

April 12, 1991

MEMORANDUM FOR: James M. Taylor
Executive Director for Operations

FROM: Samuel J. Chilk, Secretary /S/

SUBJECT: SECY-91-088 - CHIEF FINANCIAL OFFICERS ACT OF
1990

The Commission (with all Commissioners agreeing) has approved the NRC proposal, including the letter to OMB, regarding the authority, responsibilities, and administrative structure of the agency Chief Financial Officer (CFO). The Chairman will initiate and the Commission will approve the appointment of the CFO and the Deputy CFO. The CFO reports to the Chairman and receives policy guidance and direction from the Commission consistent with the Reorganization Plan No. 1 of 1980. The NRC proposal and letter should be forwarded to OMB with the changes indicated on the attached pages.

(EDO) (SECY Suspense: 4/19/91)

Chairman Carr requested the staff provide the Commission an analysis of the additional resources necessary to implement the NRC proposal and assure compliance with the requirements of the CFOs Act.

(EDO) (SECY Suspense: 5/13/91)

Chairman Carr believes the concept of an agency Financial Managers Council should be pursued and the group should meet for coordination and exchange of ideas.

Attachment:
As stated

cc: Chairman Carr
Commissioner Rogers
Commissioner Curtiss
Commissioner Remick
OGC

SECY NOTE: THIS SRM, SECY-91-088, AND THE VOTE SHEET OF
COMMISSIONER CURTISS WILL BE MADE PUBLICLY AVAIL-
ABLE 10 WORKING DAYS AFTER RECEIPT OF OMB APPROVAL

DRAFT 3/29/91/1200

The Honorable Richard G. Darman, Director
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Darman:

As required by Section 206 of the Chief Financial Officers Act of 1990 (CFOs Act) and as requested in your memorandum of January 15, 1991, the U.S. Nuclear Regulatory Commission (NRC) has conducted a review of its financial management activities for the purpose of ensuring that all of its accounting, budgeting, and other financial management activities are consolidated under the agency chief Financial Officer (CFO). In conducting that review and developing our proposal for the organization and functions of the NRC CFO, we have applied the guidance provided by Frank Hodsoll's February 27, 1991 memorandum.

~~In order to meet~~ ~~In examining~~ the requirements of the CFOs Act and the associated OMB guidance, ~~it became clear that the NRC needs to strengthen its current approach to financial management,~~ particularly during budget execution. To do so, the NRC intends to implement a number of actions, including focusing appropriate responsibilities and authority in the NRC CFO; reviewing and, as necessary, modifying the current agency accounting system to make it more responsive to the requirements of the CFOs Act; reviewing, clarifying and enhancing current guidance for conducting agency financial management activities; emphasizing the need for personnel with appropriate financial management skills; identifying or, if necessary, developing appropriate training courses for agency financial management personnel; and increasing the oversight and evaluation of agency financial management activities to ensure that applicable guidance is uniformly and properly implemented throughout the agency. These actions and others are discussed in the enclosed proposal.

This proposal is structured to facilitate review with respect to the February 27, 1991 OMB guidance. I believe that implementing this proposal will strengthen current NRC financial management, will help to ensure that the NRC gives appropriate consideration to financial information in its decisions and day-to-day operations, and will enhance the agency's efforts to ensure that resources are properly used and safeguarded.

Proposed Organization and Functions of the
Chief Financial Officer of the U.S. Nuclear Regulatory Commission

I. INTRODUCTION

As required by Section 206 of the Chief Financial Officers Act of 1990 (CFOs Act), the U.S. Nuclear Regulatory Commission (NRC) has conducted a review of its financial management activities for the purpose of ensuring that all of its accounting, budgeting, and other financial management activities are consolidated under the agency Chief Financial Officer (CFO). The overall objective of the proposed NRC CFO organization is to ensure that all NRC financial management responsibilities are consolidated and managed so as to enhance the quality and timeliness of the financial information that is used by the NRC, the President, and the Congress. Further, the NRC proposal will help to ensure that the NRC gives appropriate consideration to financial information in its decisions and day-to-day operations and will enhance the agency's efforts to ensure that resources are properly used and safeguarded.

The following sections describe the proposed organization and functions of the NRC CFO, consistent with the requirements of the CFOs Act and OMB Memorandum M-91-07, dated February 27, 1991.

II. ORGANIZATIONAL REPORTING REQUIREMENTS

The Chairman, with the approval of the Commission, will designate the NRC's Executive Director for Operations (EDO) as the agency's CFO. The Controller's position will be designated as the Deputy CFO who will report directly to the EDO/CFO, and will assist the CFO in his duties. The Chairman will initiate, and the Commission will approve the appointment of the Deputy CFO ~~The Deputy CFO will be appointed by the Chairman based upon recommendations from the EDO/CFO.~~

The NRC is a five member Commission. Under Presidential Reorganization Plan #1 of 1980, the EDO reports directly to the Chairman of the Commission but receives policy guidance (including guidance on budgetary and financial matters) and direction from the full Commission. The EDO is the chief operating and administrative officer of the Commission and under the Reorganization Plan has been delegated the responsibility for the day-to-day financial management of the agency. The EDO directs the activities of the major program offices within the agency as well as those of the major administrative support offices of the agency, subject to the policy guidance provided by the Commission. The EDO, through the Chairman, ensures that the Commission is fully and currently informed about matters within its purview.

The Commission believes that the proposed arrangement provides for the proper level of access by the CFO to the Commission for ensuring that financial management receives appropriate consideration, emphasis, and priority. The proposed administrative structure of the NRC CFO organization is depicted in the attached chart (Attachment 1).

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III. AUTHORITY AND FUNCTIONS OF THE NRC CHIEF FINANCIAL OFFICER

As the chief operating and administrative officer of the Commission, the EDO is currently responsible for overseeing all financial management activities relating to the programs and operations of the agency (including those offices which report directly to the Chairman or the Commission). The importance of that responsibility has been reinforced by passage of the CFOs Act. To emphasize the significance of the EDO's role in financial management and to recognize his responsibilities under the CFOs Act, the Executive Director for Operations will be designated the Chief Financial Officer (EDO/CFO). In his role as CFO, the EDO will provide recommendations to the Chairman and the Commission on the appointment of the Deputy CFO.

To assist the EDO in discharging his financial management responsibilities, the NRC Controller, who reports directly to the EDO, has been delegated authority over the agency's day-to-day financial management activities. This relationship will continue as the NRC implements the requirements of the CFOs Act. Thus, the Controller's position will be designated as the Deputy CFO, and the title will be changed to Deputy CFO and Controller (DCFO/C).

Additional authorities and responsibilities will be documented for both the EDO/CFO and the DCFO/C as necessary to satisfy the requirements of the CFOs Act and the associated OMB guidance. For example, the applicable delegations of authority (NRC Manual Chapters 0103 and 0135) will be revised to make it clear that the EDO/CFO and DCFO/C are to have access to all agency materials which relate to programs and operations with respect to which the CFO has responsibilities (except Inspector General materials not otherwise accessible under law).

Subject to his direction and supervision, the EDO/CFO will delegate to the DCFO/C authority for

- (1) developing, maintaining, and overseeing the implementation of policies, procedures, and standards for carrying out all agency financial management activities;
- (2) managing the agency's internal control program to assess the adequacy of agency management controls in accordance with the Federal Managers' Financial Integrity Act;
- (3) developing the agency's Five-Year Plan, Five-Year Financial Management Plan, budget submitted to the Office of Management and Budget, and budget submitted to the Congress;
- (4) controlling the use of agency funds to ensure that they are expended in accordance with applicable laws and financial management principles (e.g., issuing allotments and associated financial plans to all agency allottees);

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- (5) developing and maintaining an integrated agency accounting and financial management system that complies with the requirements of 31 USC 902(a)(3) and issuing financial status reports from that system;
- (6) monitoring the financial execution of the budget of the agency and submitting timely performance reports to the Chairman and the Commission;
- (7) preparing agency financial statements as required by 31 USC 3515 and ensuring that they are auditable as required by 31 USC 3521(e);
- (8) preparing the annual financial management report required by 31 USC 902(a)(6);
- (9) administering the agency's license fee program, including reviewing, on a biennial basis the fees and other charges imposed by the agency, and making recommendations on revising those charges;
- (10) monitoring, evaluating and approving the design, budget, development, implementation, operation, and enhancement of all agency accounting, financial management, and asset management systems;
- (11) providing travel services for all headquarters employees;
- (12) managing the agency's billing and debt collection activities; and
- (13) providing oversight of and financial reporting guidance for agency property and inventory management and control activities.

IV. EFFECTIVE FINANCIAL MANAGEMENT POLICIES AND INTERNAL CONTROLS

A. Financial Management Policies

As noted in the previous section (III(1)), the EDO/CFO, assisted by the DCFO/C, will be responsible for developing, maintaining, and overseeing the implementation of policies, procedures, and standards for carrying out the agency's financial management activities. Those financial management policies, procedures, and standards are currently codified primarily in NRC Manual Chapter 1101, Accounting Policy and Practices; and NRC Manual Chapter 1301, Policies and Practices Governing NRC Long-Range Planning, Budget Formulation, and Resource Management. These requirements apply to all agency components (i.e., all Headquarters and Regional Offices).

Upon OMB approval of this proposal, one of the EDO/CFO's first priorities will be to have the DCFO/C review NRC Manual Chapters 1101 and 1301 and revise them, as necessary, to reflect the requirements of the CFOs Act and the associated OMB guidance. The schedule for that review is shown in Section IX of this proposal.

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B. Controlling the Use of Agency Resources During Budget Execution

DBA is responsible for requesting appropriate apportionments of funds from OMB. DBA also issues allotments of funds and associated financial plans to each of the major agency program offices, each of the agency regional offices, and each of the major agency support offices, as well as to the Inspector General, to the Commission, ~~and to the EDO, and the IG.~~ DBA administers the allotments and financial plans for the Commission and the EDO. All other allotments and financial plans are administered by the allottee offices. All initial agency financial plans and allotments of funds for a given fiscal year are based on the structure and the allocation of resources in the approved agency FYP and budget. This approach facilitates the correlation of budget execution data with budget formulation data. Before DBA approves changes to such financial plans and allotments, allottees must explain the reasons for such reallocations and the effects of such reallocations on the agency's FYP.

Under this proposal, the DCFO/C will be responsible for developing and maintaining policies, procedures, and standards for carrying out allottee responsibilities. One of the DCFO/C's priority responsibilities will be to assess the need for any enhancements to such guidance in light of the CFOs Act. For example, requirements should be clearly stated for the selection and training of the personnel involved in administering allotments, requirements should be clearly stated for financial status reporting to the DCFO/C by program financial officers, and requirements should be specified for the periodic evaluation by the DCFO/C of the conduct of allottee financial management activities).

DBA also issues the authorization of staffing levels for the various NRC offices to the Office of Personnel. These allocations are consistent with the approved agency FYP and budget. Each agency office is responsible for ensuring that it does not exceed its FTE allocation for a given fiscal year as allocated by the Office of Personnel. Once this proposal is approved by OMB, the agency DCFO/C will be responsible for developing and maintaining policies, procedures, and standards for allocating FTE ceilings and for the oversight of the financial management aspects of FTE utilization, including appropriate FTE status reporting requirements. In doing so, the DCFO/C will assess the need for any enhancements of the existing agency guidance for these functions.

The EDO periodically reviews the programs of all major offices reporting to him. The Controller currently participates in each of these program reviews and provides advice to the EDO regarding any financial issues. Once this proposal is approved by OMB, this responsibility will be assumed by the DCFO/C.

Around the middle of each fiscal year, the Office of the Controller conducts a review of the financial status of the agency, including the identification of any unfunded requirements. Based on that review, the Controller

recommends reallocations of available agency funds as necessary to best achieve the agency's objectives as delineated in the FYP. This responsibility will be assumed by the DCFO/C under this proposal.

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Once this proposal is approved by OMB, the DCFO/C will assess the need for any refinements to the existing agency procedures for oversight of the financial activities of the agency during budget execution. If such changes are necessary, the EDO/CFO will ensure that they are implemented.

C. Review of Major Legislation and Other Programmatic Proposals

Commission papers constitute the principal instrument by which the Commission receives information needed for making decisions. Current agency procedures provide for the Office of the Controller to independently review resource estimates contained in such papers signed by the EDO to ensure that all resource-related considerations have been fully and properly addressed. Once this proposal is approved by OMB, such reviews will continue to be conducted by the DCFO/C, and applicable agency management directives will be revised to clearly specify the requirement for all major legislative and other programmatic proposals to be reviewed by the EDO/CFO and/or his designee in order to provide advice to the Chairman and the Commission on Federal cost and program benefit estimates.

The agency Senior Contract Review Board (SCRB) reviews all proposed major agency procurements (those in excess of \$750,000 per year or \$2 million over a three-year period) before procurement action is taken. The Controller is currently a member of the SCRB. Once this proposal is approved by OMB, this responsibility will be assumed by the DCFO/C. In any case where the DCFO/C does not support the conclusions of the SCRB, the DCFO/C shall report his conclusions and reasons therefore to the EDO/CFO. The DCFO/C will also have the authority to review contract expenditures versus planned costs and milestones for major procurements in order to alert the EDO/CFO of the potential for significant cost overruns.

D. License Fees Activities

The Office of the Controller currently administers the agency's license fee program within the guidelines approved by the Commission. In order to prepare bills to collect license and user fees, the Office of the Controller requires information from the NRC offices that conduct the licensing and inspection activities. Specifically, those offices must delineate what staff time was expended and what contract assistance was provided to accomplish each licensing and inspection activity. That information is provided to the Office of the Controller in accordance with the reporting guidelines established by the Controller. The Controller also reviews the fees annually and makes recommendations regarding any desirable changes in such fees. Once this proposal is approved by OMB, the DCFO/C will have responsibility for administering the NRC license fee program. In doing so, the DCFO/C will assess the need for any revisions to the existing agency procedures and authorities (Manual Chapter 0135) for administration of license fee activities or to the existing resource tracking systems used to provide billing information.

SEE SECY FOR TABLES

