



**UNITED STATES
NUCLEAR REGULATORY COMMISSION**
WASHINGTON, D.C. 20555-0001

**OFFICE OF THE
INSPECTOR GENERAL**

November 2, 2011

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

FROM: Stephen D. Dingbaum */RA/*
Assistant Inspector General for Audits

SUBJECT: STATUS OF RECOMMENDATIONS: GOVERNMENT
PERFORMANCE AND RESULTS ACT: REVIEW OF
FY 1999 PERFORMANCE REPORT (OIG-01-A-03)

REFERENCE: ASSISTANT FOR OPERATIONS, OEDO, MEMORANDUM
DATED OCTOBER 31, 2011 (ML11304A254)

Attached is the Office of the Inspector General's analysis and status of recommendations as discussed in the agency's response dated October 31, 2011. Recommendations 1 and 3 remain resolved. Recommendation 2 was closed previously. Please provide an updated status of the resolved recommendations by August 31, 2012.

If you have any questions or concerns, please contact me at 415-5915 or Kathleen Stetson, Team Leader, at 415-8175.

Attachments: As stated

cc: N. Mamish, OEDO
K. Brock, OEDO
J. Arildsen, OEDO
C. Jaegers, OEDO
M. Landau, OEDO
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Audit Report

GOVERNMENT PERFORMANCE AND RESULTS ACT: REVIEW OF FY 1999 PERFORMANCE REPORT

OIG-01-A-03

Status of Recommendations

Recommendation 1: Develop an NRC Management Directive to provide the management controls needed to ensure that NRC produces credible GPRA documents.

Agency Response

Dated October 31, 2011: As previously indicated, the recommendations are being addressed as part of the revision to MD and Handbook 4.7, "*NRC Long Range Planning, Programming and Budget Formulation [.]*" [The] Office of the Chief Financial Officer decided to modify the approach to the replacement of the MD and Handbook in order to improve policy communication, organization and achieve agency consensus on the policies covered. MD 4.7 will be replaced with three separate MDs: "*Strategic Planning Process*" (new); "*Budget Formulation*" (MD 4.7); and, "*Performance Management*" (new).

Responsibility for performance management and GPRA related activities was transferred to the Office of the Executive Director of Operations (OEDO), as approved by Chairman Jaczko, on March 18, 2011, (ML11080A042). This transfer of duties resulted in the transfer of the development of the MD on "*Performance Management*" to OEDO. OCFO maintains the responsibility for the development of the MDs for "*Strategic Planning Process,*" and "*Budget Formulation*" (MD 4.7).

The GPRA requires that an agency's strategic plan be updated for submission to the Congress and the President every three years. The GPRA Modernization Act of 2010 modified this requirement. The law requires an updated Strategic Plan be submitted to the President and Congress by February of the following year after a presidential election. The U.S. Nuclear Regulatory Commission (NRC) has developed a revised Strategic Plan for FY 2012 - 2016 to replace the agency's current FY 2008 – FY 2013 Version (NUREG-1614, Vol.4). The draft Strategic Plan has been provided to internal and external stakeholders for review and comment.

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Status of Recommendations

Recommendation 1 (cont.):

Following issuance of the NRC FY 2012 - 2016 Strategic Plan in February 2012, the staff will conduct an assessment of the update process and determine the requirements for an MD on the "Strategic Planning Process" in April 2012 to inform the next cycle.

Currently the revision to MD 4.7 is on hold due to consultation with the Chairman. The staff is currently in the process of conducting a Business Process Improvement (BPI) project on the Budget Formulation Process, which is expected to more clearly delineate the roles and responsibilities, standardize systems and processes, identify efficiencies, develop links between the budget process and the GPRA Modernization Act metrics, and capture lessons learned from the FY 2013 budget process. The OCFO is also seeking contractor assistance to conduct an external BPI on the agency's budget formulation process. The objective of the external BPI is to examine the NRC's annual budget formulation process and to identify enhancements and process changes in order to maximize efficiency and effectiveness and to identify best practices of other Federal agencies of similar size and organizational structure of their annual budget formulation processes. These two BPI efforts are expected to significantly modify practices and processes for the formulation of the FY 2014 and FY 2015 budgets. Accordingly, further revision to MD 4.7 will be needed to reflect the findings of the two BPIs, which are expected to be completed in the summer of 2012.

The NRC is in the process of revising Management Directive 4.4 "Internal Controls", and expects to issue the final version by the end of Fiscal Year 2012. MD 4.4 establishes and assigns responsibilities for controls and assurances over NRC programs and processes. The OCFO also issues agency guidance and instructions annually for completing GPRA documents, including establishing performance metrics and reporting on unmet goals.

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Status of Recommendations

Recommendation 1 (cont.):

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. OIG acknowledges that the responsibility for performance management and GPRA related activities and the planned MD on *Performance Management* were transferred to the OEDO. This recommendation will be closed when OIG receives a copy of the final relevant management directives that include management controls needed to ensure that NRC produces credible GPRA documents.

Status:

Resolved.

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Status of Recommendations

Recommendation 3: Include guidance on reporting unmet goals in both the Management Directive and the interim policy guidance on implementing GPRA initiatives.

Agency Response

Dated October 31, 2011: As previously indicated, the recommendations are being addressed as part of the revision to MD and Handbook 4.7, "*NRC Long Range Planning, Programming and Budget Formulation [.]*" [The] OCFO decided to modify the approach to the replacement of the MD and Handbook in order to improve policy communication, organization and achieve agency consensus on the policies covered. MD 4.7 will be replaced with three separate MDs: "*Strategic Planning Process*" (new); "*Budget Formulation*" (MD 4.7); and, "*Performance Management*" (new).

Responsibility for performance management and GPRA related activities was transferred to the OEDO, as approved by Chairman Jaczko, on March 18, 2011, (ML11080A042). This transfer of duties resulted in the transfer of the development of the MD on "*Performance Management*" to OEDO. OCFO maintains the responsibility for the development of the MDs for "*Strategic Planning Process,*" and "*Budget Formulation*" (MD 4.7).

The MD for "*Performance Management,*" including guidance for reporting on unmet metrics will be developed following completion of a formal "Business Process Improvement" (BPI) project, which is expected to eliminate unnecessary metrics, perform a "vertical slice" approach that involves both program and corporate metrics, and then conduct a broader study culminating an integrated performance management system. The BPI project is expected to be completed in the 3rd quarter of FY 2012, with issuance of the draft MD, "*Performance Management,*" in the 4th quarter of FY 2012.

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Status of Recommendations

Recommendation 3 (cont.):

OIG Analysis:

The proposed corrective action addresses the intent of OIG's recommendation. OIG acknowledges that the responsibility for performance management and GPRA related activities and the planned MD on *Performance Management* were transferred to the OEDO. This recommendation will be closed when OIG receives a copy of the final relevant management directives that include guidance on reporting unmet goals relative to implementation of GPRA initiatives.

Status:

Resolved.