

**WRITTEN TESTIMONY  
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**TO THE**

**COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS  
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT  
INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY  
UNITED STATES SENATE**

**IMPROVING FEDERAL PROGRAM MANAGEMENT USING PERFORMANCE  
INFORMATION**

**July 24, 2008**

Mr. Chairman and Members of the Subcommittee, it is an honor to appear before you today to share our approach for using performance information to improve management of U.S. Nuclear Regulatory Commission (NRC) Programs.

The mission of the NRC is to license and regulate the Nation's civilian use of byproduct, source, and special nuclear materials to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment.

On May 2, 2008, I was appointed as the NRC's Chief Financial Officer and Performance Improvement Officer. In that capacity, I lead agency budgeting, financial management, and performance management activities. Prior to this assignment, I served as the Director, Office of Nuclear Reactor Regulation, responsible for the reactor safety program, and Regional Administrator, Region III, where I was responsible for implementing NRC programs for reactor, materials and waste licensees in eight Midwestern states.

I am pleased that the Government Accountability Office recognized the NRC for the improvements in recent survey results regarding the agency use of performance information. In order to achieve these improved results, the NRC implemented a comprehensive performance management program and effectively communicated our use of performance information to all our stakeholders, both internal and external to the agency. I believe this is a result of the strong commitment by NRC Commissioners and senior management to continuous improvement; effective implementation of our Planning, Budgeting, and Performance Management process; and an existing atmosphere of openness with employees and external stakeholders concerning our successes and challenges. I also believe that the recent government-wide activities in response to Executive Order 13450, "Improving Government Program Performance," which established Performance Improvement Officers and the Performance Improvement Council, offer the potential for further improvement in NRC performance management.

## **Planning, Budgeting and Performance Management (PBPM) Process**

In response to the enactment of the Government Performance and Results Act, the NRC created its Planning, Budgeting, and Performance Management (PBPM) process in 1997, and we still follow this process today, although the methods we use to accomplish the components of the PBPM process have improved over the years. The PBPM process contains the following four components:

- Setting the Strategic Direction
- Determining Planned Accomplishments and Budgeting Resources
- Executing the Budget and Monitoring Performance
- Assessing Performance and Providing Feedback to Strategies and the Budget

As required by the GPRA, the NRC sets its strategic direction through use of a Strategic Plan developed with input from interested parties, including the NRC staff, external stakeholders, the Congress, and the public. We published our first Strategic Plan in 1997 and have updated the plan three times. Each update restructured our goals, outcomes, and strategies to strengthen and clarify their support of the agency mission. The NRC Strategic Plan for FY 2008-2013, published in February 2008, has been streamlined to focus on two strategic goals necessary to accomplish our mission:

Ensure adequate protection of public health and safety and the environment. (Safety Goal)

Ensure adequate protection in the secure use and management of radioactive materials. (Security Goal)

The current Strategic Plan also describes the NRC's Organizational Excellence Objectives of Openness, Effectiveness, and Operational Excellence, which characterize the manner in which the agency intends to achieve its Safety and Security Goals. It also describes the expected outcomes and strategies for accomplishing each goal as well as strategies for achieving the Organizational Excellence Objectives.

Using the Strategic Plan and performance assessment information from prior years, the NRC develops an annual budget, identifying the planned activities and resources necessary for accomplishment. This process begins with the Commission providing high-level planning objectives for budget development and prioritization of planned activities. Using these planning objectives, the NRC staff then develops the budget to accomplish the desired activities in a manner that develops a performance contract for key programs throughout the agency to complete planned activities on schedule within the allocated resources. This participation in budget development at multiple levels within the NRC encourages a staff commitment to complete the budgeted activities identified in the performance plan.

As part of the budget development, the staff also identifies measures and targets that go beyond those in the performance plan to identify expected performance in the areas of quantity, cost, quality, and timeliness of planned activity products. These measures are included in NRC organizational Operating Plans to establish clear expectations for staff performance. During the budget execution year, performance is monitored in key areas and reported to various levels of agency management up to the Deputy Executive Directors for Operations on a quarterly basis. Recently an agency working group completed a benchmarking project among NRC offices that captured the best practices within the agency for reporting performance. The recommendations

from this working group will significantly enhance the quality of performance information monitoring and reporting for each office's Operating Plan.

In addition to performance monitoring during the execution year, the NRC also conducts periodic assessments of its programs as part of the PBPM process. These assessments vary in complexity based on the importance of the program to the overall agency mission and consider inputs from several sources, including lessons learned activities, Congressional hearings, external appraisals, industry performance indicators, and external stakeholder surveys. Scheduled program evaluations are shown in the Strategic Plan approved by the Commission every 3 years and are used to improve the PBPM process. The most sophisticated program evaluations involve the Reactor Oversight Process (ROP) and Integrated Materials Performance Evaluation Program (IMPEP), for which stakeholder surveys, performance data, and detailed reviews of procedures and performance are integrated into an overall assessment and presented to the highest levels of the agency, including the Commission. The NRC has also initiated application of the Lean Six Sigma evaluation process to assess program and process performance more systematically. The Office of Management and Budget's (OMB's) Performance Assessment Rating Tool (PART) reviews also provide additional input to our overall program assessments. To date, six of the seven programs assessed have received the highest rating of "Effective", and one program received the second highest rating of "Moderately Effective". The NRC has developed specific actions to address the findings of the PART assessments and report on the action item status as part of the Performance Budget. The results of all these assessments are then collected and used to update the Strategic Plan and as input for out-year program budgets.

### **Staff Performance Accountability**

In addition to contributing to programmatic performance improvement, the NRC also uses performance information for individual performance evaluations and accountability. The Office of Personnel Management (OPM) guidance for Senior Executive Service (SES) Appraisals now requires that at least 60% of the appraisal be based on program performance. This guidance is being implemented beyond the SES. Individual performance plans for agency managers and staff include performance measures and targets for their responsible programs and activities that are aligned with the agency goals and outcomes. Performance is recognized and rewarded according to the achievement of these performance measures. NRC has also initiated assessments where offices are appraised on their contributions to the success of other offices. The results of these assessments are integrated with Operating Plan results to provide input to the individual SES member performance evaluations.

### **Communicating Performance**

As part of our efforts to be open and transparent, the NRC emphasizes communicating our performance plans and results to our internal and external stakeholders. It is important that agency performance be transparent to NRC managers, staff, and stakeholders so that successes and best practices can be communicated and that performance problems are identified and corrected. The Strategic Plan, Performance Budget, and the Performance and Accountability Report (PAR) are effective means of communicating to the Congress, OMB, NRC staff, and other stakeholders the strategic direction of the NRC and the resources and activities necessary to achieve the mission of the agency. Commission meetings concerning NRC Program Performance Reviews are some of our best attended public meetings, as are the licensee performance review public meetings near sites. NRC offices post their Quarterly Operating Plan results on their internal websites, routinely discuss performance results with staff

during the periodic meetings and in newsletters, and recognize the contributions of staff performance to the agency mission through the awards process.

As required by current law, the NRC also provides periodic reports to Congressional oversight committees on the status of selected licensing and regulatory activities. These reports generate added levels of focus and attention by the Commission, senior managers, and staff to key programs of greatest interest to Congress.

The Association of Government Accountants (AGA) and the Mercatus Center analyze and report on Federal agency PARs regarding performance results and clarity of understanding for the general public. Both organizations have prompted agencies to improve the reporting of performance and financial results. The NRC's FY 2007 PAR received the Certificate of Excellence in Accountability Reporting (CEAR) award for the 7th straight year from the AGA and a ranking of 4th out of 24 agencies by the Mercatus Center, which rates Federal agency PARs according to how well they inform the public.

## **Challenges**

While the NRC has made improvements in performance management, we recognize that we still face a number of challenges to manage our performance effectively.

The NRC has experienced a period of significant growth in the past few years due to the renewed interest in commercial nuclear power as a source to meet future electricity demands in the United States. This has resulted in agency reorganizations, human capital challenges, and implementation of new regulatory activities and processes throughout the agency. This growth and change has increased the complexity of performance monitoring by adding new programs, new organizational relationships, and an increased level of work within the agency. Performance monitoring and feedback to our programs and performance through the PBPM process will be even more important in the near future if we are to make gains in efficiency and effectiveness that we expect as we mature in this new environment.

The current system of performance monitoring and assessments that I described earlier is an extremely labor intensive process. We need to modernize the methods for accomplishing the PBPM process to utilize the latest information technology advancements. Improving our budget structure and integrating costing information with program performance in a timely manner will facilitate improved management decisions.

Our current performance metrics emphasize quantity and timeliness over quality because of the ease of measurement. Feedback on the quality of some NRC products is provided by our independent advisory committees, but they review a small subset of our work. Often quality problems are identified due to schedule delays because of the required rework and reanalysis to support the regulatory decision in an acceptable manner. We need to develop methods for more timely measurement of the quality performance of our programs.

## **Performance Improvement Council**

On November 13, 2007, the President issued Executive Order 13450, "Improving Government Program Performance", which states that it is the policy of the Federal government to spend taxpayer dollars effectively and to increase effectiveness each year. The Order directs each agency to appoint a Performance Improvement Officer (PIO) responsible for implementing agency performance improvement initiatives and for OMB to establish a Performance

Improvement Council (PIC) made up of agency PIOs. To date, I have participated in two PIC meetings and found them to be a valuable source for potential solutions to NRC performance management challenges. The PIC enables agencies to share best practices for improving the use of performance information. Presentations by other agencies on their experience with such subjects as Lean Six Sigma evaluations for staff relocation challenges and expeditious closeout of contracts offered me insights on dealing with these issues at the NRC. The recent survey by OMB of agency PIOs on key issues to be addressed may further improve the value of the PIC to government agencies.

## **Conclusion**

The progress made by the NRC in improving performance management through the use of performance information is the result of our continuous efforts to improve implementation of the Planning, Budgeting and Performance Management Process over a number of years and our commitment to openness with both our staff and external stakeholders including Congress and the public. There are still improvements to be made in this area, particularly with recent agency growth and advancements in information technology. I believe that continued improvements to our processes and performance are possible through effective benchmarking both within the NRC and from external input from the Congressional oversight, the OMB Performance Improvement Council, and public feedback.

I want to thank you again for allowing me the opportunity to address NRC use of performance information to improve our programs. I look forward to answering any questions you may have.