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MEMORANDUM TO: Chairman Klein

FROM: Luis A. Reyes
Executive Director for Operations

SUBJECT: CHAIRMAN APPROVAL/REVIEW OF AN ACQUISITION FOR
CROSS-SERVICING OF NRC ACCOUNTS PAYABLE FUNCTION.

In accordance with the January 28, 2005, Delegation of Contractual Authority memorandum, you are requested to approve the project described in the draft Statement of Work (Enclosure 1) and to authorize the Chief Financial Officer to enter into the subject agreement. This project is an appropriate agency action conforming to Commission budget and program management decisions, and does not duplicate any other Nuclear Regulatory Commission (NRC) work.

~~Procurement Method: Interagency Agreement with the Department of the Interior National Business Center (DOI/NBC) under the Economy Act of 1932.~~

Procurement will transfer existing accounts payable functions from the NRC to the DOI/NBC.

Title: DOI/NBC Accounts Payable Services

Type of Action: Interagency Agreement under the Economy Act of 1932. Cross-servicing of accounts payable function will provide NRC most economic, timely, and efficient solution. The current in-house method of payments is not as cost effective as the cross-servicing option nor does it currently provide consistent prompt payment performance. DOI/NBC currently provides the NRC's core accounting system functions and executes the NRC's accounts

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receivable functions. DOI/NBC has current system access and familiarity with NRC business functions and processes. Additionally, DOI/NBC has over 20 years of experience in cross-servicing administrative services for Federal agencies and has approximately 20 current federal clients using DOI/NBC fiscal operations services similar to those required of the NRC. (See Enclosure 2: Determinations and Findings Statement for further information.)

Program/Contract

Background:

In the last five years, the NRC's contract support and travel budget has grown from \$247 million in Fiscal Year (FY) 2003 to \$422 million in FY 2008. While the additional resources equate to additional workload, the payments team has had minimal staff growth during this time period. As a result of this workload increase without commensurate resource growth, the Office of the Chief Financial Officer (OCFO) has needed to subsidize the budgeted staff with additional staff from other areas and with overtime. Even with the additional resources, the NRC cannot consistently meet performance targets, and there have been higher interest expenses for the agency. In order to handle continuing increases in work volume and to ensure consistent prompt pay performance and payment quality assurance, the NRC will either need to provide four more full-time equivalents (FTE) or use another entity for accounts payable activities.

In the interim, OCFO entered a two-month agreement beginning December 14, 2007, to cross service travel payments to DOI/NBC to accommodate the higher volume of work in that area and allow management to focus on commercial and government payments processing. After the initial investment and the eventual reassignments of current staff into funded positions, the OCFO estimates annual cost savings of \$600,000 by utilizing a cross-servicing arrangement for the identified services. These savings include allocated agency infrastructure (space, equipment, hiring and training costs, etc.). Without any allocated infrastructure, there would still be annual cost savings of approximately \$100,000. Based upon these lower costs as well as insufficient available staff, OCFO recommends cross-servicing of the accounts payable functions.

Description/Scope:

Full processing and payment of all NRC travel vouchers, commercial vendor invoices, purchase orders, intra-government payment and collections (IPAC) requests, and records management of these items. Additional financial operations services as required including completing contract-close out, and mailing tax Forms 1099- MISC to NRC to vendors and Relocation Income Tax

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Allowance packages to affected NRC staff. Also, provides one-time services to document the current NRC payment processes and functions

**Key Milestones/
Outputs:**

December 14, 2007 – Initial two-month interagency agreement with DOI/NBC to cross-service travel payments and document NRC travel processes.

January 1, 2008 – Transition travel payments from NRC to DOI/NBC

March 1, 2008 – Transition IPAC payments from NRC to DOI/NBC

May 1, 2008 – Transition commercial vendor payments from NRC to DOI/NBC

**Relationship of the
Work to the
Program's Goals and
Objectives:**

Work under this agreement falls under the Management Excellence strategic goal. Cross-servicing the described financial operations will provide economic benefits and efficiencies through economies of scale and DOI/NBC's greater breadth of experience in this area. Additionally, NRC will be able to consistently meet the Office of Management and Budget prescribed prompt pay metrics while avoiding interest penalty payments.

Period of Performance: December 14, 2007, through November 30, 2012. Agreement may be terminated by either party with 180 days notice. Original agreement is through February 29, 2008. This provided two-months of travel payment services to allow management to consider the full payment services proposal and to focus on prompt payment of commercial and government invoices.

Total Estimated Cost: \$5,285,000 - Under the Economy Act of 1932, Federal Agencies must collect all costs associated with providing support to another Federal agency. Costs will be based on actual volume and estimates will be revised when additional experience is gained.

**Estimated Cost By
Fiscal Year:** FY 2008: \$885,000
FY 2009: \$1,100,000
FY 2010 – FY 2012: \$1,100,000 annually

Budget Availability: In FY 2008 and FY 2009, there is a Headquarters' budget of \$450,000 and nine FTE for accounts payable services. In FY 2008, there is approximately \$150,000 of the original budget available to fund the cross-servicing agreements. The remaining unbudgeted funds are available without any impacts to other functions as a result of schedule changes in the core accounting system

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conversion contract and from changes in requirements for FY 2008 Federal Information Security Management Act activities. In FY 2009, OCFO will utilize the contract funds and OCFO will convert six FTE to contract dollars in the FY 2010 budget process to fund the cross-servicing agreement.

**Job Code, Program/
Planned Activity:**

N7152/ Financial Management/ Payment Services

**Organizational
Conflict of Interest
Disclosure:**

OCFO will consider all pertinent requirements associated with organizational conflicts of interest (OCOI) for this project, in accordance with the NRC requirements stated in Management Directive 11.8 "NRC Procedures for Placement and Monitoring of Work With Other Federal Agencies Other than DOE" (for Agreement with other Federal agency), and the Nuclear Regulatory Commission Acquisition Regulation, Subpart 2009.5, and will ensure compliance with OCOI requirements with regard to placement of the resulting agreement.

**Safeguarding of
Procurement
Sensitive Information:**

It is requested that all budget information concerning this project be guarded as official use only until after the agreement is awarded.

The Office of the General Counsel has reviewed this paper and has no legal objections.

The Office of the Chief Financial Officer has reviewed this paper for resource implications and concurs.

The Office of Administrative Services has reviewed this paper and has no objections.

Once this procurement has been approved by the Chairman, the Chairman will be notified of any subsequent significant changes, whether the changes occur prior to or after the award, or throughout the period of the contract.

The Chief Financial Officer requests your approval and authorization to enter into the subject agreement. If you or your staff desire, a briefing on the project will be provided.

Enclosures:

1. Draft Statement of Work
2. Determinations and Findings Statement

cc: Commissioner Jaczko
Commissioner Lyons
OGC
SECY
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