7. Nuclear Regulatory Commission

A large part of the NRC's authorized budget is defrayed by the collection of license fees as required by law. NRC recovers 90 percent of its budget less an appropriation from the Nuclear Waste Fund and other non-fee recoverable activities. The Nuclear Regulatory Commission (NRC) has had its MCA system for seven years. The champion is the Controller. The NRC does have an organization-wide statement clearly defining the objectives and uses of cost accounting. The MCA system they have is used for budget formulation and execution, performance measurement, and Exhibit 300[i] preparation. They are required to use cost accounting under Section 15 of the Code of Federal Regulations (CFR).

The cost accounting system has three modules: a labor distribution module, an obligation module, and labor and non-labor module. It uses financial data from the core financial system as well as labor data from the Time and Labor system and two Project Management Systems. NRC is using the Cost Accounting System (CAS) to assign or allocate to sub-sub-programs. Sub-sub-programs are then summarized to Programs. The system operator downloads data from the four other applications mentioned above. The CFO owns the system and the system operator and project officer are responsible for the accuracy and/or reliability of the data in the system. The system is updated biweekly and monthly by the operator. Because there is at this time no real-time interface with the core financial system, the time and labor system and other project management systems, manual intervention is required to download data (although once started it does take much time to complete). The NRC uses full costing and allocates employee and management time to programs as appropriate. Administrative costs are charged to a time activity code which is allocated to the major programs based on a cost driver. It is an Activity Based Costing system. Labor data reporting is completed by employees and turned in biweekly.

The NRC is focused on the analysis of financial management information to measure and improve performance. Cost accounting information is widely used throughout the organization. For example, cost accounting information is used to budget and track major programs and manage resources at the program office level. Reports are disseminated biweekly, monthly and quarterly in electronic format. NRC enjoys the support of top level management for its cost accounting system.

As for the project implementation practices, they did everything that is cited as a best practice, utilized pilot testing, used communication as described in question 24 and did a lot of training, during FY 2002 and early FY 2003. They used an interim period for experimentation. The NRC did get help from the OIG in the development and implementation process. The OIG provided input to ensure compliance with cost accounting standards. The OIG developed a Special Evaluation Report called *Best Practices in Implementing Managerial Cost Accounting*, which is cited in Appendix A under Helpful References. The Report described the best practices asked about in the AGA CPAG Questionnaire shown in Appendix B.

NRC uses cost information to evaluate managers and managers are rewarded for cost-effective approaches to problem solving. Senior managers are held accountable or rewarded for cost-effective performance. The system is periodically reviewed to make sure it is responsive to the organization's current needs. The last review was in March 2009. They learned that more managers and staff were using the data than had been expected.

Success Stories

- NRC uses the cost accounting system to budget and track costs for the High Level Waste program.

- For the past 7 years, the cost accounting system has provided data for the production of financial statements, upon which the NRC has obtained a clean opinion.

- The cost accounting system allows the NRC to capture costs allocable to internal software development for capitalization purposes.

- A recent survey showed that eighty percent of managers are using cost accounting data, more than they had expected, so it is perceived as being useful.

Challenges - Note that the challenges mentioned will be addressed by the new core financial system NRC is implementing by FY 2011. As a result of this effort the NRC has restructured the budget for 2011 to improve consistency between budgeting and cost accounting.

- The greatest challenge is in having managers and all users understand how the data is compiled and how it should be used.

- Obtaining sufficient staff resources to provide more training and operate the system.

- Producing timely data that is useful to managers. Providing timely data is dependent upon accurate updates from the time and labor system, the core financial system, and the two project management systems discussed previously.

Lessons Learned for Sharing

- Educate managers on the importance of cost accounting to gain buy-in. Users are the best marketing agents, if you can use people who are enthusiastic about the system, it helps tremendously.

- Periodically examine current business processes and make changes to the system as necessary to keep the data relevant. Let users tell you what needs fixing.

- Tie performance measurement more clearly to benefits as evidenced by the cost accounting system output.

---

[i] Capital Asset Plan and Business Case Summary, one of the requirements of OMB Circular No. A-11, Part 7, Planning, Budgeting, Acquisition and Management of Capital Assets, Executive Office of the President Office of Management and Budget, June 2008