

February 27, 2007

MEMORANDUM TO: Stephen D. Dingbaum
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Luis A. Reyes */RA/*
Executive Director for Operations

Jesse L. Funches */RA Pete Rabideau Acting For/*
Chief Financial Officer

SUBJECT: STATUS OF RECOMMENDATIONS 1 AND 2 FROM OIG'S SPECIAL
EVALUATION OF THE ROLE AND STRUCTURE OF NRC'S
EXECUTIVE COUNCIL (OIG-00-E-09)

In response to your memorandum of August 10, 2006, on the status of open audit recommendations (ML062220600), this provides an updated status and completion information for Recommendations 1 and 2 in the Office of the Inspector General's (OIG's) report, "Special Evaluation of the Role and Structure of NRC's Executive Council" (OIG-00-E-09).

Recommendation 1

Update NRC's management directives to reflect the responsibilities and alignment of the Executive Director for Operations (EDO), the Chief Financial Officer (CFO), and the Chief Information Officer (CIO).

Status Update:

NRC reported in the FY 2005 performance and accountability report (PAR) (NUREG-1542, Vol. 11) that only two management directives (MDs) requiring revision to reflect the elimination of the Executive Council (EC) and the realignment of the responsibilities of the EDO, CFO, and CIO, remained to be issued. The FY 2005 PAR identified these as revised MD and Handbook 6.1, *Resolution and Followup of Audit Recommendations*, and MD 2.1, *Information Technology Architecture*, the latter of which was being revised and subsumed into new MD 2.8, *Project Management Methodology*. More recently, NRC reported in the FY 2006 PAR (NUREG-1542, Vol. 12) that all MDs requiring revision had been revised or superseded.

Revised MD and Handbook 6.1 were approved for issuance effective February 20, 2006. On July 31, 2006, the EDO approved draft MD 2.8 as interim staff guidance. This was communicated to the staff on August 17, 2006, via NRC Yellow Announcement No. 055 (<http://www.internal.nrc.gov/announ-cements/yellow/2006-055.html>), in which the EDO states that the interim guidance supercedes MD 2.1, as well as MD 2.2 and draft MD 2.5. Additional

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information on MD 2.8 may be found on the NRC's Project Management Methodology Web site, <http://www.internal.nrc.gov/pmm>. New MD 2.8 is presently scheduled to be approved for issuance by March 31, 2007.

Based on these accomplishments, we consider actions to address this recommendation to be complete.

Recommendation 2

Establish a mechanism to ensure that the necessary communication between the CIO and CFO, as required by Office of Management and Budget (OMB) guidance,^{*} can occur if the EC is eliminated. Furthermore, current EC responsibilities related to the capital planning and investment control (CPIC) process would need redefinition.

Status Update:

Following the elimination of the EC, the CIO was assigned to report directly to the EDO. The CFO continues to report to the Chairman. Many means are used to ensure necessary and effective communications between the CIO and CFO on financial and information technology matters. A list of communications forums being employed is provided in the enclosure.

On July 31, 2006, the EDO issued draft MD 2.8, *Project Management Methodology*, as interim staff guidance. This action was communicated to the staff on August 17, 2006, in NRC Yellow Announcement No. 055 (<http://www.internal.nrc.gov/announcements/yellow/2006-055.html>). In the announcement, the EDO states that the interim guidance supercedes MD 2.2, *Capital Planning and Investment Control*. Draft MD 2.8 delineates CPIC process responsibilities of the EDO, CIO, and CFO. Additional information on MD 2.8 may be found on the NRC's Project Management Methodology Web site, <http://www.internal.nrc.gov/pmm>. New MD 2.8 is presently scheduled to be approved for issuance by March 31, 2007.

Based on ongoing communications between the CIO and CFO and the accomplishments relative to new MD 2.8, we consider actions to address this recommendation to be complete.

Enclosure:

Forums for CIO and CFO Communications

^{*}M-91-06, Memorandum for the Heads of Selected Executive Departments and Agencies, from Richard G. Darman, Office of Management and Budget, "Chief Financial Officers Act of 1990," January 15, 1991. (See OIG-00-E-09, Enclosure 2 for a copy.)

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Forums for CIO and CFO Communications

Following the elimination of the NRC Executive Council (EC)—a body composed of three equal NRC managers reporting directly to the Chairman, i.e., the Executive Director for Operations (EDO), the Chief Financial Officer (CFO), and the Chief Information Officer (CIO)—the CIO was assigned to report directly to the EDO. The CFO continues to report to the Chairman. Many forums are available to ensure necessary and effective communications between the EDO, CFO, and CIO on financial and information technology matters:

- Each morning the EDO and CFO participate in the Chairman's morning meeting. The Chairman will discuss the significant issues that he wants attention given to by the EDO and CFO.
- Immediately following the Chairman's morning meeting, the EDO conducts his daily staff meeting which includes the CFO, CIO, the OEDO staff, and various Office Directors. It is at this time that the EDO, CFO, and the CIO discuss not only the Chairman's issues in greater detail, but also identify issues specific to their areas of responsibility that they believe the others need to be aware of and determine a path forward as to how the issue should be addressed or whether a specific meeting to discuss in greater detail is needed.
- The Deputy EDOs (DEDOs), Deputy CFO, and CIO (who is also a DEDO) all are members of the Program Review Committee (PRC). The PRC meets throughout the year to discuss planning, budgeting, and performance matters for all agency programs, including financial and information technology activities and issues. Typical meetings held each year include discussions of program priorities, planning assumptions and measures, mid-year resource reviews, common prioritization, budget request reviews, and scenario planning. The EDO and CFO attend the PRC meetings as time permits. When the EDO and CFO cannot attend a PRC meeting, the DEDOs, Deputy CFO, and CIO keep them apprised of meeting results.
- Monthly counterpart meetings are held between the Director, Division of Planning, Budget, and Analysis, OCFO and the Assistant for Operations (AO), Office of the Executive Director for Operations (OEDO). This meeting allows for discussion, planning, and coordination of future activities involving the EDO and CFO, as well as PRC activities.
- The EDO, DEDOs, CFO, Deputy CFO, CIO, and AO are all members of the Executive Committee on Internal Controls. This committee meets at least semiannually and focuses its discussions on agency control plans to mitigate risk inherent in allowing the civilian use of nuclear materials, as well as past performance.
- Semiannually, the EDO conducts a Senior Leadership Meeting (formerly called the Senior Management Meeting), which is attended by the EDO; DEDOs; CIO; AO; all office directors reporting to the EDO; regional administrators; CFO; Directors of the Offices of Congressional Affairs, General Counsel, International Programs, Public Affairs, and Secretary of the Commission; and the Executive Director, Advisory Committee on Reactor Safeguards/Advisory Committee on Nuclear Waste. This meeting provides a forum for the CFO and CIO to discuss the significant financial and information technology issues with nearly all agency senior managers.

Enclosure

- The Information Technology Senior Advisory Council (ITSAC) is established by the EDO in consultation with the CIO to provide a cross-agency senior management investment review body for establishing and making agency-level recommendations on funding and management of the NRC's IT capital investment portfolio. The ITSAC is chaired by the CIO and its members consist of office directors from major NRC offices, as well as technical advisors from OIS. The ITSAC establishes an agency-level IT/Information Management (IT/IM) Strategic Planning Group (ISPG) to produce the IT/IM Strategic Plan, which is reviewed and recommended by the ITSAC to the CIO for approval. The ITSAC serves as a forum for addressing agency-level IT initiatives and issues: setting the IT investment strategy for the agency; assuring a balance of programmatic and infrastructure IT support; reviewing, concurring, and prioritizing the IT investment portfolio provided by the ITBC and submitting it to the CIO; and, when requested by the CIO, serving as the executive review function for significant issues in the management control and evaluation phases of CPIC.
- The Information Technology Business Council (ITBC) is an advisory group established by, and reporting to, the CIO. The purpose of the ITBC is to provide recommendations on the selection of the agency's IT capital investment portfolio, based on NRC's business needs. The ITBC is composed of senior NRC managers who apply their knowledge of the agency's mission, business goals, and processes to direct the investment of IT and information management resources toward those projects that will make the greatest contribution to the mission and performance goals of the agency. ITBC representatives and alternates are appointed by Office directors from within their organizations, and specifically include representatives from the Office of the Executive Director for Operations (OEDO), Office of the Chief Financial Officer (OCFO), and the Office of Information Services (OIS).
- The Enterprise Architecture Review Board (EARB) is responsible for overseeing changes to a comprehensive agency EA in alignment with the strategic direction documented in the IT/IM Strategic Plan. The EA ensures the appropriate integration of mission-critical information systems through common standards and services, and provides flexibility in adapting to new business processes and technology. The EARB is chaired by the Chief Enterprise Architect. The EARB reviews and concurs on new and existing investments and recommends the agency's multi-year modernization Transition Plan to the ITBC.