

NUCLEAR REGULATORY COMMISSION

BRIEFING ON THE OFFICE OF THE CHIEF FINANCIAL OFFICER  
PROGRAM, PERFORMANCE, AND PLANS

11155 Rockville Pike  
Rockville, MD

February 18, 2004

The Commission met in open session, pursuant to notice, Nils J. Diaz,  
Chairman of the Commission presiding.

COMMISSIONERS PRESENT:

CHAIRMAN NILS DIAZ

COMMISSIONER EDWARD McGAFFIGAN

COMMISSIONER JEFFREY MERRIFIELD

PRESENTERS PRESENT:

MR. JESSE FUNCHESS, Chief Financial Officer

MR. PETER RABIDEAU, Deputy CFO

MR. LESLIE BARNETT, Director, Division of Planning,  
Budget, and Analysis

MR. CARL DOLINKA, Acting Director, Division of Financial  
Management

MR. TIMOTHY PULLIAM, Director, Division of Financial  
Services

P-R-O-C-E-E-D-I-N-G-S

Chairman Nils Diaz: Good morning.

The Commission meets today to hear from the Chief Financial Officer and officers and his staff on the status of the NRC financial operations. This, of course, is one of our annual briefings in which the Commission tries to become fully and currently informed. Not that we are not kept fully and currently informed, but we do it in a little more depth at these meetings.

And we, of course, are looking forward to looking at the on-going financial activities, your key initiatives, and the accomplishments of the OCFO organization.

Strategic operations on all financial activities, of course, are essential to achieving our health and safety mission, protect the environment, and common defense and security also, and provide services to external and internal stakeholders.

We are looking forward to today's briefing.

At this time I'm pleased to turn the meeting over to Mr. Funches with my fellow Commissioner's approval.

Commissioner Jeffrey Merrifield: Mr. Chairman, I would say,

based on your comments -- and this may be reflective of the time that I spent working on Capitol Hill -- but of all of the policy things that we do around here as a Commission, how we spend money is, at the end of the day, among the most important things that we do in effectuating policy.

One of the things that has always somewhat frustrated me is that I think a lot of very significant work by the Commission every year is not open to public view because of the way that the normal inappropriate government process goes in how we develop our budget. But I do think that the opportunity for us on a yearly basis for us to review the work of the CIO and his staff, in terms of maintaining the fiscal discipline that the Congress and the American people expect of us, is important. And so I do always look forward to this meeting and an opportunity to really vet through what these folks are doing, keeping currently and fully informed, as the Chairman has said, and understanding how we can further enhance our financial discipline in the way in which we spend the money of the American people.

Chairman Nils Diaz: Thank you,

Commissioner Merrifield. And now, Mr. Funches, you can dazzle us, not with money but with the way that you manage money.

Mr. Jesse Funches: Thank you Chairman Diaz, Commissioner McGaffigan, Commissioner Merrifield. I appreciate the opportunity to discuss with you the office of the Chief Financial Officer, or CFO, program of activities.

At the table with me today are Peter Rabideau, the Deputy CFO, to my left. To his left is Carl Dolinka, the Acting Director of the Division of Financial Management. To my right is Leslie Barnett, the Director of the Division of Planning Budget and Analysis. And to his far right is Timothy Pulliam, the Acting Director of the Division of Financial Services.

Our briefing today will cover our FY-2003 accomplishments and our future initiatives, including any major challenges, as we go forward. But before we discuss the specific activities and areas, I would like to take a few minutes to discuss with you our activities to improve the office working environment.

As you may recall, the OIG's cultural survey pointed out several areas for the OCFO to improve.

Using this survey as input, the OCFO has identified four areas of focus for improvement efforts. These efforts were management leadership, supervision, empowerment, and quality focus.

We formed three action groups consisting of our first line supervisors, who are in the audience today, to address the findings from the survey and look at other areas for improvement. At an OCFO management conference in October, my senior management, together with the action group, finalized the actions that we would like to pursue and to improve the overall working environment within OCFO.

The actions that we decided on falls into four major improvement categories. The first improvement category is communication within OCFO, Training Opportunities, Team Building, and last, Workload Planning. We believe that focusing improvements in these categories will result in a better working environment for the office.

In terms of the action we have taken in the communication area, the actions we have taken include monthly OCFO communication to all staff on office activities as well as plans going forward. We will have

a semi-annual all-hands meeting to discuss the office activities and to address staff concerns and questions. And we also are looking forward to having more senior management interaction with the staff.

To improve training, we're taking action to help both new employees and existing employees. For example, we are assigning advisors to new employees to ensure that they are adequately oriented to the responsibility and the action of the OCFO, and to also help them navigate through as a new employee through the various administrative activities that they have to undergo also.

We are continuing the rotation program within the Office of the Chief Financial Officer to augment staff's understanding of the various work relationships and to build an organization skill base. And lastly, all managers and supervisors are expected to discuss training needs with their staff at least annually.

As you all know, the OCFO has a very heavy workload and many fixed deadlines, some of which are very tight. Thus, workload planning is important to creating a very successful work environment. Key activities in this area involve fully utilizing our

FTE's through over hiring, looking how we can utilize contractors and continue to use team based prioritization.

The final area that I'll mention is team building. This is a priority for us during FY-2004. We are working with the Office of Human Resources to look at how best to go forward. We are looking at the possible use of a contractor to come in and help us with team building.

An important action that we have taken that cut across all four areas is the reorganization of the OCFO, which we put in place about ten months ago. As you may recall, the reorganization reduced the span of control for managers and supervisors, shortened communication lines, and encouraged lower level decision making.

Feedback that we've had during this first ten months indicates that the organization has helped make improvements to the work environment. However, we will continue to monitor the effectiveness on the new organization to determine whether other adjustments need to be made as we go forward.

Another cross cutting action in support of the



improvements is the completion of some long range planning for the office. We have created what we call our OCFO strategic plan, which will help set the direction that we want to move in during the coming years. In developing a plan, we have input from the offices, the program offices, as well as input from the managers and the staff within OCFO.

The plan will include our goals, strategies, measures, and initiatives that we will pursue going forward. And the document will serve as a framework to ensure that the office directives are clear to the staff and the activities are aligned.

Our goals that will be in our plan are: One, protect agency financial assets consistent with risk; two, provide leadership to integrate financial and performance information to decision-making; three, provide high-quality financial service; and four, maintain a diverse and highly qualified staff.

The following Division Director presentations will include a discussion of the initiatives that we have already included in the plan to achieve the goals I have just mentioned.

If you'll put up chart 2 please. The

remaining part of the briefing will discuss the three topics on the chart, financial management, financial services, and planning, budgeting, and performance management. I would like to ask each of the Division Directors to talk to each topic. And first, I would like to ask Carl Dolinka to discuss financial management.

Mr. Carl Dolinka: Good morning. Today it will be my pleasure to present some of our fiscal year 2003 key financial management accomplishments and give you a brief insight into some of the significant initiatives that are currently underway in this fiscal year.

If you could bring up Slide 3, please.

First, we received our tenth consecutive clean audit opinion on the agency's financial statements that are required by the Chief Financial Officers Act. This accomplishment demonstrates that the NRC has institutionalized a disciplined system of financial record keeping that ensures resources are properly accounted for and that a good system of internal controls are in place and functioning properly.

Most notable during this cycle was the

elimination of the agency's only material weakness in the area of cost accounting, and no findings of noncompliance with laws and regulations. The next accomplishment relates to the accelerated publication of the NRC's fiscal year 2003 performance and accountability report. This report presents a complete and integrated picture for the year of whether or not the agency achieved its programmatic goals and the resources consumed to do so.

During the past few years, the Office of Management and Budget has been accelerating this reporting requirement in an effort to ensure that the information is relevant to the receivers of the report, namely the Office of Management and Budget, the President, and the members of NRC's Congressional Oversight Committees.

For the Fiscal Year 2003 Report, they established a due date of January 30, 2003. I am pleased to report that, with the support of staff across the agency, we published NRC's report six weeks ahead of the scheduled due date. In addition, the agency was one of only seven federal agencies awarded the Association of the Government Accountants Certificate of Excellence

and Accountability Reporting Award for last year's submission. This was our second award in as many years.

For our other financial reporting responsibilities, we completed more than thirty monthly, quarterly, and annual financial reports timely and accurately for the Department of Treasury and the Office of Management and Budget. Some examples of these reports include quarterly financial statements, budget execution reports, and reports on the status of accounts receivable due from the public. The value of this accomplishment is that it validates the integrity of our efforts to manage the agency's assets, liabilities, and budgetary resources.

Along the same lines, it's also important that the NRC's managers and staff continue to maintain a high level of integrity in their internal control activities such that the agency's programs and resources are adequately protected against waste, fraud, and mismanagement. To help the agency do this, we sponsored four two-day internal control training classes for over one hundred of NRC's executive managers and staff. The training was so well received that additional classes are being scheduled for this year. And the course will

be added to the leadership potential program curriculum.

We are also examining the feasibility of adding this course to the SES candidate development program and new supervisor training curriculums.

Please bring up back-up Slide 1. Collection of fees was another noteworthy accomplishment during Fiscal Year 2003. The proposed rule, final rule, 4,870 bills for Part 170 Fee for Service and 1,600 bills for Part 171 Annual Fees were issued timely. As a result, we collected 100% of the amount we are required to collect by law. In addition, consistent with the Commission's direction last year, we developed the fee rule as early in the fiscal year as possible. The Fiscal Year 2004 proposed fee rule was published February 2, 2004 two months ahead of last year's rule, ensuring that the agency will continue to meet the deadline to collect our fees by the end of the fiscal year. Please bring back up Slide Number 2.

Commissioner Jeffrey Merrifield:

Mr. Chairman, by way of clarification, for next year we're seeking to improve our presentations. That's a noteworthy series of statistics that you talked about, that number. That's not evident on the slide. And I

think for the benefit of our people out there who are viewing this via video stream, it might be helpful just to note that on that slide next year.

Mr. Carl Dolinka: Thank you. In the delinquent debt area, we were successful in maintaining our goal of keeping delinquent debt owed to the NRC below 1% of our annual billings. In fact, the delinquent debt owed to the NRC at the end of FY-2003 was only \$1.8 million, or 3/10 of 1% of our annual billings.

Please bring up Slide Number 4. With respect to our key financial management initiatives, I will discuss five. The first is to meet the new accelerated deadline for publishing the fiscal year 2004 performance and accountability report. The Office of Management and Budget has established a deadline of November 15th, 2004, for publishing this year's report. This is five weeks sooner than the FY-2003 report and represents a sizable challenge. We don't close our books until September 30th, and we'll have to complete the financial statements, the related audit, and performance report that's required by the Government Performance and

Results Act, and publish a complete document forty-five days later.

We are working together with the Office of the Inspector General's staff and auditors to aggressively examine our business processes and find ways to be more efficient that will allow us to meet the November reporting date.

Specific steps that we have taken include the establishment of an intra-agency working group, examining the use of more estimates in place of actuals, and direct participation on committees sponsored by the federal government's Chief Financial Officers Counsel.

For our next initiative, we are re-examining all fairness and equity issues that may affect the current requirement to collect 90% of NRC's appropriated budget, less the amount of appropriated from the Nuclear Waste Fund through fees from our licensees. The current requirement expires at the end of FY-2005, and without further legislation, would revert to 33%.

It's important to note here that the President's Fiscal Year 2005 budget is based on extending the 90% collection requirement. The current 10% of NRC's budget that is off the fee base was determined based on a 1994

study. And we plan to submit an updated Commission paper that will provide recommendations on whether or not a change to the 10% is warranted. The next two key initiatives --

Commissioner Jeffrey Merrifield: Mr. Chairman, one other brief clarification. You mentioned that the PAR for this next year is going to be due in November, accelerating it. And you said that that interaction was subject to involvement with the Inspector General and the auditing staff that he brings in to do that. You sort of glossed over that. Was there any issues there? Are they working in collaboration with you?

Mr. Carl Dolinka: Very much so. We're working closely together.

Mr. Peter Rabideau: I think it's also worth mentioning that we're working with several other offices throughout the agency that are important players when it comes to the performance portions of that report. And a lot of the data that we receive is from outside of the agency. So there will be a challenge in seeing how we can put all of that together.

Commissioner Edward McGaffigan: Mr. Chairman, I'll just



mention that I know this past year, one thing that helped the staff get the report done in January was the monthly reports we send to Congress. If we do a good job with the monthly report and the attachments to the monthly report, I think this annual report tends to write itself to some significant degree. But that's a challenge.

Commissioner Jeffrey Merrifield: Just one more -- and I beg the Chairman's indulgence. But one of the things I think the Commission has always said is identify if there are any issues coming up that you anticipate. I take it by your comments that you don't anticipate any issues, either internally or externally, with the preparation of the PAR in meeting the date that OMB has in November.

Mr. Carl Dolinka: Not at this time, no.

Mr. Jesse Funches: It's going to be a challenge, I think. We're going to have to do some things that are different. We took a step this year, but it's going to be a challenge. And I think it's a challenge in getting outcome data for the parts that we

mentioned. We might have to use some, you know, a different cut-off date and we're having some discussion with OMB. Obviously, some of the data we won't have as of September 30 because you just can't get it in the 45 days. So we'll have to use different techniques to make that happen.

Commissioner Jeffrey Merrifield:

Mr. Chairman, the reason that I raised the series of questions is that, occasionally, what will happen is the staff will have a problem meeting a deadline. And then we find out well we're not going to meet the deadline. And the Commission might have been in a position, had it known sooner, kept fully and currently informed, that we could effectuate a change that would have allowed us to meet that deadline. So the note here that I would want to just leave with the CFO and his staff is, if there are issues that would make it likely that if things emerge that you might not be able to meet that deadline, letting the Commissioner know about that sooner so that we can effectuate change that might assist you in meeting that. That is an important deadline. OMB certainly wants to keep our feet to the fire, and I'm certain the Chairman does not

want to miss that deadline.

Commissioner Nils Diaz: And, of course, we love for you to be challenged.

Mr. Carl Dolinka: The next two key initiatives also involve key activities. First, we have begun to evaluate our method for establishing fees. There's a contractor assisted-effort, the goal of which is to reduce the administrative burden associated with the fee development process, as well as address licensee requests that the fee process be more easy to understand.

This initiative will also provide input to an open OIG recommendation that we examine this area for potential improvements. Second, we started a two phased effort to replace our fee billing system, which is currently comprised of nine different computer applications and twelve interfaces that is based in part on 20 year old technology. The system is not flexible and resource intensive to maintain. Relatively simple activities, such as migrating to the agency's new Windows XP desk top operating software environment and resolution of billing discrepancies typically are difficult to adapt to. We are working closely with the

Office of the Chief Information Officer's staff and following their capital planning and investment control process to develop a formal requirements analysis that will provide us with a road map for the future acquisition and implementation of a sound business solution.

Our last key initiative is focused on making better use of cost information. While past efforts in this area have primarily focused on implementing and stabilizing a cost accounting system, this initiative is geared toward identifying cost information that will be useful to NRC managers in providing efficient access to that information. Currently, we're holding preliminary discussions with several NRC offices and regions, and surveying other federal agencies to identify opportunities that may be migrateable to this agency.

At this point Mr. Timothy Pulliam, Director for the Division of Financial Services, will continue the briefing.

Mr. Timothy Pulliam: Thank you, Carl. Good morning, Mr. Chairman and Commissioners. It is my pleasure to present the FY-2003 key financial services

accomplishments and update you on our upcoming initiatives.

Slide 5, please. The financial services division provides the services required to make the NRC staff's jobs efficient and effective. We pride ourselves in serving the NRC community behind the scenes, yet always aware that what we do everyday has a direct impact on how the inspectors at sites, regional and headquarters staff regulate and carry out the mission of the agency.

In the area of travel, we've processed over 19,000 transactions. We've assisted travelers in making reservations, acquiring passports, trained newly hired employees on travel and travel card regulations, as well as kept the NRC staff abreast of changes in travel regulations.

We certified funds availability for headquarters employees, contracts, training requests, and other documents for offices serviced by the central allowance. We provided relocation services for 195 members of the staff, and provided a guarantee home sale program.

We provided payroll services including training

time keepers, and time and labor coordinators, as well as conducting time and attendance reviews. This concluded with the most important part of payroll, making sure that all of our people got paid accurately and on time.

Another vital role is our payment services.

Our services include payments to vendors and government agencies in addition to our staff, all the while keeping our improper payment rate very low.

A major accomplishment this year is the successful conversion to e-payroll. To support the E-Government initiative, we were required to move to one of four providers. After our requirements review and careful interviewing of providers, we choose the Department of Interior National Business Center's Federal Personnel Payroll System, better known as FPPS. It best met our needs and included an integrated HR and payroll system. The transition took place in November of last year.

There are savings associated with the transition, over \$1 million dollars in one-time costs and current estimates are approximately \$1 million in maintenance and FTE savings in future years. At the

same time we transitioned to DOI, we implemented Employee Express. This system is used by approximately 1.5 million people. It allows our NRC community ready access to enter discretionary transactions 24 hours a day, 7 days a week, from their office or home computer.

Items that in the past were updated manually, such as health benefit forms during open season, tax changes, financial allotments, and address information have all been automated.

Throughout the three months we have been transitioning, our customer service has been the upmost priority. We continue to maintain a time and attendance help desk and work with our Office of Human Resources and the Department of Interior Management to insure that NRC staff is provided with superb service. In fact, since the transition, DOI management has visited us twice. And a follow-up/lessons learned meeting is being scheduled. We are very interested in DOI maintaining a superb level of service. And we will be monitoring their service against the service level agreement metric. We also will monitor their call log and conduct surveys of staff to further check the service.

We also vet all financial reporting

requirements, completing and submitting financial reports including biannual report to the General Services Administration and reports to the Office of Personnel Management on employee retirement and health benefits.

In addition, we assure that the accuracy and timeliness of our employee and earning leave statements, W-2's, and vendor 1099 information.

Back up Slide 3, please. We are most proud of the success of our payments this year. We made approximately 172,000 transactions timely and with an error rate of less than .1%. Of the .1%, the NRC was successful in recovering all improper payments.

To put this into perspective, OMB defines significant risk as 2.5% of transactions and \$10 million in improper payments. Our amounts are .049%, 84 transactions, and \$88,000.

Slide 6, please. We have two major initiatives for the next few years. First, deciding the participation in e-travel. E-travel is a required government-wide initiative with the goal of providing government-wide web based services that apply world class travel management practices to consolidate federal



travel.

The General Services Administration, who oversees e-travel, expects benefits in the following areas: Consolidation, by offering a one-stop self-serve site for all travel needs; accountability, through simplified and enforceable travel policies across the Government; and cost savings through economies of scale through consolidation and aggregation.

In the next year, NRC will evaluate the three vendors, Carlson Wagonlit, Northrop Grumman, and Electronic Data Systems, which offer e-travel services and decide on participation.

Our next initiative is determining the long-term solution for collecting time and labor.

Commissioner Jeffrey Merrifield: Can I just ask a quick question here because I wouldn't otherwise come back to it. But in terms of the analysis for the e-travel, is one of the criterion the level of service to the individual vendors, not just merely the cost?

Mr. Timothy Pulliam: Yes.

Commissioner Jeffrey Merrifield: I think that

we do a lot of travel as an agency, particularly with our residents, our regional inspectors, and others. And the level of service that's provided, I think, is a very important criterion for the happiness of our travelers.

Is that a significant criteria that will be evaluated?

Mr. Timothy Pulliam: We will have to take a look at that. But I think that one of the things that we are really interested in is how it affects our customers and looking at the requirements that they need. So yes, it will be one of the factors that we are looking at.

Commissioner Jeffrey Merrifield: Thank you Mr. Chairman.

Mr. Timothy Pulliam: Our next initiative is determining the long-term solution for collecting time and labor. As discussed earlier, the NRC transitioned the human resources and payroll system to the Department of Interior. As a result, the current time and labor system was not upgraded, and the current version is no

longer maintained by the vendor.

Commissioner Jeffrey Merrifield:

Mr. Chairman, I hate to be a broken record today, but for the benefit of our audience, could you just briefly explain the difference in plain English between time and attendance and time and labor? Because to the uninitiated that may not be self-evident.

Mr. Timothy Pulliam: Time and labor is the time that's put into the system that you're doing now. The time and attendance, when you're adding it in the payroll piece, is the part that pays you. So DOI pays us, but we send them a file every two weeks that has the numbers of the hours that we have in the system that they pay for.

Mr. Jesse Funches: Let me just add a little bit to what Tim is saying. Time and labor includes two components. It includes the time necessary to make a payment in terms of salary, you know, the number of hours you work. It also captures the labor components, which are the specific activities that one spends say during licensing actions, or what they work on. And those

hours against those specific activities are used for fee billing purposes and also for cost accounting. So it has the two components. So we're capturing time and labor hours for multiple purposes; pay, fee billing, and for cost accounting.

Mr. Timothy Pulliam: As we move forward with our initiatives, the NRC community will play a vital role. We will be working with teams from the offices to ensure that their requirements are addressed and the staff are fully aware of upcoming changes and that they are trained in a timely manner.

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

Mr. Leslie Barnett: Thank you, Tim. Good morning Mr. Chairman and fellow Commissioners. As the Director of the Division of Planning, Budget and Analysis, it is my pleasure to cover the key accomplishments and the key initiatives in the division.

Please turn to Slide 7. The key to ensuring that the agency continues to meet its mission is obtaining the required resources. I believe that we

have been effective in doing so. Over the last five years, the agency's workload expanded significantly, resulting in increased resource needs. Increased demands have manifested themselves in areas such as homeland security, high-level waste, new reactor licensing, and license renewal.

During this period of increased demand, NRC budgets have been supported by OMB on behalf of the President and the Congress with minimal changes.

Please turn to back-up Slide 4. This slide shows the trend of the NRC budget, which has gone from 470 million in Fiscal Year 2000 to \$670 million in Fiscal Year 2005 in the amounts in general fund, nuclear waste fund, and the offsetting fees.

Please turn to back up Slide 5. This slide shows the trends in FTE which have gone from a level of about 2800 in Fiscal Year 2000 to around 3109 in Fiscal Year 2005.

Returning to Slide 7, we have met all requirements for budget execution. We have consistently stayed within the guidelines mandated in the Anti-Deficiency act, Budget Impoundment Act, and Appropriations Acts. We have successfully managed funding for the

agency without impacting essential agency activities during numerous continuing resolutions over the past eighteen months.

This has been a particularly difficult period for us and for the agency in making sure that we maintained essential funding for all critical activities. During this time frame, we have effectively dealt with thirteen continuing resolutions, nine in Fiscal Year 2003 and four in 2004.

We have processed 22 allotments and issued approximately 470 allowances to allowance holders, insuring funding of agency activities while maintaining effective management controls.

We have monitored financial performance for the Budget Execution Report, which is issued quarterly to the Commission and is made available to all financial holders.

Please turn to back-up Slide 6. This slide shows the trend in carryover funds which had been slightly higher than in previous years. The unobligated carryover in Fiscal Year 2003 was \$34.8 million, which is slightly higher than the goal of 5% of the NRC budget. This is largely attributable to the late

receipt of our Fiscal Year 2003 appropriation enacted February 20, 2003, five months into the Fiscal Year, and also in Fiscal Year 2002, the receipt of the \$36 million ESA supplemental funding in January of 2002 which had a similar effect in 2002. These same factors have impacted unliquidated carryover as well.

Returning to Slide 7. With regard to the Fiscal Year 2004-2009 Strategic Plan, we prepared and issued a draft plan based on the Commission approved framework. We have completed stakeholder review of the draft plan, and we are finalizing the proposed plan to be forwarded to the Commission. We expect to forward this final Strategic Plan to the Commission for approval by the end of this month.

We have worked closely with offices and have improved our budget and performance integration. As one example, NRC received OMB's top score effective on its Program Assessment Rating Tool, PART, for two programs in the Fiscal Year 2005 President's budget. These programs were the reactor inspection and performance assessment, and the fuel facility's licensing and inspection. And the results of these PART assessments are published in the Fiscal Year 2005 President's

budget for the public to see.

This is a success story in the CFO working closely with the effected offices, in this case NRR and NMSS, on these PART assessments. OMB's objective in using PART is to establish a systematic consistent process for developing program performance ratings and then using this information to make budget decisions. This tool is evidence based and relies on about thirty insightful questions assessing the purpose, design, strategic planning, program management, and results accountability of programs.

To place this achievement into perspective, government wide for the 2005 President's budget, approximately 400 federal programs were assessed by OMB's PART for the 2005 President's budget. Only 11% of those programs, including the 2 NRC programs, received the top effective score from OMB.

As another example, NRC's budget allocates now agency support cost to its programs, thereby better communicating to the decision maker the resource impacts of their decisions.

And finally, we are completing development and refinement of performance measures consistent with a new



Strategic Plan that will improve the linkage between our resources and our long-term outcomes. We expect these, as well as key planning assumptions for the Fiscal Year 2006 budget cycle, to be forwarded to the Commission shortly.

We have provided a number of analytical services. The examples include the review and evaluation of about fifteen legislative proposals, the costing of a number of legislative proposals as well, and we have also provided financial input and analysis in support of Commission decisions.

Please turn to Slide 8. Now I would like to briefly cover our three key initiatives in the division. Our first initiative is to develop a more efficient and effective planning and budget process.

Lessons learned show that we can improve the planning and budgeting process to make it more efficient and more effective. Fiscal Year 2006 improvements we are making include incorporating lessons learned, including better communication and coordination with offices, earlier involvement of the Commission in planning, a more tailored budget structure, and a better collection and presentation on information for decision-making.

We hope that the results of these improvements will make the process more effective and more efficient. A significant challenge that we face is making these improvements while continuing to maintain the pace needed to meet the schedules to the Commission, OMB, and Congress. It is difficult to make clear progress and maintain the rigorous schedules that we have. But we are making that progress.

Commissioner Jeffrey Merrifield: Mr. Chairman, I think it's worth noting here -- and I think my two Commissioners would hopefully agree with the point I'm going to make. I think every year that I have been here as a Commissioner the amount of involvement and activity by the Commission in the summer budgetary process has increased. And I mean I think that's a good thing. I think we have all pushed our staff more and more to give us information so that we're making financial decisions in the right kind of a way. And I do want to compliment -- it is a burden. The Commission has asked CFO to get us more involved and the staff to get us more involved earlier on so that we can be more informed in that.

But again it goes to the point that I made at the

beginning today. That is not a transparent process. The public would not necessarily see that high level of activity. But I think, given the comments, Mr. Barnett, I think it's really worth noting that the Commission really did drive that earlier involvement. And the Chairman was a significant player in making that change this year. And I think it's worthy of noting at this point, Mr. Chairman.

Mr. Leslie Barnett: Our second initiative is to replace our agency budget system. The budget formulation system we rely on is called a Controller Resource Database or CRDS. It is over ten years old, based on outdated technology, and does not effectively support our current needs. Current system requires resource intensive efforts to maintain and does not provide for efficient sharing of budget information. We clearly need improvements in this area and to search a more effective and efficient replacement.

We are currently working with CIO and following the capital planning and investment control process to develop a business case and to look at replacement alternatives.

Our third initiative is also a very important initiative. And that is to focus on performance monitoring and evaluation components of PBPM. Implementation of PBPM, up until now, has focused largely on the planning and budgeting components. And we have derived significant benefits from that focus, with a need to focus more now on the two remaining components which deal with measuring and monitoring the performance of programs through operating plan, performance reports, and reviews, and performance monitoring, and evaluation components through program evaluations and assessments. We are working with offices in providing focused attention in these areas. Progress includes completion of assessment and evaluation schedules.

We coordinated very closely with offices and the EDO's office in coming up with a schedule. Incorporating PART lessons learned, better integration of program performance results, and evaluation findings with managerial and budgetary decisions, and completing documentation and pertinent directives.

This concludes my part of the presentation. At this point I will return the presentation to

Mr. Funches.

Mr. Jesse Funches: As you can see, we have significant topics in the past here that have challenged us to move forward. And we have initiatives to address those challenges. I'm confident that -- and primarily my confidence derives from the dedicated and competent OCFO staff that I have, that we'll be able to continue to add value to meet the agency's mission and also address issues that we have before us.

With that, that concludes our presentation. And we're prepared to answer any questions that you might have.

Chairman Nils Diaz: Thank you very much Jesse. Thank you for the briefing. Of course we all, I'm sure, on behalf of my fellow Commissioners, commend you on a clean fiscal year, '03 financial statement, including no material weaknesses in the cost accounting, which I think has been, you know, almost a drag on your organization for some time. I think that was very good.

I think this year there's been recognition of the effectiveness in which you're tackling many of the issues that you have to do well in this agency. Because if

you don't do things well, we don't get paid, and then that really creates some problems.

I just want to touch on a series of issues in here. First, you talk a little bit about the IG survey and the actions that you have taken. Of course, you realize that I think the IG surveys did reveal a series of issues that we all need to deal with, not only OCFO but across the agency. And it's something that we will continue to look at. So I would encourage you to go back and make sure that we have addressed all the real issues that you have determined needs to be addressed in your organization. And that's something that will be of value to all of us.

Let me go on and start some questions in here just to make sure that I get my two cents worth this morning, since Commissioner Merrifield has already asked all of the questions that he's going to ask this morning. -- I'm kidding.

The performance and accountability report, a very high product, you know. The issue of the five weeks that you have talked about that it has to be done, and you talk about challenge. Is there a specific challenge, something that we need to know that we need

to deal with? We talk about, you know, challenges, but that leaves me wondering if there's something specific that should be known to us or that you are really facing?

Mr. Jesse Funches: Right now, you know, based on what we know, we think we're on track to meet the November 15th date. And I would alert you all and I think we will all be looking at compressed times to review documents, for example, the performance report. So there could be some compression in that time that we have, you know, to complete some reviews and finalize those documents. But right now -- and Carl and Pete you can add -- we don't see what I would call any show stoppers at this point.

Mr. Carl Dolinka: One of the things that's helping us a great deal is that we're doing quarterly financial statements that the Office of the Inspector General and the auditors are looking at. So from the financial statement perspective, you know -- and we do have to prepare those, OMB requires us to prepare those 21 days after the end of the quarter. So that's helping us in terms of being able to complete the entire activity at the end of the Fiscal Year.

And as long as we maintain a very high level of integrity associated with our internal controls, that will keep things moving very quickly, and as far as your report on internal controls at the end of the year, and our report on compliance with laws and regulations. So as long as we keep that kind of integrity, we should be in good shape.

Chairman Nils Diaz: So we are confident that we can overcome the existing challenges and weakness. All right, sounds good to me.

So the time and the payroll and then time and labor and all of those things coming on. I thought that was a great hurdle to do. I'm just going to mention the fact -- because you know there's been an engineer ---- that comes in here. You said we save up a million dollars a year from now on?

Mr. Timothy Pulliam: Starting in '05.

Chairman Nils Diaz: Okay. That was when we made this change. If we do this change a hundred times, can we get rid of the payroll?

Mr. Timothy Pulliam: I don't think so.



Chairman Nils Diaz: It doesn't work that way?

Commissioner Edward McGaffigan: Well, we can all give our salaries back.

Chairman Nils Diaz: If that doesn't work that way, let me just say, are there any issues or things that we learned from the process that we can, you know, actually come back and do something better from what we have already learned? Or is that process already, fixed? Is it good? Do we not need to do anything else to it?

Mr. Timothy Pulliam: I think that's why we're going to have a lessons learned meeting with DOI in the near future. I think when you're transitioning a full agency to a new system with new partners, you're going to find little challenges in there. And I don't think that anything was very large. And I see you both smiling. But I think that the challenges that we had were very small, things that you're going to have when you're transitioning. And in the next few months, they'll clear up.

Chairman Nils Diaz: I think we're smiling because the Commission has been challenged.

Mr. Jesse Funches: It is obvious -- I want to make sure that you're aware and that everyone else is aware, we will monitor and we will stay in the business and oversee the contractors, do the lessons learned, find out what issues are there. If there are interface issues, make sure that we clear all of those up.

So the idea is to take what we've, up to this point, learned, make sure that we learn from that and then we'll continue to have an aggressive oversight and monitoring role to make sure that things are working.

Chairman Nils Diaz: Because I think there's probably many solutions to the time part. It's the labor component that, you know, I believe that has been challenging and continues to be a challenge.

Mr. Jesse Funches: That is the most intense in terms of getting time into the system for the staff. And our overall goal is to make sure that, you know, we put time in once and then we have that time go off. And

then we'll be looking at what we have now to see if, you know, if we can adjust, whether there's something better somewhere else. We're fully open to all of the alternatives, and that's one of the initiatives that Tim mentioned in terms of the long-term solution.

Chairman Nils Diaz: You have had a chance to look at the responses from stakeholders on the Strategic Plan. Any significant issue that comes out? Anything that we should be discussing in this public forum that is of value?

Mr. Jesse Funches: First I must say that most of the comments came internally from the staff. And I thought they were very good comments. The staff comments added value to making the document a better tool for us to use from a management perspective.

I don't think that there are any major issues that are out there. I don't know Pete if you can comment. There were some areas of comment, for example, in the area of communication, openness versus --

Mr. Peter Rabideau: There were a number of comments that said that you need to explain why you're

moving from increasing public confidence into openness. And that's an important part of what we need to do in the communications plan that needs to be put together when we roll out the Strategic Plan.

I do not recall any comments that would change what I would characterize as the framework that the Commission approved in 2003. It may be tweaked a little bit from the comments of plain language or from the comments of being consistent throughout the document, but nothing that would materially change that framework, as I recall.

Commissioner Jeffrey Merrifield:

Mr. Chairman, as you know I've had a lot of interest in the Strategic Plan. I did have an opportunity to go through the public comments. I spend a lot of time going through them. And I would agree with the characterization that Mr. Rabideau has given us today in terms of the scope of the comments.

I think our staff, individual members of the staff, put an amazing amount of time in a very thoughtful introspective look at the Strategic Plan. And I think that it would be worthy of commenting positively about

that, because a lot of that is a personal investment of time. And our staff did -- you know, we have a great staff and they, once again, demonstrated excellence in that review.

Mr. Jesse Funches: I'll second that.

Mr. Peter Rabideau: It's a very good comments, and the team that went over all of the comments, they thought they were very, very useful in what came in from the staff.

Chairman Nils Diaz: One of the things that's part of what we do, and it's being driven across the federal government is the integration of performance data into decision-making and budgeting.

Are we taking any process improvements in these areas that we can actually say, this is going to result in systematic improvements in that integration?

Mr. Leslie Barnett: Chairman, I think there are two key things that we are doing. One area is to refine and reshape our measures and metrics based on the new framework that the Commission has approved for the Strategic Plan. And this will go a long way in

furthering how we tie our resources and our activities to our outcomes.

The other significant accomplishment is developing a systematic way to evaluate our programs and assess our programs and take a look at -- we now have a five year schedule that lays these evaluations and programs so that we can feed that information into the program and make it more effective and efficient. And that's one of the things I think OMB as one of the external stakeholders has looked for, is how are we making those improvements. So I think those two things will significantly further us.

Chairman Nils Diaz: That would include, you know, as a parallel issue, the issue of how managers apply performance information to the budget. This becomes -- we do something but the application to it becomes very key to the actual success.

Mr. Jesse Funches: Yes, sir.

Chairman Nils Diaz: Let me stop with the things here and just ask something. You know, we have seen all of the things that you guys do well, day in and

day out in the thinking process. As we enter into what is going to be a challenging year, to use the words in here, is there any particular issue that you guys, when you get together in the morning, are worried about that we should know ahead of time?

Is there something out there that is really looming in the horizon and you guys are worrying about it and haven't captured in a slide in a manner that can be put out? Is there something that we don't see?

Commissioner Edward McGaffigan: It's your next paycheck Mr. Chairman.

Chairman Nils Diaz: Thank you Commissioner McGaffigan.

Mr. Jesse Funches: You know, I don't think so, Mr. Chairman. Obviously, you know, making sure that we -- and as Les mentioned before in the presentation, I think we have been successful in the resources that we need as we go forward. And a large part of that, I think, is because we do spend a lot of time trying to make sure that when we go forward it's justified from an efficiency and effectiveness point of view. Obviously,

that's always a challenge, especially if the constraints on the total budget, you know, get to be real tight.

But I don't see that. That hasn't caused a problem for the 2005 budget that we've got going forward.

So you know, in terms of major issues that are out there, one of the things that we are obviously working on -- and I touched on it and you mentioned it as part of what you said -- is that we're working very hard to try to improve the working environment and address things, such as those in the IG's cultural survey. That's a priority of mine, and a priority of all the managers within the OCFO. That is something that we keep in focus, but at this point I don't see anything that I would need from the Commission. But that is an important activity for me and the managers with OCFO.

Chairman Nils Diaz: So you occasionally stop the everyday worries and you think ahead to what's up there.

Mr. Jesse Funches: We do that.

Chairman Nils Diaz: I know you do. But I want to make sure that you tell me you that do.



Mr. Jesse Funches: I'll give Pete or anyone else - do you all see anything that really is kind of a major thing that we need to point the Commissioner to at this time?

Mr. Peter Rabideau: No. I think you've characterized it appropriately.

Chairman Nils Diaz: OK, Commissioner McGaffigan.

Commissioner Edward McGaffigan: Thank you, Mr. Chairman. I'll join the Chairman in congratulating all of you. I think it's been a very good year for the CFO's organization over the past year. You've listed all of your accomplishments, and you should feel proud of it.

I don't want to jump to anything, but I know you're going to receive a significant award, Jesse, fairly soon. And the name of that award and whatever probably will go up later. I congratulate you on that. And I know that's a reflection of your entire office's work.

Mr. Jesse Funches: That's absolutely correct.

Commissioner Jeffrey Merrifield: So I think it's a very good year. You rattled off all the statistics. And I join Commissioner Merrifield in pointing out that it's such a good news story that it's no news, you know. The way the world works around here Senator Grassley will probably put out four releases on the Pentagon before now and this evening, you know, and financial management because it's a target rich environment.

We're not a target rich environment. We've done very well. Credit card abuses occur in other agencies. They don't occur here. Delinquent payments, as Mr. Pulliam pointed out, there's \$88,000, all of which is recovered. Other agencies would die for that sort of record. So I congratulate you. You talked about the response to the OIG survey. I guess we'll have another one late this year. I think that, of the initiatives you're talking about, the communications initiative is, in my mind, the most important and sort of center piece of the other three. You know, without communications you're not going to team build, you're not going to workload plan, you're not going to do training opportunities. You have to communicate.

And I think that communication from the top down, making sure that people are well informed -- it sounds like you have several initiatives under way there. And from the bottom up, you know, making sure that all news, good news and bad, floats upward in a timely fashion, so that people can deal with it. And it is welcome. It sounds to me like you're on the right track there.

I do commend you for your reorganization. I thought it made a lot of sense at the time. I think it flattened your organization a bit. Like you said, the spans of control of key people became more appropriate. So there's a lot of good stuff that's happened. I hope it gets reflected this November or October, whenever the IG does its next report. I hope that morale in your office is up, because you have a lot to be proud of.

The PART, one of the your initiatives in that area, in performance assessment, Mr. Barnett talked about, do we know which programs we're going to nominate for next year? Does OMB intend to go back to the two programs; the reactor oversight process, and the fuel facilities licensing and continue to score those? Or do they intend to sort of take two programs a year

and not update the two that they did the previous year?

Mr. Leslie Barnett: Let me address your two-part question, Commissioner McGaffigan. The first is that we do have a five year schedule, not only the ones we have completed but also going forward. And essentially, we can submit -- we can discuss that here or we can submit that to you later at your desire.

Commissioner Edward McGaffigan: Why don't you tell us the two that you're going to submit for the budget that we submitted in September.

Mr. Leslie Barnett: For 2004, we have nuclear materials users licensing and inspection. And then, just to follow up a little bit, to give you a sense, we have two tiered two programs in reactor safety. The one remaining is reactor licensing. We have already done inspection. That would be done in the Fiscal Year 2007 budget. So for 2006, we will do nuclear materials users licensing and inspection.

For the 2007, we'll do reactor licensing and spent fuel storage and transportation licensing and inspection.

Commissioner Edward McGaffigan: So we're only doing one for the one that comes up this year and two again the following year.

Mr. Leslie Barnett: Yes, we are. And the reason for that is that we end up with two tiered programs under reactors, which is inspection and licensing. It's basically phased out over a five year period. We've discussed these with OMB, and I think they're amenable to the schedule.

Commissioner Edward McGaffigan: I don't think this performance assessment tool is going to go away no matter how elections turn. It seems to me to be a fair amount of bipartisan support for trying to figure out how to measure performance in various agencies. Are we thinking about trying to bring PART back into our programs? Getting ahead of OMB. You said you had an initiative in this area, but is it essentially to apply the PART tool more broadly to our programs ahead of time?

Mr. Leslie Barnett: Actually there is a two phased approach. One of them is that two offices that have participated in the PART program are incorporating those lessons learned into their program. But the other is that

we're taking an agency perspective into what are the lessons learned from those assessments and how can we build them in to, for example, the budget call, the development of measures, and other such things. So there's two things that we're doing to try to incorporate those lessons learned.

Commissioner Edward McGaffigan: Were any research programs evaluated by OMB under PART in another agency? Do you know?

Mr. Jesse Funches: I know they did research in DOE last year. I have not looked at the list.

Commissioner Edward McGaffigan: One of these years -- I think that's one of the more difficult areas to measure because the results tend to pay back relatively far in the future. But I would suggest that all of the offices -- I think there's lessons to be learned in PART, not just from our own two offices that went forward but from the 400 government wide that might be analogous, in some case, to ours. Not all of them. I mean, we don't have some of the programs or the systems that some of the other agencies have. But if I were say the

Research office, I would be monitoring how PART is working on research program in other agencies in order to try to figure out how to put my best foot forward when the time comes for our Research program -- not all of it -- it will probably be broken up into reactor research, materials research, whatever. But however you do it, that that program will need to be ready for that. And it's probably our most difficult area.

I think we've got very high scores. I expected very high scores on the programs that we evaluated the first year and some of the programs that are upcoming.

One area in the fee area, you got the fee rule out two months ahead of last year's schedule. I assume we're getting comments. When does the comment period close?

Is it thirty days? You still have another month or so. One of the frustrations that I have every year when we get these responses in on our fee rule is that people say, oh my God, you know, what you really should be doing is, you know, closing Regions, or God knows what NEI sometime tells us.

But a lot of their comments really are comments on our budget, and should have been made, if they were going to be made at all, should be made to the Congress. Because our fees just follow our budget in a mechanistic

way that maybe not everybody understands, and we can make it a little more transparent but I think you try to make reasonably transparent in the back-up documents to the fee rule, not all of which goes into the Federal Register, but are in the file. Fees follow budget.

Mr. Jesse Funches: Absolutely correct. The budget -- once that appropriation is made, in a sense, how much we have to collect, our interpretation then is that we need to set fees to collect that amount of money and make this as transparent as we can, the method that we are using to allocate that budget and set those fees.

But you're right. At this point it's a zero sum game. The amount that we have to collect is defined by the budget and the decision that was made in the budget in terms of the activities that we need to pursue going forward.

Commissioner Edward McGaffigan: Finally, Mr. Dolinka, the delinquent debt -- I tend to ask this question every year. I know it's small and down in the noise compared to many other agencies. But the \$1.8 million, do you want to highlight the delinquent of the year or whatever at this particular time? Or is it the



\$1.8 million made up of 1.8 million people owing us a dollar a piece?

Mr. Carl Dolinka: Well, basically, the \$1.8 million is made up of 233 debts, 20 of which are in reactor area for \$655,000, materials 178 for \$1,080,000, and other. There's about 35 others for about \$51,000.

Commissioner Edward McGaffigan: Have we started trying to collect fees for the general license registration program? Is that an area where we don't get a lot of payments?

Mr. Carl Dolinka: It just started. I think bills just went out.

Commissioner Edward McGaffigan: So in the materials area it sounds like, despite the fact that most of our budget is on the reactor side, we have relatively small numbers of delinquent payments there. It's on the materials side where we have the larger number of delinquent payments.

Mr. Carl Dolinka: That's correct.

Commissioner Edward McGaffigan: Is that because of bankruptcy?

Mr. Carl Dolinka: Well, the most varied type of licensee from the very smallest, you know, little small mom and pop business, some person has a gauge to a large materials user, and you have thousands and thousands of materials; users, licensees.

Commissioner Edward McGaffigan: Okay. I may find out in private who the delinquent of the year is.

Mr. Jesse Funches: I think in the reactor area you will get if people file for bankruptcy in the reactor area -- and we did have one large utility in that area on bankruptcy. And their billing would be held in abeyance until the bankruptcy settles. And typically that's what happened in the reactor area.

Commissioner Edward McGaffigan: In the reactor area though, the bankruptcy I'm thinking of, they must have paid most of their fees. They have two units. They would have owed six or seven million dollars. So the bankruptcy judge must have allowed them

to pay most of their fees.

Mr. Jesse Funches: I think what happens is, you know, anything that comes from the bankruptcy, until they come out basically they don't pay, and then they'll pay after the bankruptcy. And this was as of the end of the Fiscal Year, September 30th.

Commissioner McGaffigan: Thank you very much Mr. Chairman.

Commissioner Jeffrey Merrifield: If you could provide that report to the Commission of the delinquencies, that would be useful.

Commissioner Edward McGaffigan: Delinquencies greater than \$50,000 or something, you know, significant.

Commissioner Jeffrey Merrifield: It's only 223. They can just print out the whole report.

Chairman Nils Diaz: Commissioner Merrifield?

Commissioner Jeffrey Merrifield: Thank you, Mr. Chairman. I think, starting with a couple of

comments, I know the OCFO has been working very hard with other offices in terms of addressing human capital issues. And I would want to note for the record that two individuals seated directly across from me, Timothy Pulliam and Leslie Barnett, represent the last two SES candidate pools that we had here at the agency. And Tim also had an opportunity to serve in my office for a brief period of time, which I found very useful for me, something I certainly want to repeat with future candidate pools.

I also want to make a comment and third congratulations to the Office of the CFO for its excellence in accounting and financial management over the course of the last year. The other compliment I would want to put out -- and this doesn't always happen in a public way, but the OCFO puts out one of my favorite publications, which is our annual blue book, which I think is a terrific document, one that I've passed to all number of people around the world, and here in the U.S. And I would certainly want to thank those members of the OCFO who participate in that, I think, important yearly effort.

Mr. Funches, you mentioned that you have

underway right now, an effort to look at the fee base and re-update the study that occurred back in 1994. One of the issues that has been a pet concern of mine is the continuing notion that our licensees in the material area are, in effect, helping to subsidize licensees in Agreement States because of the way that the program works and the minimum number or the current number of material licensees that we have, vis-a-vis those that are held by the Agreement States. Will a wrap up and a study of that fee base also include an analysis of the cost of our national materials program?

Mr. Jesse Funches: The paper that we're putting together for Commission consideration will address that. It will also address other changes such as, you know, homeland security, changes that have occurred over time. So it will address that particular issue that we've talked about in the past utilizing information that was generated in the paper that you requested 6 or 9 months ago. It will be addressed.

Commissioner Jeffrey Merrifield: Well, you referenced a comment, I think it is important for us to do that. Because we are a fee based agency, I think

there are inequities in our funding program, on our licensees, vis-a-vis those who have escaped from us via the Agreement State Program.

We have a variety of metrics that others use to measure the work that we do. And you mentioned some of them today. One, which you didn't measure, is the annual report that's done by the Mercatus Center at George Mason University. Without commenting on that particular one, it struck me, as we were going through some of the reviews that we had. Do you have some kind of a document or a tracking tool that sort of rolls up all of these different external reviews of our progress so that we can keep a snapshot on that?

Mr. Jesse Funches: I don't have a document. But we know what they are. One of them Carl mentioned. We participate in the Association of Government Accountants Excellence in Financial Reporting. We've done that for the last two or three years. And they will select several agencies to give their excellence award to, and we have received that for two years.

The Mercatus Institute that you mentioned, out of George Mason, also does a review every year. And

then they publish that. And we do have it, and, you know, we circulate it. The Congress has not been -- I don't recall if they had one last year. In prior years they had Congressman Horn that was very active in doing the report card, if you will. And I did not see one last year. I don't know if they're doing one this year.

We do report to OMB. They have a set of metrics in financial management they monitor. And the ones that Carl talked about, we use the same ones to monitor ourselves in terms of clean opinions, no material weaknesses, no noncompliance with laws and regulations, financial system compliance.

We use those as our metrics, and those are some of the metrics that Carl mentioned. And we use those in our appraisal process as well as in our strategic planning process. They don't publish -- they do publish a score card for the larger agencies, the score card on the President's Management Agenda. And one of those is financial management. They have not published a score card on the smaller agencies. But we do report to them and they get those. And in our opinion, we would be green in the financial management area based on

what we have accomplished. And I will look at the metrics that they have put out there for our own self-assessment.

Commissioner Jeffrey Merrifield: We use performance indicators in a variety of places in this agency. And we have performance indicators in the area of financial management that we assign to ourselves. It does strike me that it's more difficult to grasp where other people are coming from when we look at these on a single case-by-case basis. And I would suggest that there is, indeed, a utility, in capturing those external performance reviews of us so that we can look at those in a comprehensive way to get a better understanding of which direction that we're going. So just a thought.

I've spoken a couple of times today about the interest of the Commission in reviewing the budgetary materials. As an extension of that, one of the things that we're going to be doing, not part of this briefing but later on, for the first time the Commission is going to be taking more of a mid-year review of various sectors within the agency to make sure that we're



continuing to track quite closely how we spend our money and how we manage our human resources. I think that's a positive thing. I was very much in support of that effort.

Refresh my recollection. In terms of review of contractual information and financial obligations made during the course of the year, what are the reporting levels and methodologies used to report that information to the Commission? Where do the decisions lie in terms of the dollar levels on contract decisions for example?

Mr. Jesse Funches: In terms of --

Commissioner Jeffrey Merrifield: The ability of the EDO or others in the staff to obligate finances on behalf of the Commission.

Mr. Jesse Funches: And then maybe others can chime in. Based on the Commission decisions on the budget -- and this year we're working in Fiscal Year 2004, we take the 2004 decision -- we'll call the update of those decisions part of the 2005 process. We take those decisions and the dollars, contract dollars, and

FTE matches up against programmatic activities that is part of the system that he wants to update, matches those against offices.

Within each office, a person is delegated as an allowance financial manager. We then allot money to those allowance financial managers. We manage the central allowances. With that money, certain constraints are on it, obviously, if they are from the appropriation bill or anywhere else. They have the responsibility then to make decisions on the specific projects that go forward. There are certain levels of a contract that has to come to the Commission that the Office of Administration monitors and right with that contracts more than X dollars has to come to the Commission.

Commissioner Jeffrey Merrifield: What's that dollar level?

Mr. Peter Rabideau: I believe the current level is \$3 million.

Commissioner Jeffrey Merrifield: And what about FTE decisions?

Mr. Jesse Funches: The FTE decisions are with the office, they

eventually get allocated to a division. I'm not aware of any criteria, in terms of FTE decisions, that come to the Commission.

Mr. Peter Rabideau: Nor am I.

Commissioner Jeffrey Merrifield:

Mr. Chairman, it just strikes me -- and again, this is not something that is transparent to the public. But the three of us and our predecessors become quite detailed in our questions to staff in the reviews of individual programs. And we, as a whole get down into budget decisions in the low six figures to high five figures. Yet we have to finish a reporting requirement in which we authorize contracts to be let out of \$3 million without prior notification of the Commission. And I think I would raise that we should take a look at those figures and the way in which our staff is managing FTE and contracts, at least in order to make sure that we're fully informed on some of these. And further, perhaps, a lower threshold for contract dollars may be appropriate for individual Commission decision or review. But I sort of lay that out there as something for us to consider.

Commissioner Edward McGaffigan: Mr. Chairman, If we contract -- and contract may not be the right word, with the DOE laboratory, does that \$3 million threshold apply? Because I'm aware of things that we're doing at the DOE labs that I don't ever remember seeing a memo for. We, as a courtesy see these memos that you send to the Chairman on contracts. But large amounts of money go to DOE labs under some sort of intergovernmental purchase agreement -- whatever the right word is nowadays. And I'm not sure that those come to the Chairman if they're greater than \$3 million.

Mr. Peter Rabideau: It's been a while since I've read that particular management directive. But as I recall from that management directive, it deals with commercial contracts.

Commissioner Edward McGaffigan: Right. So anything with the DOE labs doesn't come through the Chairman at all. Just so that you understand that.

Mr. Peter Rabideau: It also talks about the full life of the contract being \$3 million. So if you were to issue a contract for one year with four one year

extensions and if it added up to \$3 million or more, then it has to come.

Commissioner Edward McGaffigan: But the loophole that I've always noted is that the DOE labs work, because it's noncommercial, you don't actually see those -- what is the correct term for what we do with this? Is it intergovernmental purchase?

Mr. Peter Rabideau: Interagency agreement under the Economy Act.

Commissioner Edward McGaffigan: Interagency agreement, okay.

Chairman Nils Diaz: I think Commissioner Merrifield has spoken on a subject that -- in fact I keep bringing it every year. I decided this year I was going to let it go. But it is something that we really want to be better informed. And I think that information is the right way of going at this. It's not a matter of changing the processes or slowing progress. But it's a matter of being informed in a manner that we can actually see where this money -- that it's being paid by our monthly rate payers, somehow or another, how

it's being used. And I know that it's being used according to the plan and the budget and so forth. But those big chunks of money, you know, really sometimes we need to have some information on how that's being used. So we'll look at that in the SRM's.

Commissioner Edward McGaffigan: And Mr. Chairman, I definitely think that you are the Chief Executive Officer of the agency. You're the one who has to decide what you need to see. But I do think that seeing what we're doing with the DOE labs, seeing noncommercial large activities, a \$3 million threshold might be the right threshold, or it might be lowered. I agree with Commissioner Merrifield.

But the biggest and most significant activities that we sometimes have is particularly in the security area, whether it's reviewing the various submittals that we're going to get from licensees starting in April, or the research that we've done or whatever, all of that is done under this mechanism that is not particularly visible to you.

Chairman Nils Diaz: We will revisit this.

Commissioner Jeffrey Merrifield:

Mr. Chairman, I have to compliment you. I know that in your tenure, since you've assumed the chairmanship in April, you've been trying to focus on areas where we can improve our effectiveness and efficiency. And I've credited you privately for a lot of initiatives in that area. I do think this is one where we can find further enhancements, because as Commissioner McGaffigan mentions, in the area of research, you know, the power of money is the power to effectuate policy. I can think of examples that I won't necessarily talk about in public where the staff's decisions in those areas have taken the Commission, the Commissioners, in an area that perhaps we might not have visualized when we initially authorized going down a particular path. So I think that this will be fruitful for further discussion among the three of us.

A couple final things to wrap up.

Commissioner McGaffigan made a point I had not even thought of. But we were going down the effort to try to obtain fees from some of our general licensees.

Correct? We've had an on-going difficulty in identifying who some of those licensees are. If we go

down that road, is that going to drive to a much larger number of what would be perceived to be the delinquent individuals? And if we don't know who they are yet we're trying to assign them a fee, presumably, in an accounting standpoint, those would fall into our delinquency pile. Is that going to drive us into a negative consequence with the OMB tracking?

Mr. Jesse Funches: One of the reasons -- we're just starting. Originally we had set up the fee process to start sooner. One of the reasons that we didn't is because of what you just said, the difficulty of identifying who they were, et cetera.

I would expect, initially, you might see a bump up now. I think the fee is relatively small, if I recall. Right? It's in the hundreds, not the thousands, per individual.

Mr. Peter Rabideau: The fee is very small when you look at that particular category. I do not believe it would have a material effect on the size of the delinquent debt.

Commissioner Jeffrey Merrifield: I'm talking



about the percentage of licensees for which we've failed to achieve the fees, the 2.5% trigger figure I think you mentioned earlier. I mean, we have thousands of general licensees. And if we fail to find, you know, a lot of them --

Mr. Peter Rabideau: I think that figure was mentioned by Mr. Pulliam with respect to improper payments made on our part as opposed to the size of the delinquent debt owed to the NRC.

Mr. Jesse Funches: The measure that we use for delinquent debt is the amount of the debt. We're concerned about the numbers too, and who they are. But the metrics and what we report on to OMB is the magnitude of the debt, not the number. But it is, you know, one of those things that we do have to factor in. It's difficult to identify who they are and also, you know, the ability to follow up with them --

Commissioner Jeffrey Merrifield: We don't need to go any further. I think there's a utility in engagement with OMB to let them understand. We're actually increasing the scope and trying to be more

forthright in projecting our cost on to the people who cause us to bear them. And that's a positive thing. They should be encouraging of that. But hopefully, because of our doing that, we won't be penalized in some way by the reporting scheme to make it look as if we're not actually doing a good thing. That's the only point I would leave with you.

Mr. Peter Rabideau: We follow a very disciplined, very time specific process when it comes to recovering delinquent debt. And after a certain period of time, 180 days, we will turn that delinquent debt over to Treasury for collection.

Commissioner Jeffrey Merrifield: I understand. But what I'm talking about is people who we just can't identify. We have general licensees out there who we're having a very difficult time even identifying, to begin with, their real address.

Mr. Peter Rabideau: If we can't identify them, we would not be billing them.

Commissioner Jeffrey Merrifield: I've got one further question. I'll leave it as a point rather than

a question, because I do want to follow up. I would be interested in getting some further information from the CFO in terms of bench marking, not in terms of the processes and how we do things, but sort of expanding our horizons on new ideas out there that we may not even be thinking about. But perhaps we can follow up on a later meeting with that one.

Mr. Chairman, I appreciate you bearing with my interruptions today. But I was attempting to clarify and to make it easier for all of us.

Mr. Jesse Funches: Can I have one additional comment? I know throughout the briefing it's been mentioned, you know, the support from different organizations within the agency. What we do requires the cooperation and the support of offices across the agency. And I would like to take the opportunity to acknowledge them for their contribution, working closely with us to achieve what we do achieve. Because it is a collaborative and a cooperative effort with many organizations, most organizations across the agency. So I would like to acknowledge that.

Chairman Nils Diaz: I think we all

realize that cross-cutting issues are vital to the way that we all function. But I want to thank you again for your presentation, but really thank you for the work that you do for the agency. You're a vital component of what we do day in and day out.

We know you have challenges. We want you to be challenged. You would be bored if you wouldn't be challenged. But these issues that we talk about today are, I think, including the relationship between how we assign labor and how performance is measured and how we go forward with better planning, is very important to the agency. And your contribution and your thinking ahead and your cross cutting issues become, you know, vital to us.

We appreciate the efforts. We will continue to be working with you. And unless my fellow Commissioners have anything else -- you do?

Commissioner Jeffrey Merrifield: I'm sorry. There was one thing that I forgot to mention. It's a compliment. I do have to say that the background information that was provided to the Commissioners in the form of an outline was very useful in my preparing

for this meeting today. And I wanted to compliment the CFO and his staff for that. I would also suggest, for the purposes of an SRM coming out of this meeting, that we ask any of the presentations from our staff to use a -- doesn't have to be this exact format but a similar format for helping us to prepare. Because I know, Mr. Chairman, in the past, occasionally sometimes we receive only the barest of briefing slides that go out to the public that are, in many times, content free. And I think that we really need to enforce upon our own staff sufficient information for the Commission to prepare for these meetings for us to most efficiently and effectively use this time.

Chairman Nils Diaz: Thank you. I do agree. And with that, we're adjourned.

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(Whereupon, the Commissioners Briefing with the Office of the Chief Financial Officer adjourned at 11:10 a.m.)