

U.S. Nuclear Regulatory Commission
Office of the Chief Financial Officer

Determinations and Findings

Job Code: N7152

Background: The Nuclear Regulatory Commission (NRC) is pursuing an interagency agreement with the Department of Interior's National Business Center (DOI/NBC) under the Economy Act of 1932, as amended. The agreement will provide cross-servicing of accounts payable functions to include travel, Intra-governmental and commercial payment services. This interagency agreement is in the best interest of the government for services which cannot be supplied as conveniently or economically from another private source.

The NRC is a small independent government agency responsible for licensing and regulating the civilian use of byproduct, source, and special nuclear materials. In FY 2007, the NRC had a budget of 3,434 full-time equivalents (FTE) and had a contract support and travel budget of \$352 million. The FY 2008 budget is 3,751 FTE and \$422 million with expected continued growth in FY 2009.

In FY 2008, the NRC has a Payment Services Team (PST) of nine NRC staff and six on-site contractors at NRC Headquarters in Rockville, Maryland to conduct accounts payable and related functions for commercial and interagency contracts/agreements and staff travel payment transactions. Additionally, three FTE in the NRC Regions are necessary to conduct travel voucher reviews prior to payment. The remaining payments of agency salaries and benefits are cross-serviced through an interagency agreement with the DOI/NBC.

In the last five years, the NRC's contract support and travel budget has grown from \$247 million in FY 2003 to \$422 million in FY 2008. While the additional resources equate to additional workload, the PST has had minimal staff growth during this time period. As a result of this workload increase without commensurate resource growth, the OCFO has needed to subsidize the budgeted staff on the PST with additional staff from other areas and with overtime. Even with the additional workers, the NRC cannot consistently meet payment performance targets, and there have been higher interest expenses for the agency.

Determinations and Findings: Use of an interagency agreement with DOI/NBC is in the best interest of the government, and the services can not be obtained as economically by contracting directly with a private source.

The NRC estimates annual cost savings of approximately \$600,000 for accounts payable functions through 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. The following table outlines annual NRC estimated in-house costs for the accounts payable functions to meet performance goals. This includes a four FTE increase in NRC headquarters staff for current operations to ensure payment performance targets are consistently met.

Annual Costs if In-house Accounts Payable (\$ in Thousands)	Rate	Total Costs
NRC Salaries for 13 HQ Staff and Team Leader	Varied	\$780
NRC Salaries for 3 Regional FTE	\$40/FTE	\$120
Fringe Benefits	24% of S&B	\$220
<i>Total Salaries and Fringe Benefits</i>		\$1,120
NRC Agency Overhead Estimate on Salaries and Benefits	70% of S&B	\$780
Contractor Costs for 6 Contractors	\$75 each	\$450
Total Annual Costs for In-House Accounts Payable		\$2,350

Additionally, DOI/NBC would perform payment internal control audit functions that are currently done by NRC. These audits occur every three years and offset NRC costs by approximately \$40,000.

The next table outlines cost estimates for cross servicing with DOI/NBC based upon discussions with DOI/NBC and current NRC and DOI/NBC cross-servicing agreements. Through business efficiencies, economies of scale, and best practices, OCFO estimates that overall DOI/NBC would require less FTE than NRC would need in-house to meet workload demand. Initially, the NRC will still need to retain three HQ FTE and approximately one Regional FTE in this area to oversee the contract, assist in problem resolution, and maintain policies in this area. It is likely that the number of necessary NRC staff in headquarters will be reduced after the transition as the NRC gains assurance that DOI/NBC fully understands the NRC accounts payable processes.

Annual Cost Estimates for Cross-Servicing (\$ in Thousands)	Rate	Total Costs
<i>DOI/NBC Costs</i>		
DOI/NBC Direct Hours for 11 staff	Varied	\$500
DOI/NBC Overhead (estimate used)	120%	\$600
<i>Total DOI/NBC Costs</i>		\$1,100
<i>NRC In-house Costs with cross-servicing</i>		
2 NRC Staff to Accounts Payable Functions and Processes	\$75/staff	\$150
1 NRC Project Manager	\$110	\$110
Regional FTE to provide travel support (1 FTE total)	\$50/FTE	\$50
Fringe Benefits	24%	\$75
<i>Total NRC Salaries and Benefits</i>		\$385
NRC Agency Overhead Estimate on Salaries and Benefits	70% of S&B	\$270
<i>Total NRC In-House Costs with cross-servicing</i>		\$655
Total Annual Cost Estimates for Cross-Servicing		\$1,755

There would also be one-time costs of approximately \$65,000 to initiate the transition and document NRC-specific processes.

OCFO in conjunction with the Office of Administration/Division of Contracts also evaluated the use of a commercial entity for accounts payable services. The following table outlines annual NRC estimated costs using a commercial entity. Costs were determined using the General Service Administration schedule for five accounting technicians in addition to six data entry staff.

Annual Cost Estimates for a Commercial Entity (\$ in Thousands)	Rate	Total Costs
<i>Commercial Entity Costs</i>		
Commercial Hours for 11 staff		\$578
Commercial Entity Overhead (estimate used)	120%	\$693
Total Commercial Entity Costs		\$1,270
<i>NRC In-house Costs with a Commercial Entity</i>		
2 NRC Staff to Accounts Payable Functions and Processes	\$75/staff	\$150
1 NRC Project Manager	\$110	\$110
Regional FTE to provide travel support (1 FTE total)	\$50/FTE	\$50
.5 NRC Contract Specialist	\$92/FTE	\$46
Fringe Benefits	24%	\$85
Total NRC Salaries and Benefits		\$441
NRC Agency Overhead Estimate on Salaries and Benefits	70% of S&B	\$309
Total NRC In-House Costs with a Commercial Entity		\$750
Annual Cost Estimates for a Commercial Entity		\$2,020

Commercial entity costs would exceed DOI/NBC costs by approximately \$265,000 annually for accounts payable functions. Additionally, a commercial entity would not have the same convenience as DOI/NBC since the NRC would have to provide accounting system access and significant NRC business training to an outside entity.

Six of the current staff will be reassigned to other teams in the OCFO, and full savings will occur after all reassigned employees are placed in funded positions. OCFO will expedite these savings, when feasible, through replacing encumbered positions with reassigned eligible staff as jobs are vacated.

Outside of these economic advantages of cross-servicing, the OCFO currently does not have the available staff to perform the accounts payable duties consistently at full performance standards or to meet increasing workload demands. As the agency is continuing to hire large numbers of staff for programmatic growth such as in the area of new reactors licensing, it would be difficult to hire support staff quickly and find space to accommodate them. Since accounting is not a principle recruiting area of the agency, it may also be difficult to attract a large number of quality candidates. A cross-servicing arrangement would relieve the NRC of the costs of hiring and training additional people to perform the accounts payable functions and would leave that responsibility with a group with expertise and an existing "pipeline" of hiring in the accounting area. Additionally, the NRC is expected to begin migrating to e-Travel in FY 2009. This migration will result in a need for less staff. To increase staff in the travel payments area at this time would be contrary to the future staffing plans. Finally, consistent with other Federal agencies, the NRC OCFO would like to strengthen its analysis and reporting capabilities. Cross-servicing transaction processing functions will allow management to focus more on developing these areas.

DOI/NBC has been selected by the Office of Management and Budget (OMB) as an approved service provider for Federal IT hosting and financial accounting services. DOI/NBC has more than 30 years experience providing financial system and accounting services to other Federal agencies and currently provides these services to approximately 18 Federal agencies and eight DOI bureaus. This level of experience is unmatched by any other Federal or private sector service provider. Approximately twenty of the DOI/NBC's current clients are receiving fiscal operations support, similar to

the accounts payable services the NRC is considering cross-servicing to the DOI/NBC. DOI/NBC's prompt payment performance statistics for FY 2007 demonstrate their ability to not only meet, but substantially exceed, payment performance targets.

As a Federal agency, DOI/NBC is clearly attuned to the specific requirements of the Federal government and keeps abreast of changes to laws and regulations that will impact and change the services and systems they provide. As a result, DOI/NBC has been responsive to NRC requirements and has provided excellent and reliable service to the NRC for more than five years. In addition, the NRC cut its operations and maintenance costs by more than half since migrating the core accounting system, FFS, to DOI/NBC. Our experience is that DOI/NBC achieves resource savings and operating efficiencies by delivering low-cost solutions to their customers and by sharing costs across their customer base when system and process changes become necessary to maintain compliance with changing Federal laws and regulations. DOI/NBC also reduces long-term operations and maintenance costs by sharing the cost of maintaining the IT infrastructure, conducting security reviews, performing required audits, and maintaining and testing a business continuity plan.

Since the NRC has an established business relationship with DOI/NBC, there will be substantially less risk and lower cost to have DOI/NBC provide the accounts payable services. In addition to core financial system hosting and operational support, DOI/NBC currently provides e-payroll services and financial reports development to the NRC. The NRC has also recently entered into an agreement with DOI/NBC to provide e-travel services and to perform the NRC accounts receivable functions. Using another service provider will result in the additional cost of creating a secure communications infrastructure from DOI/NBC to the provider location so the new provider could access the NRC accounting system, FFS, to post the accounts payable transactions.

DOI/NBC has developed a thorough understanding of NRC business processes and requirements through direct experience providing IT hosting and financial accounting services to the NRC. This will result in significant time savings during the transition of the accounts payable functions as DOI/NBC substantially understands NRC's operational and financial requirements. This will also substantially mitigate the potential performance and cost risks associated with choosing a new service provider.

Based upon these projected costs savings and the DOI/NBC's business experience, this interagency agreement is in the best interest of the government for services which cannot be supplied as conveniently or economically from another private source.

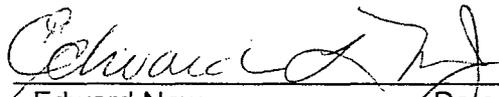
Authority: The Economy Act of 1932



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