned for the upcoming fiscal year with a single division summary of contract actions needed;
- better standardization of commercial and DOE laboratory Statements of Work (SOW); this efficiency will benefit the Divisions and PMDA
- elimination of cover letters for DOE laboratory actions:
- elimination of dual PMDA Director and Deputy Director concurrence and signature.

These efficiencies, when implemented, will realize a savings of 1.1 FTE, which exceeds the goal of 0.8 FTE.

The BPI team received Leadership Team (LT) approval to expand the original charter to include the analysis of longer term improvements, such as:

- possible replacement of the NMSS financial management system, COSTS, (similar systems are currently operating in OHR and ADM);
- possible enhancements to COSTS, in lieu of replacement
- electronic submittal of contractor monthly letter status reports, commonly referred to as MLSRs;
- implementation of conflict-of-interest (COI) review, streamlining improvements developed for CNWRA contract.

Both NRC staff and contractor resource expenditures are on track, to date, with the spending/hourly use plans which had been developed.