

June 8, 2015

MEMORANDUM TO: Mark A. Satorius
Executive Director for Operations

Maureen E. Wylie
Chief Financial Officer

FROM: Annette L. Vietti-Cook, Secretary */RA/*

SUBJECT: STAFF REQUIREMENTS – SECY-15-0015 – PROJECT AIM
2020 REPORT AND RECOMMENDATIONS

The Commission commends the Project AIM team, the Guiding Coalition, and the staff members who participated in any of the outreach efforts related to Project AIM 2020 for their hard work and contributions to this report. By undertaking some of the Project AIM 2020 recommendations with strong leadership commitment and oversight, the agency will be better positioned to respond to challenges of 2020 and even beyond.

The staff should plan for an FTE ceiling of 3600 by the end of Fiscal Year 2016 so that the agency can begin the transition to the eventual target for 2020.

The NRC should always seek to achieve the highest standards of performance, but it must do so with a balanced perspective of the significance of the activity in the overall context of our regulatory responsibility and with the overarching objective to be focused on the right things while enhancing its ability to adjust to the changing environment by being more agile when it comes to supporting higher-priority work that arises.

The NRC should identify and consider additional opportunities to apply more broadly risk insights to enhance our decision-making beyond traditional technical issues. Decision-making that uses a graded approach should also be applied to determining priorities and the level of resources dedicated to our corporate and infrastructure programs.

The Executive Director for Operations (EDO) and the Chief Financial Officer (CFO) are accountable for the overall Project AIM 2020 implementation. However, NRC's senior leadership should consider its role in ensuring that Project AIM 2020 is successful before it looks to develop new processes while ensuring that the staff is engaged in this effort because it is important that they embrace and take ownership of the results of Project Aim 2020.

The EDO and CFO should develop and submit an overall implementation plan to the Commission for the approved recommendations, including how they will be sequenced and assigned. This plan should focus on implementation timeframes and metrics and ensure that it is feasible to execute each approved recommendation within the established schedule. The EDO should provide periodic updates to the Commission on the status of implementation.

The Commission has disapproved the National Academy of Public Administration suggestion that the NRC may be well-served by a Chief Risk Officer. The staff should consider whether the successful management of enterprise risk should be a factor/element in the annual performance evaluation of agency managers.

The Commission's direction to the staff and comments on the specific recommendations are provided below.

I. People

- I-1) Ensure the NRC has the right number of people with the right skills at the right time.**
- a) Develop a strategic workforce plan that ensures the NRC is positioned to have the right number of people with the right competencies at the right time.**

The Commission has approved the development of a Strategic Workforce Plan (SWP) that maps the current workforce to the projected future state of the agency workforce.

The staff should understand and apply lessons learned from the experiences with the previous SWP tool. The SWP should be a modest effort and not overly elaborate or burdensome that occurs in parallel with the implementation of other recommendations. The SWP tool should be sophisticated enough so that it can be used as needed to assess organizational health at the division, office and agency levels while setting a standard approach that can be easily deployed and managed by first-line supervisors and modified to meet the changing needs of their organization. Specifically, the SWP should include strategies for managing and minimizing staffing overages, skill gaps, and include the need to have staff in the right place, for example filling resident inspector and regional SES positions. Hiring managers should also work with the Office of the Chief Human Capital Officer to thoughtfully assess whether to fill vacancies as they are created by attrition.

In addition, the staff should continue to analyze the staff-to-management ratios and whether levels of management can be decreased when implementing each approved recommendation that contemplates the overall structure of a program or organization. Finally, the SWP should be dynamic, requiring updates as related items, such as the re-baselining, are completed.

- I-2) Enhance employee agility by reducing the time required to shift employees or their work assignments to meet the demands of a changing environment by the following:**
- a) Based on agency priorities developed in I-1.a., develop a plan to identify mission critical and/or safety-related positions considered most important for immediate needs analysis (based on criteria such as highest percentage of workforce characterized by the position or role, criticality of the job functions performed, amount of training dollars targeted toward positions, maturity of the qualification program, etc.).**
- b) Based on outcome of I-2.a., determine timeline for developing competency models for other agency occupations and functions.**

The Commission has approved implementation of the steps for I-2.a and b upon completion of recommendation I-1.a.

- I-3) Increase organizational agility and efficiency through focus on "One NRC" and on outcomes.**

- a) Develop or adopt an explicit NRC leadership model (or leadership philosophy) that builds on the agency's existing culture (Principles of Good Regulation, Organizational Values) and supports agility, to include empowering employees by promoting personal responsibility and accountability along with creative thinking, innovation, and informed risk-taking in all of our activities. Refine the NRC Organizational Values to incorporate those values necessary to support organizational agility or clarify that they are already included under the existing values.**

The Commission has disapproved recommendation I-3.a, and does not support the development of a separate NRC leadership model or modifying the NRC Organizational Values. Rather than developing a separate NRC leadership model, the Commission believes that effective decision-making can be achieved by focusing on the Principles of Good Regulation and the Organizational Values and the Behavior Matters campaign. Specifically, the staff should focus attention on those characteristics of the Principles of Good Regulation and Organizational Values that support empowerment and feeling a sense of personal responsibility and accountability through creative thinking, innovation, and informed risk-taking in all of our activities.

In addition, the staff should return to this concept and re-examine whether this concept is a separate undertaking or is an organizational outgrowth of progress on the other recommendations, and report to the Commission on whether this concept is, in the staff's view, still needed and if so, what form it would take.

- b) Explore greater reliance on centers of expertise to provide leadership, best practices, research, and support in particular focus areas across the agency. Currently, the NRC is utilizing centers of expertise across certain business lines in areas such as vendor oversight, electrical engineering, allegations, force on force inspections, and fire protection licensing reviews. Based on the evaluation, expand reliance by establishing additional centers of expertise.**

The Commission has approved the evaluation of the effectiveness of existing NRC Centers of Expertise (COE) to determine whether expansion of this organizational model will lead to greater effectiveness and efficiency in accomplishing the agency's mission.

The staff should provide the Commission, for its review and approval, an evaluation and recommendations related to COEs. The staff's evaluation should address the following:

- What additional specific centers of expertise the staff recommends, if any, and what office would house each center, the appropriate balance between staff, contractors, and Department of Energy laboratories as well as other outside laboratory or academic institutions and what efficiencies should be expected from the establishment of these centers of expertise.
- How these centers would avoid the "stove-piping" that the report identifies as a concern with the existing office structure.
- How the agency would avoid organizational complexity and confusion with the creation of additional centers of expertise.

- Use the lessons learned from the Transforming Assets into Business Solutions (TABS), including National Treasury Employees Union (NTEU) observations, the Office of Nuclear Materials Safety and Safeguards/Office of Federal and State Materials and Environmental Management Programs merger, and existing centers of expertise in its evaluation.

- c) Develop a transitional plan that describes the approach to conduct a merger of NRO and NRR at the appropriate time, along with any associated organizational changes in Region II. The plan will describe key criteria and factors that need to be considered, interim actions that will be undertaken as key milestones are achieved, and potential future events that could accelerate or decelerate the timing of the merger.**

The Commission has approved the recommendation for staff to develop a plan to conduct a merger of NRO and NRR, at the appropriate time. The plan is due to the Commission no later than 12 months from the date of issuance of this SRM, and will come to the Commission for its review and approval. The plan should include a business case for the merger, a description of the efficiencies achieved and any special challenges posed by a merger as well as how the staff intends to address any challenges. The staff's proposed timing for a merger should take into account the need to avoid any detrimental impact to the ongoing and projected work of each organization.

Separate from the merger plan, the staff should look at the agency broadly taking into account the re-baselining to ensure that the right work is being done in the most efficient and effective manner.

- d) Evaluate further consolidation of the regional materials program to determine whether further consolidation would be more efficient. The Materials Program for Regions I and II was successfully consolidated into Region I in 2006.**

The Commission has approved recommendation I-3.d. The staff should submit to the Commission a SECY paper with a specific consolidation plan prior to implementation. The staff should submit to the Commission a SECY paper assessing the pros and cons of further consolidation of the regional materials program. If further consolidation is recommended, the staff should provide the Commission, for its review and approval, a specific plan prior to implementation of any consolidation.

- e) Evaluate the corporate support functions in the regions to ensure they are appropriately resourced and identify if any savings can be reached through standardization or centralization of specific functions. The evaluation should reflect upon the lessons learned from the Transforming Assets into Business Solutions initiative.**

The Commission has approved recommendation I-3.e. This activity should consider comments from the NTEU, and lessons learned from the TABS initiative. This effort should be coordinated with implementation of any other corporate support efforts recommended by the Project AIM team and approved by the Commission.

II. Planning

II-1) Improve the Planning and Budget Formulation Process

- a) **Benchmark with other agencies and seek external validation from a third party to clearly define and justify overhead as well as identify the variable components of Corporate Support.**

The Commission acknowledged that the effort for II-1.a is underway and has approved its continuance. Carrying out this activity should involve both properly defining "corporate support" and actually reducing unnecessary agency overhead, however the term is ultimately defined.

- b) **Clarify agency priorities and use office and agency add/shed procedures to ensure effective and efficient use of the staff's time and resources.**

The Commission has approved recommendation II-1.b. The staff should develop a common prioritization process with a supporting add/shed procedure that integrates all work activities across the agency and includes external mandates. Efforts to improve the common prioritization process should begin immediately to inform decisions in the FY 2017 budget formulation process, to the maximum extent practical.

The staff should provide its Common Prioritization Rulemaking Plan with the annual budget for Commission review and approval.

- c) **Utilize foresight methods and stakeholder engagement to get a more informed estimate of the future to ensure the agency is prepared. This substrategy develops a process that would be implemented on an annual basis as part of the planning and budget formulation process and in support of the quadrennial revision of the Strategic Plan.**

The Commission has disapproved recommendation II-1.c. The staff should continue its current practice for receiving input from licensees and the industry on expected future workload to make projections on both a formal and informal basis to enhance resource decisions in formulating its budget. The staff should apply the lessons learned from the development of the Project Aim 2020 report regarding assessment of the external environment into the current strategic planning and budget processes.

II-2) Re-Baseline the work of the Agency

- a) **Conduct a review of the work performed across the agency and confirm the basis for the work (the requirement(s) that the work is intended to fulfill, whether it is required by law (including judicial mandates and regulations), or Commission direction). Work that is not required could be shed to help make the agency more lean and reduce future budgets. With the growth that occurred from FY 2005 through FY 2010, new activities may have been added to the agency's workload and budget that are no longer required or to a lesser degree. This activity would be performed by the staff, with assistance from an outside entity.**

The Commission has approved rebaselining the work of the agency.

This should be a one-time assessment that results in the Commission receiving, for its review and approval, a comprehensive list of activities that can be shed, de-prioritized, or performed with a less intense resource commitment. The rebaselining effort should be integrated with the effort to clarify agency priorities. This effort should begin as soon as practical.

This effort should not focus exclusively on whether there is a specific statutory requirement or Commission direction to perform a given task. The process should also consider what work is most critical to the safety and security mission of the agency and how the relevant NRC staff subject matter experts would prioritize this work consistent with the agency's mission, values, and the Principles of Good Regulation. If through this process, the staff finds that the agency expends resources on tasks that may no longer be necessary, but which the staff was previously directed to perform, the staff should propose changes for Commission review and approval along with a discussion of why the task was originally required and why it is no longer needed.

The Executive Director for Operations (EDO) should actively oversee the re-baselining and provide clear guidance to ensure a consistent and effective review.

The re-baselining is a critical effort and should involve Office Directors, Division level managers and staff in developing recommendations so that there is acceptance and ownership of the final result. This re-baselining should also ensure that the NRC performs those work activities necessary to fulfill its regulatory mission. The staff should submit its plan for conducting the re-baselining to the Commission. This should take the form of an information paper.

III. Process

III-1) Improve the transparency and simplify how the NRC calculates and accounts for fees, and improve the timeliness of when the NRC communicates fee changes. When the NRC published the 2014 Fee Rule, many commenters raised concerns regarding the lack of clarity in the work papers presented to justify fees. Identify the specific reasons for the stated fee changes and determine necessary changes to any future presentation and communication of fee changes to the industry. Also, assess alternative methods of allocating fees, including looking at whether flat fees should continue to be applied to materials licensees, and if the use of flat fees should be broadened to other NRC license categories, regulatory activities and applicants to provide a simple and predictable billing process.

The Commission has approved recommendation III-1 and notes that this effort is currently underway.

III-2) Improve licensing by conducting a business process improvement review of the operating reactor licensing process and make associated improvements to enhance the predictability, timeliness, and efficiency of the reviews, while ensuring and measuring the effectiveness and quality of the reviews.

The Commission has approved recommendation III-2. The conduct of a business process improvement (BPI) review of the operating reactor licensing process should be done on a schedule that does not affect the staff's ability to reduce the backlog of licensing actions. The Commission approved the staff proposal to delegate to the Director of NRR the decision-making about this activity – its timing, its scope, and the application of its results. Available lessons learned about how this backlog originated and how it was resolved should be incorporated into the review.

III-3) Improve processes by streamlining, standardizing, and clarifying roles and responsibilities:

- a) Evaluate and improve the acquisition process to clarify the roles and responsibilities of the Contract Officer Representative (COR), standardize processes, and improve quality and process time.**

- b) **Improve efficiency of processes by expanding the use of mobile information technology solutions across the agency.**
- c) **Eliminate multiple request systems and paper forms by developing and implementing a streamlined “One-Stop-Shop” solution for OIS and ADM requests for services and support. This strategy would identify, evaluate, and define the requirements for such a solution.**
- d) **Re-examine the processes and practices associated with the NRC’s assessment of the risks to its information systems in accordance with the Federal Information Security Management Act (FISMA).**

The Commission does not object to implementing the recommendations in III-3 as long as it does not impact implementation of the other approved recommendations. The staff should develop and implement process improvements that are within the staff’s authority, as appropriate. If something is crosscutting or has an agency-wide impact, the staff should seek the Commission’s review and approval in those cases. The staff should develop clear success criteria for these recommendations so that involved stakeholders can effectively support implementation and the agency can adequately measure whether the recommendation achieved its desired outcome. In all cases, the staff should keep the Commission informed of planned improvements, of successes, and of challenges encountered along the way.

cc: Chairman Burns
Commissioner Svinicki
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Office Directors, Regions, ACRS, ASLBP (via E-Mail)
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