

April 29, 2005

MEMORANDUM TO: Chairman Diaz  
Commissioner McGaffigan  
Commissioner Merrifield  
Commissioner Jaczko  
Commissioner Lyons

FROM: Jesse L. Funches /RA/  
Chief Financial Officer

SUBJECT: RESPONSE TO STAFF REQUIREMENTS - BRIEFING ON THE  
OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO)  
PROGRAMS, PERFORMANCE, AND PLANS (M050223), DATED  
MARCH 15, 2005

This is in response to the SRM from the briefing on OCFO Programs, Performance, and Plans, which requested the OCFO to provide the Commission with a summary report of external reviews of NRC's financial management program, noting in particular the variety of metrics that others use to measure the work that the NRC performs.

Attachment A summarizes the evaluations and reviews performed in connection with the CFO Council's Metric Tracking System; **the President's Management Agenda; the General Service Administration, SmartPay®; the Department of the Treasury, Financial Management Service, annual review; Department of the Treasury, Financial Management Service, Governmentwide Accounting, quarterly scorecard for financial reporting performance; the OMB Program Assessment Rating Tool; Certificate of Excellence in Accountability Reporting Program; and Mercatus Center Project on Government Accountability.** Attachment B captures the ratings from those evaluations in table form.

Attachments: As stated

cc: EDO  
SECY  
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**\*See Previous Concurrence**

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## 1. CHIEF FINANCIAL OFFICERS COUNCIL – METRIC TRACKING SYSTEM

In 2004, the federal Chief Financial Officers (CFO) Council and the Office of Management and Budget (OMB) unveiled the Metric Tracking System (MTS), a website meant to provide Federal financial managers, taxpayers and others information on Federal agencies' financial operations. A public website <http://www.fido.gov/mts/cfo/public> is available for reviewing the latest results, with agencies having access to the non-public site in order to input data on a monthly/quarterly basis. MTS uses a simple red (unsuccessful), yellow (minimally successful), green (fully successful) rating scale for nine different financial elements (fund balance, suspense, delinquent accounts receivable, electronic payments, invoices paid on time, interest penalties, and three travel/purchase card delinquency items). NRC is green for eight of nine items based on the latest NRC data. For your reference, we have summarized current MTS public information and cross-referenced it with the most recent NRC data in Attachment B.

## 2. THE PRESIDENT'S MANAGEMENT AGENDA

The President's Management Agenda (PMA), announced in the summer of 2001, is an aggressive strategy for improving the management of the Federal Government. The PMA focuses on five governmentwide management initiatives. One of these is *Improved Financial Performance*. The criteria for measuring agency results under this initiative include timely, useful financial reporting; obtaining a clean audit opinion on the agency's financial statements; no material management control weaknesses; and, no substantial noncompliances with the Federal Financial Management Improvement Act (FFMIA). The Executive Branch Management Scorecard tracks how well the departments and major agencies are executing the management initiatives. The scorecard employs a simple grading system of green for success; yellow for mixed results; and, red for unsatisfactory. While NRC is not one of the agencies included in the official Scorecard, we believe this agency's financial management initiatives in the areas of timeliness, usefulness, and reliability would support a score of "green" for *Improved Financial Performance*.

## 3. GENERAL SERVICES ADMINISTRATION - SMARTPAY®

The General Services Administration issues a monthly report on government agency delinquency rates for travel and purchase cards. The rates indicate the percentage of balances outstanding over 61 days for individually billed travel accounts, centrally billed travel accounts, and purchase card accounts. These rates translate into the green/yellow/red ratings for the same items in the MTS system discussed in item 1. NRC has achieved mostly green ratings over time in all three areas, keeping individually billed account delinquencies below the 2% threshold and both centrally billed and purchase card delinquencies at the 0% threshold. The Smartpay percentages are summarized in Attachment B.

## 4. DEPARTMENT OF THE TREASURY - FINANCIAL MANAGEMENT SERVICE, GFRS

The Financial Management Service (FMS) of the Department of the Treasury annually reviews each reporting agencies' Federal Agencies Centralized Trial Balance System (FACTS I) and intra governmental activities prior to its preparation of the *Financial Report of the United States Government (FR)*, and this year added the Governmentwide Financial Reporting System (GFRS), that allowed FMS to directly link agencies' audited financial statements to the line

items and format of the FR. Under GFRS for FY 2004, Treasury rated NRC on sixteen items based on four performance indicators (timeliness, reconciliation, reliability/completeness, and consistency/reasonableness). NRC was found to have met the results/goals for 14 of the 16 items. The GFRS ratings are summarized in Attachment B.

## **5. DEPARTMENT OF TREASURY – FMS, GOVERNMENTWIDE ACCOUNTING**

The Department of Treasury, FMS also evaluates NRC's financial performance on a quarterly basis, using the traffic light (red, yellow, green) scoring to assess accuracy of reporting and timeliness of reporting. For the most recent scorecard, for financial reporting 1<sup>st</sup> quarter FY 2005, NRC achieved "green" for both areas. For comparison purposes, Treasury reports that 45 percent of agencies are rated green for accuracy and 65 percent for timeliness.

## **6. PROGRAM ASSESSMENT RATING TOOL**

The Office of Management and Budget (OMB) has been using the Program Assessment Rating Tool (PART) as a systematic method of assessing the performance of program activities across the Federal government, including the financial performance of programs. The PART assessments are used by OMB as one input in the budget formulation process, e.g. to ensure that programs that get funded are effective. The PART questionnaire includes questions relating to the strength of financial management practices used by the program, the development of efficiency measures to gauge results versus resources used, and the timely obligation of funds. Agencies are held accountable for implementing PART follow-up actions and working toward continual improvements in performance. Since first used in 2002, 607 programs government-wide have been reviewed through the PART process. NRC has had three programs assessed (Reactor Inspection and Performance Assessment, Fuel Facilities Licensing and Inspection, and Nuclear Materials Users Licensing and Inspection), which have all received 'effective' ratings from OMB, the highest category possible and a rating received by only 15 percent of the governmentwide programs reviewed to date. Currently, two other programs, Reactor Licensing and Spent Fuel Storage and Transportation Licensing and Inspection are in the midst of PART reviews. The results of these latter reviews will not be known until midsummer of 2005. PART ratings to date are summarized in Attachment B.

## **7. CERTIFICATE OF EXCELLENCE IN ACCOUNTABILITY REPORTING PROGRAM**

The Certificate of Excellence in Accountability Reporting (CEAR) Program was established by the Association of Government Accountants (AGA) in 1996 in conjunction with the Chief Financial Officers Council and the Office of Management and Budget to improve performance and accountability reporting by streamlining reporting and improving the effectiveness of such reports. The CEAR Program has a dual purpose. The first is to review individual Performance and Accountability Reports and provide recommendations for improving their quality. The second purpose is to evaluate these reports and publicly recognize the excellent reports by issuing a Certificate of Excellence in Accountability Reporting to the agencies preparing those reports. As a result of this component of the CEAR evaluation, the reviewers determine their preliminary views on whether the report should receive a Certificate of Excellence, identify the outstanding features of the report, and, if applicable, identify the major reasons that preclude the report from receiving a Certificate of Excellence. The NRC received this distinguished award for FY 2001, 2002, and 2003; the FY 2004 award announcement is expected in May 2005. CEAR citations to date are summarized in Attachment B.

## **8. MERCATUS CENTER PROJECT ON GOVERNMENT ACCOUNTABILITY**

Created in 1997, the Mercatus Center at George Mason University uses a variety of tools to help improve the public sector management process. By assessing the quality of agencies' Performance Reports (but not the quality of the results achieved) the Center determines which agencies are supplying the information that citizens and their elected leaders need to make informed funding and policy decisions. Their research efforts emphasize an evaluation of an agency's transparency of communications with the general public, identification and assessment of the public benefits it provides, and a leadership vision for the future. Researchers at the Mercatus Center recently conducted their sixth annual evaluation of the Performance and Accountability Reports produced by Cabinet departments and other agencies covered under the Chief Financial Officers Act of 1990. They employed the same criteria used in the five previous scorecards. The researchers utilized 12 evaluation factors which were scored and grouped under three general categories. Each of the 12 evaluation factors were graded on a 5-point scoring scale for a maximum agency score of 60.

The NRC ranked 10 out of 24 for the FY 2004 Performance Report with a total point score of 36, which is the median score obtained for all agencies. Individual scores for the general categories are as follows: Transparency - 13; Public Benefits - 12; Leadership - 11. The NRC report received the same score for FY 2003, but fell in rank from 7 to 10 due to the enhancements made by other agencies in their Performance Reports.