NUCLEAR REGULATORY COMMISSION

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NUCLEAR REGULATORY COMMISSION

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BRIEFING ON STATUS OF OCFO

PROGRAMS, PERFORMANCE, AND PLANS

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PUBLIC MEETING

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Nuclear Regulatory Commission

One White Flint North

Rockville, Maryland

Friday

March 1, 2002

The Commission met in open session, pursuant to notice, Commissioner Greta J. Dicus, Acting Chairman of the Commission, presiding.

COMMISSIONERS PRESENT:

GRETA J. DICUS, Member of the Commission

NILS J. DIAZ, Member of the Commission

EDWARD McGAFFIGAN, JR., Member of the Commission

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

1 **STAFF AND PRESENTERS SEATED AT THE COMMISSION TABLE:**

2 Secretary

3 General Counsel

4 JESSE FUNCHES, CFO

5 PETER RABIDEAU, Deputy CFO

6 RICHARD ROUGH, Director, Division of Planning,

7 Budget and Analysis

8 CHARLOTTE TURNER, Director, Division of

9 Accounting and Finance

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

COMMISSIONER DICUS: Well, good morning, everyone. We clearly only have three of us here today. The Chairman was called away this morning to a meeting downtown, so he asked me to chair the session. It does not in any way dilute his interest in the topic that we have before us. It is something he couldn't get out of.

We are here, of course, for our annual briefing on the status of the financial aspects of this Agency, and issues that we have before us to deal with that. So, without any further ado, I'll ask my fellow Commissioners if they would like to make any kind of opening statement.

COMMISSIONER McGAFFIGAN: No.

COMMISSIONER DIAZ: No.

COMMISSIONER DICUS: With that, Mr. Funches, you are on first.

MR. FUNCHES: Thank you, Commissioner Dicus, Commissioner McGaffigan, Commissioner Diaz. Appreciate the opportunity to meet with you today to discuss the financial activities of NRC.

I have with me at the table to my left, Peter Rabideau, the Deputy Chief Financial Officer; Richard Rough, the Director of Division of Budget,

1 Planning and Analysis, and to my right here our latest
2 member of the senior management team, Charlotte
3 Turner, who is the Director of the Division of
4 Accounting and Finance.
5 As the Commission has requested, we will
6 ensure that the briefing focuses on future activities,
7 but to build a context for our future activities, our
8 future challenges, we will be discussing the status of
9 where we've been and where we are and the results from
10 last year. Go to the first chart, please.
11 (Slide.)
12 My presentation will follow this agenda.
13 We will address three topics. The first topic we will
14 discuss will be our financial operations. Then we
15 will discuss our financial reporting as it relates to
16 the financial statement, and then we will proceed to
17 discuss planning, budget and performance management.
18 Next chart.
19 (Slide.)
20 Financial operation is not as visible as
21 a lot of our activities, but it is one of the most
22 important aspects of financial management we perform.
23 It is necessary for us to achieve the Agency goals.
24 As shown on these charts before you, the
25 staff has done an excellent job in meeting the goals

in this area both from a timeliness point of view and from an accuracy point of view. This is necessary to foster the good stewardship of the NRC's financial resources.

We had established a goal of 99 percent for on-time salaries and award payment, and a goal of 94 percent for all other payments. We met that goal.

Our goal for accuracy is 99 percent for salaries and awards, and the other payments 99 percent. As we go into Fiscal Year 2002, we have increased the timeliness of payments from 99 percent to 100 percent, and all other payments to 95 percent.

We are encountering some impact on the timeliness of payments due to the mail slowdown, so right now we are seeing some impact there, but we have understood the situation and we are taking action to work around it.

COMMISSIONER DICUS: I think we are all still getting Christmas cards.

MR. FUNCHES: The last thing I would mention on this chart to the far right is electronic payments, is one of the measures we have for efficiency. It is also required by the Debt Collection Improvement Act. We have set targets of 100 percent of our payments for salaries and awards by

electronic means, and all other payments being 99 percent, and we are meeting those goals. Next chart.

(Slide.)

The next area of financial operations relates to revenues. As you know, we are required to collect a certain percentage of our budget through fees. Prior to Fiscal Year 2001, we were requested to collect 100 percent. Starting in Fiscal Year 2001, that dropped to 98 percent, and it will increase by 2 percent a year until we reach 90 percent. We are meeting our target of approximately 100 percent.

The next measure we have -- and we believe we will continue to do that in the future.

The next measure we have relates to the delinquent debt. We have set a target of 1 percent of annual billing. We continue to meet this target. Last year our delinquent debt at the end of the fiscal year was $2 million. Next chart.

(Slide.)

I'd like to move into now the financial statements, which is obviously one of the reporting requirements we have, one of the important reports that we issue each year. It also is a good indication of the stewardship of the Agency resources.

For Fiscal Year 2001 we did receive an

1 unqualified opinion again. During the year, we closed
2 one material weakness. That material weakness related
3 to fees. That material weakness was closed. And we
4 closed four other reportable conditions. Those
5 reportable conditions were NRC's lack of adequate
6 systems to prepare the statement of net costs. We had
7 more manual processes than we would like, and that has
8 been closed.
9 The timeliness of compilation of the
10 principal statement, we closed that reportable
11 condition. We also closed a reportable condition
12 dealing with the documentation of the files for
13 license fee receivables. And then the last one we
14 closed was the timely referral for delinquent debt to
15 the Treasury. We had some debts that were greater
16 than 180 days, and we have corrected that.
17 We still have remaining two material
18 weaknesses and five reportable conditions. I think
19 you all are aware that one of the material weaknesses
20 that we have still remaining related to cost-
21 accounting, and that was tied to putting in place a
22 system and providing cost information to managers.
23 We have put in place the People Soft Time
24 and Labor Human Resource Payroll System and a cost
25 accounting system. That system is up and operating

1 now. We also put in process making available reports
2 to the managers. The first set of reports has gone
3 out for the first quarter, and we will routinely make
4 those reports available.
5 While we are producing the initial set of
6 reports, we obviously will be looking at over time to
7 improving those and making the information more useful
8 to managers as we go forward.
9 The other material weakness that we had
10 was one that was identified this year. We have taken
11 action and closed that one also. It had to do with
12 capitalizing the people -- our staff cost for IT
13 software development. The issue there was a timing
14 issue. We have put in place the means to capture the
15 data. During implementation we found that some of the
16 reporting wasn't as it should have been from
17 individuals, and we had to go back and correct that
18 data. The timing of those corrections was not as soon
19 as it should have been and that created this
20 condition, but now we are on top of that issue and we
21 are working it, so that one should also go away this
22 year.
23 In terms of reportable conditions, they
24 vary. I think one of the things you'll see when I
25 list these reportable conditions, they not only relate

1 to my organization, they do relate to other
2 organizations. What we will find is, as the IG audits
3 the financial statement, or as we put together the
4 financial statement, we have to put together
5 liabilities, assets and costs, and things that affect
6 the value of those liabilities or assets will then
7 become part of the audit and could impact our
8 financial statement.
9 So, we have -- part of our communication
10 is to make sure that across the Agency people
11 recognize that their actions and their activities
12 could have impacts on the financial statements such
13 that as we go forward we can continue to minimize
14 reportable conditions.
15 The final reportable condition that we
16 have now that is open, we have three from last year --
17 I'm sorry -- we have two from last year, two of the
18 five are from last year. One has to do with Part 170
19 fees, and we are looking at that through eliminating
20 using the cost-accounting system.
21 The other one has to do with internal
22 controls or the certification of small entities when
23 they come in and ask for a reduced fee. We have put
24 in place a mechanism to do that. The IG has said that
25 that mechanism works, they just have to audit it as

1 part of the next year's statement.

2 The two new ones, one has to do with

3 documentation from contract closeout for accrual. The

4 Office of Administration has to leave that item, and

5 they have identified a solution that we will be

6 putting in place.

7 The last reportable condition relates to

8 inventory of computer software and, again, that is a

9 particular liability issue. The Office of the CIO has

10 leave for that particular reportable condition and is

11 working that, and has a means of resolution available.

12 So, I think of the known reportable

13 conditions, we have processes in place that should

14 eliminate those during the next audit. Next chart.

15 (Slide.)

16 In terms of challenges and things that

17 we're looking to for the future, the first major

18 challenge has to do with the need to expedite the

19 production of the financial statements, the audited

20 financial statements. This year we were required to

21 have the financial statement completed by the end of

22 February. We obviously met that and we were timely

23 with that. Next year that moves to the first of

24 February. And then for the end of the Fiscal Year

25 2004 financial statement, we have to have the

statements completed by the 15th of November.

OMB informed us of that new requirement in December. We obviously will be putting effort into planning on how to do that. The CFO council has a group government wide that is looking at how to accelerate that using the best practices from the various agencies. Not only will we have to do the financial statement by the 15th, we will also be required to produce the performance and accountability report by the same time. So, not only will we be looking for system solutions, we will also be looking at our processes, what we do during the year, and the administrative processes just producing the reports also will come into play.

We are producing now quarterly statements that will help towards that goal, but we will have to revamp our processes and basically reinvent them -- and not only the NRC, but all government agencies to meet that type of timeline.

The next challenge we see is an inherent challenge that comes anytime you put in a new system. We are now operating from the People Soft Human Resource Management System, which includes time and labor payroll and our cost-accounting and HR. It is inherent anytime you bring up a new system, you have

more risk. That is an inherent risk because you are doing something new. The other thing is some of our processes have changed because we have more people involved and putting time in. So, we recognize there is an inherent risk there and so we are taking action early on to look to see how we can reduce those risks, minimize those risks.

Charlotte and her people are now doing some QA/QC review. They just finished with Region I and Region III. Things look good. We've done some statistical samples to make sure that the controls we have in place are working. So, we are being proactive, but there is always that inherent risk when you are doing something new that we need to be concerned about from internal control. And we are getting very good cooperation, I must say, from the office. They are very cooperative and working with us on this issue.

We are also moving to a new accounting service provider. I think I told you last year, the Department of Treasury will no longer provide cross-servicing to agencies for financial accounting. We have decided to transfer to the Department of Interior, using their same system. So the risk is not as high but, again, there is change there, so we have

1 to be diligent and focus on those changes and just try
2 to anticipate and apply more action and focus on us
3 during that year as a result of that. Next chart.
4 (Slide.)
5 The next set of slides will discuss
6 planning, budgeting and performance management,
7 another one of our responsibilities. Next slide.
8 (Slide.)
9 I think most of you have seen these
10 numbers or a chart similar to this. This is a budget
11 that we've had for the past five years. With the FY
12 2002 supplement and the resources that we requested
13 for 2003, I'm comfortable that we have sufficient
14 resources for the Agency to perform its mission and to
15 carry out the activities that we need. The financial
16 resources, I think, are sufficient in that regard.
17 As you know, a big increase and driver for
18 new resources are kind of two phases and new
19 activities, one being the Federal Retirement. Even
20 though that is not a new program for us, we are now
21 required to pay more of the Federal Retirement than we
22 have in the past. So that's really not a programmatic
23 change or anything, it's just an accounting of how the
24 government wants to account for its resources, and
25 that occurs in Fiscal Year 2003, and that's a $20

1 million increment to our budget.

2 I think we all have been involved in

3 Homeland Security. We have been given resources in

4 supplemental and we have resources in the budget to

5 deal with the issues that have resulted from the

6 events of 9/11.

7 And the last increment that is growing,

8 and a new program, is the effort that we have to be

9 responsive to the industry for new licensing

10 activities.

11 (Slide.)

12 We have a financing mechanism, as you

13 know, of three means. We get funds from fees, we get

14 money from the Nuclear Waste Fund, and we get money

15 from the General Fund. For the new activities

16 associated with Homeland Security, that has been added

17 to the General Fund, and that is the primary reason

18 you see an increase there.

19 As you look at the Offsetting Fees, a big

20 component of that increase is the need to fund the $20

21 million increase for Federal Retirement through fees.

22 We had made some arguments early on about not funding

23 those, but the final decision by the Administration

24 and Budget was to fund them from fees, so that $20

25 million will be funded in 2003, 94 percent of that

will be coming from fees, and that will be the first year of that increment.

(Slide.)

A key metric that we use for managing budget execution is our Carryover Fund. We monitor that as an indication of how we are executing our budget. We have set up two goals as it relates to carryover. The first one is what we call Unobligated Carryover. That is the money that we don't have obligated at the end of the year, but we have available to us, and that is about 5 percent of the NRC's budget. We've been meeting that target. We've been in the $20-25 million range, that's the range we would like to be in with a $500-plus million budget.

The second area we look at is what we call Unliquidated Carryover. This means money that has been obligated but has not been spent at that time. And it's not spent for a couple of reasons, and sometimes the bills just haven't come in, so it's an expense item.

We would like to have about four months excluding salaries and benefits, and that's about -- we spend about $20 million a month excluding salaries and benefits, and we've been running about four months for the last couple of years.

1 As a result of the timing of the last
2 year's appropriation and the timing of the
3 supplemental that we received, we expect that the
4 amount of carryover in both cases will be higher than
5 what it has been in the past. I'm not sure how much
6 it is going to be. We have a midyear review on the
7 way. We'll be taking a look to see what needs are
8 there during midyear. We also are working very
9 closely with the office to make sure that they are
10 focused on this but, at the same time, we want to be
11 very prudent about what we use money for. Our goal is
12 to use the money to carry out things that need to be
13 carried out, and if there are monies that remain
14 unobligated, then we would factor that into future
15 decisions as we go forward. So, the most important
16 thing is to spend it on valid needs for the Agency,
17 and then we would adjust as we go into future years.
18 (Slide.)
19 The last item I'd like to talk about is
20 one on the agenda for us and for all government
21 agencies, basically it's OMB and the Administration's
22 push to link results to budget. The President has
23 established five management initiatives. The five
24 initiatives are human capital, and our lead for that
25 is the Office of Human Resources, Paul Byrd. The

1 other one is competitive sourcing, and the lead for
2 that is the Office of Administration, Mike Klinger,
3 internally here. The other one we have, the other
4 initiative span electronic government or e-government.
5 The lead for that is Stu Reigor (phonetic), and then
6 my organization has the lead for two, improved
7 financial management, which I discussed early on as it
8 relates to financial statement metrics there, and
9 those metrics are very similar to the things that I
10 discussed earlier.
11 The last item on the Presidential
12 Management Agenda is innovating budget and
13 performance, that is the results of what we have been
14 doing over the past year as it relates to implementing
15 the Government Performance and Results Act. We have
16 been taking action to move more to linking our
17 activities with budget. We would never get to a point,
18 I think, where we have some formula that says so much
19 input related to so much safety, but I think we have
20 put in place a process that we can definitely link it
21 at appropriate levels to our strategies and to the
22 major goals that we have set.
23 Recently, we had a GAO report that
24 acknowledged activities that we had done, and other
25 agencies, in making that linkage. We will continue to

1 work on that. I think we have made a lot of progress
2 both internally, using effectiveness templates to plan
3 out activities across the offices, and I think that is
4 working for us and helping us make the decision at
5 least to get to the outcome. All this is about is to
6 put the money on the things that will achieve results
7 and eliminate and not fund those things or make them
8 a lower priority, those things that are not helping us
9 achieve the results that we might.
10 The last item that we have -- we did meet
11 with the OMB yesterday to give them a status on these
12 items, and I think that was well received by them.
13 They like to have a lot of communication with us, and
14 we plan to do that. The next expected scorecard -- I
15 think you all are familiar they have scorecards --
16 they expect to issue a status report to the agencies
17 by the end of March.
18 The last item I would like to mention is
19 the triennial update of the Strategic Plan. The
20 Government Performance Results Act requires that every
21 three years we have a major update. We can make
22 updates during the three-year period as need be. And
23 we will be undertaking that. We are in the process of
24 planning that now, and that will be a major activity.
25 Obviously, we will interact with the Commission on the

1 front end to get some input, and obviously on the back
2 end we will be coming to the Commission with a plan
3 for your review and approval.
4 That concludes the formal part of our
5 briefing. In summary, I think we have made a lot of
6 progress again this year. I'd like to take the
7 opportunity to thank the staff for their hard work and
8 dedication in helping the Agency achieve its goal by
9 providing good, prudent financial management and at
10 the same time obtaining those resources necessary to
11 perform the mission. And with that, we are prepared
12 to address your questions.
13 COMMISSIONER DICUS: Okay. Thank you very
14 much, Mr. Funches. I should have announced sooner --
15 let me do it now -- clearly you can see we do not have
16 a Court Reporter here today. He/she is stuck in
17 traffic, and we thought he/she would be here by now
18 but they have not arrived. However, the briefing is
19 taped, so there will be a transcript available for
20 anyone who wants it. And given that announcement, I
21 would like to turn to Commissioner Diaz for any
22 questions he may have.
23 COMMISSIONER DIAZ: I thought I was last
24 today.
25 COMMISSIONER DICUS: Well, I was trying to

figure out, I think the last briefing we had I was last, so I thought -- I'm not sure.

COMMISSIONER DICUS: The Bible said last should be first.

(Laughter.)

COMMISSIONER DIAZ: Thank you, Commissioner Dicus. Let's see, I have a few quick questions, and then I'll have a more difficult question.

During this budget process, apparently we're going to need more time for OCM review for the next year budget, for Fiscal Year 03, and I'm always concerned about how much time does the Commission have to consider these issues.

Have you planned to give us a little bit more time to really provide you with appropriate input?

MR. FUNCHES: We are putting together our approach to the budget and a schedule, and we are going to be providing that to the Commission, you know, basically inform you what we plan to do with the schedule.

I think time did get a little shorter than last year, but we will have in that, I believe -- and you have to tell me if it's not -- sufficient time for

the Commission, you know, to perform --

COMMISSIONER DIAZ: We have never had sufficient time.

(Laughter.)

MR. FUNCHES: But we will try to time it such that it is focused on a period of time that we recognize that the summer is always a time that there are other things happening, too, but we will have a schedule coming to the Commission, and we would, you know, do our best, as we have always, to stay on that schedule, and we would expect to stay with that.

COMMISSIONER DIAZ: So I hear a commitment that this year we are going to have more time, is that it, are you going to go on record?

MR. FUNCHES: More time --

COMMISSIONER DICUS: Yes.

MR. FUNCHES: Yes.

COMMISSIONER DIAZ: All right.

COMMISSIONER McGAFFIGAN: To give Jesse some cover here, I think the person who is missing to your right is somebody who also controls the timing at which the budget is presented to the Commission.

COMMISSIONER DIAZ: Well, we are taking advantage that he is not here.

(Laughter.)

MR. FUNCHES: But we will give you a schedule, and we will endeavor to stay on that schedule. And I think, you know, we would provide, you know, ample time during the summer to complete the review.

COMMISSIONER DIAZ: Okay. Starfire has spent almost $11.7 million developing, and this year and next year you have $2.7 million, $1.9 for operations and maintenance, but no money for further development. Starfire is a perfect system.

MR. FUNCHES: I would answer in two pieces. Is it a perfect system? Perfect is hard to say because I think that there are obviously things that are inherent in system design that I would like to see different, and other people would like to see different, but they are part of the cost package, and I think from a cost-effectiveness point of view we won't be looking to make those changes.

For the next year, we don't see any "development" cost. Obviously, we have some O&M cost. There is one question that's out there and that question relates to moving to the Windows version, which is a conversion from the client server that we have to a Windows version, so that issue is out there. It's like any software, the business move from one

1 version to the next version.

2 I think, you know, we have a system that's
3 working well now. I think from the point of view of
4 being timely, from the point of view of the system
5 performance and not delayed as you put time in, I
6 think that's working well. I think the staff is
7 working on it. I think we are past the learning curve
8 in terms of the process, and I think people now are
9 learning how to use the system. We took some lessons
10 learned. We had a lot of training. I think the
11 opportunity now that the time and attendance people
12 have worked very hard with us across the Agency, and
13 I would like to take the opportunity to thank them for
14 their efforts and what they have done. We put in some
15 more training for them, and I think that went well.
16 Charlotte might have some more detail on how things
17 are working.

18 MS. TURNER: We've been trying to provide
19 individual training to offices as they need it. If
20 they are having problems, we are sending people out to
21 actually hands-on work with them through the problem,
22 and for the most part we are getting positive feedback
23 from the offices on how the system is working.

24 COMMISSIONER DIAZ: That sounds like good
25 news. Fees. I like to think of myself as a fiscal

conservative, although my wife hates that possibility at home, but I'm always mindful that people think that we are really charging the industry, but we are really charging the American ratepayers and people who pay for medical procedures, so fees are always an important issue.

Do you think that we could look at the fees earlier in the budget process so that we can factor it into our deliberations?

MR. FUNCHES: We are actually trying to do that this year. Hopefully we are going to be able to give you some information as part of the budget on fees. Pete?

MR. RABIDEAU: What we are going to try to do is give you a sense of how much of the budget would have to be charged to fees as opposed to trying to give you the fee schedule for all the licensees. That would be a bit of a challenge for us in trying to make some of the estimates in the time period that we have to do that, but we will be able to give you an understanding of how much would have to be collected through fees.

COMMISSIONER DIAZ: Because I think that's an important issue that seems to be coming sometimes too late in the process.

1 MR. FUNCHES: We'll try to share that
2 information, give you some indication of what the
3 implications are of the decision that's before you.
4 COMMISSIONER DIAZ: Okay. Contracts
5 closeout, one of your reportable conditions. A couple
6 of years ago the Commission really asked all the
7 offices to look at the issue of contracts, issuing
8 contracts and closeout. And I notice that once in a
9 while this keeps surfacing. I know this is a cost-
10 cutting issue that goes to many offices. But from
11 your viewpoint as our Chief Financial Officer, are we
12 doing better in handling the issues of contracts, how
13 they are issued, how they are monitored, how they are
14 paid, the entire issue of contracts, from your
15 viewpoint.
16 MR. FUNCHES: From my viewpoint and what
17 I see, I would say the answer to that is yes. I know
18 you asked a similar question last year or the year
19 before, and I know the Office of Administration,
20 Division of Contracts had provided a response, they
21 worked with us on it. And I think they are making
22 progress, and I think they have an effective program
23 in terms of contracts. I know they are looking more
24 at performance-based contracts, and I'll just kind of
25 speak for myself, we try to do performance-based

contracts. It's not very easy to do sometimes, but it is another method of trying to bring more efficiency and effectiveness, if you will, in the contracting process.

So, I know that they are using the tools that they have available to them to be efficient and effective in getting our contract work done. I can't go into detail because I don't know that, but from my perspective, I think --

COMMISSIONER DIAZ: You think, or you know?

MR. FUNCHES: I would say, you know, at a fairly high level I would say I know, but in terms of detail of how you go about doing that in the very specific case, I don't know, sir. Admin would know more of that, but I do see the tools that they are using, I think they are very effective tools to have an effective contract program.

COMMISSIONER DIAZ: I look at the briefing in here, and there must be something out there that give you gray hairs, that makes you sometimes sigh. I'd like to see one issue that bothers you. There is something out there that is not here, that really concerns you, that you haven't solved, that you scream at people, you know, you lose your cool?

1 (Laughter.)

2 COMMISSIONER McGAFFIGAN: The Office of

3 Management and Budget.

4 MR. FUNCHES: I would say that there's

5 two. One is -- you know, we did talk about -- I guess

6 I didn't scream about it -- we are always concerned

7 about when we do new things in the internal controls,

8 whether they are working. The controls are there, are

9 they working? So, we do spend a lot of time as part

10 of implementation of the straw process and now going

11 back and saying are the controls being implemented the

12 way they are.

13 I think the other thing that is a

14 challenge, that maybe I didn't mention here, is kind

15 of planning and budgeting when there is uncertainty,

16 and I think when you get new things happening early on

17 in a process, there's a lot of uncertainty there --

18 you know, uncertainty in new plans, area of

19 uncertainty -- you know, Homeland Security and all

20 those things. So, you always wonder did I plan

21 enough, is it going to happen the way you kind of

22 speculate now, so we try to do the best we can

23 planning those with the information we have. So, I

24 think about that a lot. It's not something I scream

25 about, but it is something that's a challenge, you

1 know, trying to plan and budget when you don't have
2 the history.
3 COMMISSIONER DIAZ: Do you have the tools
4 and the staff to take care of crises?
5 MR. FUNCHES: Yes.
6 COMMISSIONER DIAZ: Okay. All right.
7 Thank you, Madam Chairman.
8 COMMISSIONER DICUS: Okay. Thank you. I
9 have a few questions just based upon the slides. I'm
10 looking at Slide 4 -- and I think I've asked this
11 question before and have forgotten the answer maybe --
12 but on the goal of collecting 100 percent of our
13 budget -- and we generally go a little over that -- is
14 that from getting delinquent fees?
15 MR. FUNCHES: Yes. It's a government-
16 based thing. Trying to estimate precisely is just
17 hard, and sometimes you do get fees -- you know,
18 people will be delinquent from one year to the next,
19 and trying to estimate how much of the delinquents are
20 going to come into one year versus how much is going
21 to slip over into the next year. It gets to be
22 difficult.
23 I think, if you look, we kind of early on
24 might even go a little bit below, and the last couple
25 of years we've been a little over, but it's just -- a

1 lot of it is just the inherent inability to be precise
2 on the estimate.
3 COMMISSIONER DICUS: Does that draw
4 anyone's attention -- I mean, are we within some
5 reasonable bounds of this?
6 MR. FUNCHES: Yes, and really it has not
7 created any issues for us on the low side or on the
8 high side.
9 COMMISSIONER DICUS: Okay. I'm going to
10 Slide, I think, 5, and I know you talked about this.
11 It has to do with the managerial cost-accounting
12 system, something that the IG had reported on. You
13 mentioned that I think it's in this Fiscal Year 2002
14 that you were going to have this taken care of. You
15 talked about it. I didn't get a clear feel, are we
16 really going to make it at the end of the year?
17 MR. FUNCHES: We think so, with the system
18 that we have put in place. The system is working. We
19 are comfortable that we have the system. We are
20 producing the cost reports. We are sharing the cost
21 information with the managers. So, we are doing the
22 things that are required by the standard. So, my
23 belief is that it has been adequately addressed.
24 Obviously, the auditors have the final say, but we
25 will work with them. They know what we are doing, but

they will do their audit during the year. I am comfortable that we have put in a system and we have put in the processes that meet the intent of the standard.

COMMISSIONER DICUS: So you feel comfortable that the audit reports will show that this is being accomplished. I may ask that next year.

MR. FUNCHES: Well, I'll put it -- I obviously would never suggest it to the auditor because they --

COMMISSIONER DICUS: I understand that, but from your perspective --

MR. FUNCHES: From my perspective, I'm comfortable in what we are doing now, just trying to make sure that the implementation and everything is working as we anticipate.

COMMISSIONER DICUS: Okay. Thank you. This next question falls a little bit following up behind some of Commissioner Diaz. You're talking about the OMB requiring expedited reporting, et cetera. This is getting shorter and shorter and quicker and quicker.

Do you really feel -- a little different thing -- but you have the tools to do that, and what else inside the Agency has got to play into this? I

1 mean, who do we need to give a heads-up to, if anyone?
2 MR. FUNCHES: I think we have the tools to
3 meet next year, which is a month shorter. The new
4 requirement is for next fiscal year, so we have to be
5 by the first of February, so I think we are prepared
6 to do that. We kind of tested that this year, so that
7 shouldn't be an issue for us.
8 We were notified in December about the new
9 date. It will affect across the Agency because, as I
10 mentioned before, the performance and accountability
11 report for the end of fiscal year -- in November 2004,
12 performance and accountability report and the
13 financial statement will have to be done by November
14 15th.
15 The performance report involves the
16 individual cost agency. The performance report
17 obviously involves the Commission, you approve that.
18 So, yes, it will involve people across the Agency.
19 We are looking now, we are beginning to
20 plan and look at how to do it, working not only
21 internally but with other government agencies. The
22 good part of it is we have two and a half years to get
23 there, but it is not going to be an easy thing to do.
24 We're going to have to change a lot of processes.
25 We're going to have to change how we do a lot of

things. We have the time to plan that out, and we're going to be doing it from our part, and also working with the CFO's council group that they have put together to look for means to make this happen.

COMMISSIONER DICUS: So nobody is going to be surprised?

MR. FUNCHES: No, nobody will be surprised, but we will communicate across the Agency, work with all the people that have to have input to this, to make sure that early on they are brought in, and then are part of the solution as opposed to taking the back end.

COMMISSIONER DICUS: Final question. You mentioned that we will have, I think, if I heard you right, a little bit higher carryover from both unliquidated as well as unobligated funds. Is that going to create any issues, and how much more are we talking about, if you estimate at this point in time, because we are roughly halfway through the fiscal year, and so to see right now that we're going to have more --

MR. FUNCHES: Yes. I would prefer not to give you an estimate right now because, as you know, we got the supplemental and that's for the Homeland Security that's beginning to work. We are doing a

1 midyear review that has the potential for some things
2 to be moved forward from last year to this year in one
3 major procurement. So I'd like to see what the
4 midyear looks like, and then maybe let you know at
5 that point what it looks like because I think right
6 now there are some things that are happening that we
7 need to see how it's going to shake out maybe over the
8 next month or so, and then at midyear we should have
9 a better feel for what it looks like.
10 COMMISSIONER DICUS: Okay. Thank you.
11 Commissioner McGaffigan.
12 COMMISSIONER McGAFFIGAN: Thank you. The
13 performance report by November 15th, that's the
14 performance report for the preceding fiscal year that
15 you're going to have to have 45 days after the fiscal
16 year is over?
17 MR. FUNCHES: Absolutely correct.
18 COMMISSIONER McGAFFIGAN: Isn't that going
19 to mean that we're going to have a bunch of -- I mean,
20 generally, in those reports we provide a fair amount
21 of data about how we did compared to our performance
22 measures. Will that data be available by -- I mean,
23 if you're going to give it to OMB on the 15th of
24 November, you'll probably have to give it to us by the
25 1st of November, so 30 days -- 30 days after the

1 fiscal year is over you're going to know how you did
2 vis-a-vis the performance measures?
3 MR. FUNCHES: In some of the areas,
4 clearly we would have to make estimates, and we would
5 have to call them as such.
6 COMMISSIONER McGAFFIGAN: Estimates.
7 MR. FUNCHES: Yes.
8 COMMISSIONER McGAFFIGAN: What is OMB
9 going to do with this document between November 15th
10 and February 1st when the budget generally goes to the
11 Congress, especially if this goes into effect in 2004,
12 which is a Presidential election year, you know, I'm
13 sure they are counting on being re-elected, but what
14 do they do with it in those two and a half months?
15 MR. FUNCHES: I think the theory or they
16 say that they work harder on the accelerated
17 production is a timely issue, getting the information
18 out timely to the decisionmakers, et cetera.
19 COMMISSIONER McGAFFIGAN: This will affect
20 their budget decisions on a future budget, is that the
21 theory?
22 MR. FUNCHES: I think so, and information
23 --
24 COMMISSIONER McGAFFIGAN: We get the
25 passbacks back before November 15th. I'm just trying

1 to understand the logic of this requirement. I'm
2 probably not the only one in government trying to
3 understand the logic of it.
4 MR. FUNCHES: I think the logic of it
5 basically is it's built on the commercial pattern, the
6 private sector pattern, you know, that the annual
7 report and financial statements are to be issued
8 within a month, 30 days --
9 COMMISSIONER McGAFFIGAN: These are the
10 Arthur Andersen certified funds?
11 (Laughter.)
12 COMMISSIONER McGAFFIGAN: No, I'm just
13 kidding. Some of those have not been well taken
14 lately, apparently they are fictional, but hopefully
15 ours will not be.
16 MR. FUNCHES: I think their emphasis is
17 timeliness of information not only to OMB, to Congress
18 and the other people. And I think the other thing
19 they are looking at is to have the government -- you
20 know, to have to produce a government financial
21 statement -- I can't recall the date that they were
22 looking for, I think they were looking a month after
23 that, so it would be December 15th, the government
24 financial statement. Right now, the government
25 statement is issued the 20th of March.

COMMISSIONER McGAFFIGAN: It does sound like it's going to stress people no end, and it isn't absolutely clear to me that OMB is at the height of its budget season when it's giving people passbacks generally, and dealing with requirements and all that, that there's going to be a lot of attention paid to these documents on the 15th of November, but I'll just let it pass, that's something that's a mandate from above.

The Chart No. 4 where you talk about collecting 100 percent -- Commissioner Dicus has already asked about that. The 2001, we collected 100.4 percent of the 98 percent that we were supposed to collect, is that what you're trying to say here?

MR. FUNCHES: That is correct.

COMMISSIONER McGAFFIGAN: So the goal isn't collecting approximately 100 percent of NRC's budget annually, it's collecting the statutory percentage mandated by Congress.

MR. FUNCHES: That's correct.

COMMISSIONER McGAFFIGAN: And whether we meet that goal -- okay. I think you may need to change the English at some point.

MR. FUNCHES: Good point.

COMMISSIONER McGAFFIGAN: The Starfire.

1 You may have thought you got away with Commissioner
2 Diaz' questions, but my recollection is -- and I don't
3 have it in front of me -- but the report we sent to
4 OMB last fall hadn't ruled out that we would someday
5 try to get these additional modules that obviously we
6 didn't get in Starfire as it's been deployed at this
7 point.
8 Are you saying, am I understanding your
9 answer to Commissioner Diaz that we basically have
10 given up on whatever additional modules were once a
11 gleam in our eye? They weren't a gleam in our eye,
12 they were supposed to be delivered.
13 MR. FUNCHES: I think what we had said,
14 and we had said in the front of the report that we had
15 sent when we modified it was that we were going to
16 focus on the modules that we brought up, the cost-
17 accounting module, payroll, the human resources and
18 time and labor.
19 What we basically said was we were going
20 to defer a decision on whether or not we wanted to
21 pursue a new financial accounting system, which was
22 one model, pursue travel manager model which was
23 another one of the models, and another one was a
24 procurement model. What we basically said was we were
25 going to defer those decisions until sometime in the

1 future, and we had basically said Fiscal Year 2004 or
2 thereafter.
3 COMMISSIONER McGAFFIGAN: So there's three
4 modules that were part of the original Starfire where
5 we had difficult problem with a contractor, we
6 allegedly were using JFMIP certified software that
7 wasn't any good, et cetera. So three modules have
8 been deferred until 2004.
9 MR. FUNCHES: A decision on those -- let's
10 put it this way, a decision on those --
11 COMMISSIONER McGAFFIGAN: Decision on
12 those has been deferred until 2004.
13 MR. FUNCHES: Well, we decided that we did
14 not want to -- there were two reasons. One is we did
15 not want to take on the development of additional
16 modules when we had a major effort on the way and we
17 wanted to make sure we got this one up and running.
18 The second thing is, and I think one of
19 the lessons learned and I have a lesson learned, is I
20 don't -- I want to make sure if I'm going to take on
21 a new module, that they have been tested beyond the --
22 COMMISSIONER McGAFFIGAN: You don't want
23 to be first anymore.
24 MR. FUNCHES: -- the certified one.
25 COMMISSIONER McGAFFIGAN: This is a

1 learning organization, so the desire to be first and
2 best is no longer part of our vocabulary.
3 MR. FUNCHES: So the timing of that was to
4 say, you know, like there are some financial --
5 COMMISSIONER McGAFFIGAN: Do we have some
6 other agency who is sucker enough to be first?
7 MR. FUNCHES: There were some people
8 looking at some of the new financial accounting
9 modules, the core accounting modules, people were
10 looking at some of those that People Soft has, that
11 other companies have. Let people test those out, see
12 how they work. Same thing with travel.
13 The other thing, you know, I think we look
14 at is also cost-servicing, that's been very beneficial
15 to us to have somebody else bring it up in more than
16 one agency. I've been very pleased how that has
17 worked for our core accounting system.
18 COMMISSIONER McGAFFIGAN: Speaking of more
19 than one agency, that gets to my last line of
20 questioning. Does OMB order overhaul of payroll
21 systems? We've just got a payroll system, and I read
22 Federal Times, and I've obviously seen memos as well,
23 you know, sort of urging us to, I guess, get involved
24 in some sort of government-wide effort to bring all
25 the payroll systems up-to-date.

How does this affect somebody like us? We've got a state-of-the-art payroll system. There may well be other agencies that allowed us to go first, wisely for their part probably, but I saw OPM was inviting us to join a partnership with them in the last few days. How are you going to deal with this effort at government-wide approaches to payroll systems to make sure that it doesn't adversely affect us?

MR. FUNCHES: Here's the concept. The concept is -- and I think it's a good concept. The concept is rather than let the agencies develop their own payrolls, the HR system, that the government ought to have four or five of these that people can use. I think that concept works. You learn, you know, we all get paid basically the same way. So the concept is to have four of five of these.

What they are doing now, in this case, what it looks like from a business case, they are involving us and other people who have state-of-the-art time and labor payroll system, to get input to that.

The other concept would be is their focus in terms of timing would be, obviously, to focus on those people who are thinking about putting in a new

system first, and then phase that in, and people with a new system would be at the back end. But the ultimate goal would be to have one or two -- I think they said four, maybe four systems that are available across the government to be used.

COMMISSIONER McGAFFIGAN: Are there enough people who have People Soft that we could be part of a group that doesn't -- that maybe all works together -- I don't want to think about going to another payroll system change in order to get lined up.

MR. FUNCHES: Human Resources and Payroll has been picked up by quite a few agencies across government. They are putting together their business case and then they will go through a process of selecting three or four systems they will use. But People Soft is very heavily used throughout the government, particularly the human resource area and the payroll area.

COMMISSIONER McGAFFIGAN: So we are unlikely to have imposed on us another change in our payroll system?

MR. RABIDEAU: This is an effort just beginning on their part. I'm not sure that we're in a position to reach that conclusion at this time.

COMMISSIONER McGAFFIGAN: Is it our goal

1 to not have another payroll system forced on us?
2 MR. FUNCHES: Our goal would be not to go
3 through and bring up another new payroll system. From
4 our perspective, that would be our goal. We are
5 participating. They have asked us for lessons learned
6 input to the process. They are asking other agencies,
7 too, that have done this, and we will participate.
8 COMMISSIONER McGAFFIGAN: This Joint
9 Financial Management Improvement Program that is out
10 there and once endorsed our earlier vendor on the
11 Starfire and all that, is that working any better now
12 than it did four or five years ago when we wandered
13 into assuming their certification meant something?
14 MR. FUNCHES: If you recall, they did
15 certification. We had selected from that. I think
16 about a year or so after that, they went back and they
17 found some flaws in what they had done and they
18 modified that. I think the changes did make a big
19 improvement to the certification process. They had
20 some self-certification going on by the vendor
21 themselves, they would ask themselves a series of
22 questions, and I think they did more tests themselves,
23 and checking. And so I think the ultimate result is
24 a better certification on their part.
25 COMMISSIONER McGAFFIGAN: So JFMIP

1 certification now means something?
2 MR. FUNCHES: It's positive. It's better
3 than it used to be.
4 COMMISSIONER McGAFFIGAN: Okay. Thank
5 you.
6 COMMISSIONER DICUS: Well, thank you. I
7 thank you and your staff for not only the briefing,
8 but the work you do for the Agency, keep the payrolls
9 going, that's an important part of what we do.
10 Do any of my fellow Commissioners have any
11 other comments to say?
12 (No response.)
13 Then with that, we are adjourned. Thank
14 you very much.
15 (Whereupon, the Commission meeting was
16 concluded.)
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