

Assessment of Cost Reduction Recommendations, EY Report for AIM 2020

The recommendations in the Ernst and Young Report for Project Aim 2020 were captured in a template format and distributed to each of the corporate support offices (Office of Administration (ADM), Computer Security Office (CSO), Office of the Chief Financial Officer (OCFO), Office of the Chief Human Capital Officer (OCHCO), and Office of Information Services (OIS)). NRC staff found merit in each of the recommendations. Responses from the corporate support offices to address the cost reduction recommendations (eight in total), including actions being taken to improve process efficiencies, are as follows:

Recommendation 1: Page 2, OCFO

Conduct a cost-benefit analysis on outsourcing transactional mission support processes to identify and evaluate opportunities to reduce costs through the use of an external shared services provider.

Recommendation 2: Page 4, OCHCO, OCFO, OIS

Centralize financial management, IT, and human capital staff across NRC to increase the efficiency of and reduce the staffing requirements for these functions.

Recommendation 3: Page 7, ADM

Continue the initiative to train mid-grade personnel to manage several contracts as Contracting Officer's Representatives to reduce the total number of CORs & decrease workload for high graded personnel and establish a timeline for completion.

Recommendation 4: Page 9, OCFO

Centralize the budget execution function to increase the efficiency of and reduce the staffing requirements for the function and enhance analytical capabilities.

Recommendation 5: Page 10, CSO

Review the IT security function to identify opportunities to reduce IT security costs in alignment with NRC's risk profile and pursue cost effective opportunities.

Recommendation 6: Page 12, OIS

Continue the current initiative to consolidate data centers to reduce the costs of housing and maintaining servers in several locations.

Recommendation 7: Page 13, OIS

Consider additional approaches to IT cost savings (e.g., outsourcing data processing, cloud services) and identify approaches that reduce costs.

Recommendation 8: Page 14, ADM

Rationalize size and deployment of security staffing at NRC facilities (e.g., number of security checkpoints) to identify opportunities to reduce costs without decreasing effectiveness.

Cost Reduction Recommendation #1

General:

Conduct a cost-benefit analysis on outsourcing transactional mission support processes to identify and evaluate opportunities to reduce costs through the use of an external shared services provider. Specifically, find the opportunities where the benefits of outsourcing outweigh the costs.

Completion Criteria:

Conducted analysis on the impact on cost and other variables from outsourcing transactional mission support processes that are currently performed in-house. This should enable NRC to vet and decide which functions should be outsourced to generate cost reductions.

Potential Cost Impact:

Medium

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

Transitioning accounting transactional mission support processes to a Federal shared service provider (SSP) is expected to provide a greater yield in cost savings over commercial contractor support or performing these functions in-house. OCFO will be able to provide better cost analysis as part of negotiations with the SSPs.

OCFO has contacted the four Federal SSPs and is developing plans to transfer Accounts Payables for contracts, interagency agreements, grants, and travel payments; Accounts Receivables for processing collections and management of delinquent debt; and processing and certifying daily Treasury payment schedules.

In addition, OCFO is pursuing automating two manual, paper processes. The first is the contractor invoice receipt and approval process. This is a required function of the Federal SSPs. The second is automating the license fee billing process to produce the fee bills and transmit them to licensees electronically. OCFO is not considering outsourcing the license fee billing process at this time due to its unique and complicated processes.

OCFO and ADM have met with the Department of Treasury (sponsor of the SSP program) and the four Federal SSPs and discussed NRC needs. We have work closely with ADM and developed the Strategic Sourcing Paper which is needed to obtain approval from the NRC's contracting process for contracts over \$1M. This project is on hold until the agency can implement electronic invoicing. OCFO will use Treasury's Integrated Payment Platform (IPP) for electronic invoicing. The shared service providers require use of the IPP; they do not want

to take over NRC's manual process because it would not be cost effective. In order to use the IPP, OCFO will need to upgrade the core accounting system. Funding for this upgrade and implementation of IPP was provided in shortfall funding and is scheduled to begin in this quarter (quarter 4 FY 2015) with completion in quarter 2 of FY 2016. Implementation of IPP is expected to be completed in quarter 4 of FY 2016. At that time, OCFO will work with Treasury on configuring IPP for use by NRC and developing the associated business processes which be ready to implement in FY 2018.

During FY 2016, OCFO would like to pursue implementing Treasury's eBilling to automate fee billing. Currently, this project is not funded.

Cost Reduction Recommendation #2

General:

Centralize financial management, IT, and human capital staff across NRC to increase the efficiency of and reduce the staffing requirements for these functions.

Completion Criteria:

Consolidated financial management, IT and, human capital staff into their respective centralized organizational units.

Potential Cost Impact:

High

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

Human Capital

The Office of the Chief Human Capital Officer (OCHCO) has been proactive in centralizing the human capital functions in order to gain efficiencies. These specific functions include:

- Intergovernmental Personnel Agreements
- Organizational and Human Capital Management
- Performance Appraisal & Award Tool
- Nuclear Safety Professional Development Program Coordination
- Recruitment
- Rehired Annuitant Processing
- Rotations/Solicitations of Interest
- Staffing Plan Application
- Technical HR Support and Consulting
- Telework
- External Training

OCHCO is currently co-leading an agency-wide effort to assess opportunities to centralize into HQ additional corporate functions currently conducted in the Regional Offices. This effort is in its early stages but may yield additional functional areas that can be added to the above list.

Financial Management

No further clarification is required for centralization of financial management functions. Centralization of budget formulation and travel authorization and funds certification has already been implemented for Headquarters offices.

Currently, there are actions being taken or planned to be taken in the near-term to address this recommendation. Recommendation 1 provides planned actions to move OCFO financial transactional mission support processes to a Federal Shared Service Provider, including the automation of two manual process to support that effort.

Recommendations 4 describes plans to centralize the authorization and funds certification of regional travel in OCFO in the Central Allowance.

In addition, OCFO is in the process of centralizing the agency's time and labor (T&L) coordination function. The office is designing and plans to implement strategies that establish policies and procedures to: centralize the control of cost activity code (CACs) setup (formally TACs and moving forward CACs), standardize and link CACs to specific tasks, implement internal controls to improve CAC validation, and centralize labor reporting and training.

Further financial management centralization, including the allowance financial management and funds certification functions should be addressed after the Project AIM evaluation of the corporate support functions in the regions.

Movement to a Federal Shared Service Provider for financial management functions is currently projected to be in FY 2018. Recommendation 1 contains the details on the necessary preparatory work that needs to be accomplished in order to outsource these functions.

The FY 2017 budget proposal provides for the centralization of authorization and funds certification of regional travel in OCFO beginning in FY 2017. Recommendation 4 provides more information on this.

Effective FY 2016, OCFO will centralize the Cost Accountability Program (CAP) and implement Phase 1 of the Cost Accountability Management Program (CAMP) project. In this phase, governances will be established; guidance, policy, and procedures will be issued; and training will be provided to employees. In addition, a new reporting structure and new CACs will be established for non-fee billable activities. Phase 2 will focus on the agency's fee billable work activities and standardization of fee billable CACs and is targeted for implementation in October 2016. During FY 2016, OCFO will evaluate labor reporting needs and solutions with existing solutions. A long-term reporting solution will be implemented during FY 2017.

IT

The NRC agrees that centralization of IT staff and services across the agency may increase the efficiency of some functions and potentially reduce the agency's overall service budget and staffing requirements. The NRC initiated, during the FY16 and 17 budget formulation process, efforts to centralize all IT funds into an Agency-wide portfolio. The IT portfolio established

budget priorities across the agency and developed prioritized short-lists should shortfall funds become available. All future budget formulations will be based on this centralized portfolio structure. However, the agency has considered and for the moment deferred decisions related to the adoption of full centralization of all IT resources. The agency has started to review opportunities to consolidate/centralize corporate IT services from the regional offices which are deemed as overhead. The agency will address realignment of all IT functions (program business IT activities that are not considered overhead) during its review under Project AIM. A component of that realignment will include the determination of the alignment of IT resources and the possible consolidation of those resources into a centralized environment.

Cost Reduction Recommendation #3

Acquisition:

Continue initiative to train mid-grade personnel to manage several contracts as Contracting Officer's Representatives (COR) to reduce the total number of CORs and decrease workload for high graded personnel and establish a timeline for completion.

Completion Criteria:

Increased ratio of contracts to CORs and decreased average grade of employees

Potential Cost Impact:

Medium

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

This is being considered as part of the Contracting Officer Representative (COR) Process Standardization Initiative (CPSI). The primary objective of this initiative is to standardize acquisition and financial management-related office activities across the NRC, particularly as they relate to CORs. The significance of a COR's function should not be underestimated. Simply put, the COR ensures that the contractor provides the agency with what was purchased in support of mission work. The COR ensures that the NRC receives the good/service needed within the required timeframe and at the agreed upon cost, based on their knowledge of the contract agreement they oversee.

The Federal Acquisition Regulation (FAR) Subpart 1.6 states that the Contracting Officer (CO), a warranted Federal employee with authority to obligate the government, is responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. The FAR further states that, "a COR assists in the technical monitoring or administration of a contract. The COR shall maintain a file for each assigned contract" and is designated by the CO in writing. There is separation of duties between these parties to ensure that there are internal controls, or checks and balances. The requiring office is normally the end user(s) of the goods or services. The requiring office budgets for and makes funding available for a bona fide need, is most familiar with the requirement and as such, is normally responsible for developing the technical requirements of the acquisition, participating in selection of the contractor, and monitoring the technical aspects of contract performance.

The COR is the technical professional located within the requiring office, and assigned by that office to successfully accomplish a requirement for that office, within the necessary timeframe and within the office's budget. Therefore, the determination of who is assigned this role and

their associated grade level rests within the requiring office itself. Furthermore, a COR is accountable to: the American taxpayer to ensure the proper use of funds to advance the agency's mission; his/her management to accomplish the objectives of the project; the CO in ensuring proper oversight of contractor performance; and acquisition laws and regulations to ensure the avoidance of waste, fraud, and abuse in acquisition actions.

As with any efforts intending to bring greater standardization and shared understanding, the CPSI effort will provide a framework of standard COR activities and the required actions for executing those activities. Over time, offices have developed particular preferences for their individual internal controls, the levels of approvals, reporting and accounting for COR activities, and roles and responsibilities. While these preferences are over and above what is required, tradeoffs are made between meeting the basic requirements of the framework and the reductions in efficiencies of adding steps, cycles, and more approvals. Aspects of this issue have already been addressed as part of the CPSI Integrated Project Team's working sessions and these will be addressed in the resultant CPSI Report.

Beginning in August 2015, ADM provided the schedule below to the Project Aim 2020 Team as a monthly status report with updates on activities associated with the CPSI. Next steps include:

Action/Milestones	Start Date	End Date	Status
1 Conduct a high-level review of current program office processes and business needs, an analysis of these processes to better define expectations of the offices as it relates to the agency's fiduciary responsibilities, data needs, inputs and outputs, and identify potential solutions to systemic COR issues/concerns throughout the process	4/29/15	7/29/15	Complete
2 Prioritize solution options and develop draft recommendations for COR responsibilities and issue solutions	8/1/15	9/1/15	In Process
3 Conduct informational briefings on recommendations to Offices/Partners	9/1/15	9/25/15	
4 Finalize solutions and issue Memorandum to OEDO with COR Process Standardization Initiative (CPSI) Recommendations Report to OEDO	9/4/15	10/1/15	

Outcome/Metric
1 Approval of CPSI Charter
2 Defined COR Roles & Responsibilities
3 Recommended Standardization of COR-Related Activities
4 Recommended Procedural Efficiencies

Cost Reduction Recommendation #4

Financial Management:

Centralize the budget execution function to increase the efficiency of and reduce the staffing requirements for the function and enhance analytical capabilities.

Completion Criteria:

Centralized budget execution function at the enterprise level

Potential Cost Impact:

High

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

Centralization of some budget execution functions would result in greater standardization and budget compliance and cost savings. Further clarification is not needed.

There currently are initiatives underway to consolidate budget execution. In the FY 2017 budget proposal, the authorization and funds certification of regional travel will be centralized in OCFO in the Central Allowance. This is expected to be an easy transition as this function is already centralized for the HQ offices. An FTE saving of 4 in the regions would be offset by an increase of 1 FTE for the Central Allowance.

As part of Project AIM, the Commission approved an evaluation of 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. Further plans to centralize budget execution functions in the regions should be considered after the results of the Project AIM evaluation of regional corporate support are finalized.

One area of budget execution that could be considered in the future is to centralize, in the Central Allowance or at the business line leads, the allowance financial management function, including funds certification.

During FY 2016, OCFO will prepare and work with the regions on transitioning the travel authorization and funds certification to OCFO at the beginning of FY 2017.

Further centralization of the allowance financial management function should be considered after the implementation of the Project AIM evaluation. This centralization should be considered as part of development of the FY 2019 budget proposal.

Cost Reduction Recommendation #5

Information Technology:

Review the IT security function to identify opportunities to reduce IT security costs in alignment with NRC's risk profile and pursue cost effective opportunities.

Completion Criteria:

Conducted an analysis on the cost effectiveness of the IT security function and identified opportunities to reduce and align IT security costs to NRC's risk profile. This should enable NRC to develop and implement a roadmap to generate identified cost reductions.

Potential Cost Impact:

High

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

The staff agrees with efforts to improve the efficiency and effectiveness of the agency's information technology program to include the information security component. The agency is committed to continuously review current processes and functions to find ways to improve efficiency. The following are just a few recent initiatives to streamline processes and reduce cost:

- Promoted the use of inherited controls among shared infrastructure, such as moving the RIC Content Management System within the Business Applications Support System (BASS) boundary – improving security posture and reducing costs.
- Promoted the consolidation of similar system environments into one system boundary, such as supporting the regions becoming one system authorization boundary with Region III as the system owner—reducing costs.
- Implemented a new Plan of Action and Milestone (POA&M) process, which eliminated the need for system owners to track and mitigate low risk vulnerabilities identified through various assessments—reducing burden to the system owners and other information security professionals.
- Heightened the use of the agency's cybersecurity risk dashboard to provide offices with day-to-day cybersecurity status of their environment—improving agency cybersecurity awareness and highlighting the priority of essential mitigation strategies.

The Computer Security Office (CSO) was tasked to perform a review of cybersecurity best practices and lessons learned in order to improve processes by streamlining, standardizing and clarifying roles and responsibilities. As part of the Project AIM report, the Commission and the

Office of Executive Director for Operations (OEDO) specifically requested that CSO 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). In response to the requests, CSO started a project that partners the agency with multiple federal entities to perform a review of cybersecurity best practices and lessons learned in the area of services and FISMA program management processes. CSO estimates completion of the summary of the best practices report by October 23, 2015. CSO also believes this report will help support further analysis on the cost effectiveness of the IT security function and possibly identify opportunities to reduce and align costs to the agency's risk profile. After completion of the report, CSO will share results and outline next steps. CSO may request additional funding to address the recommendations in the best practices report or other required cybersecurity activities. The estimated completion date of further analysis is expect by quarter 3 of FY 2016.

Cost Reduction Recommendation #6

Information Technology:

Continue current initiative to consolidate data centers to reduce the costs of housing and maintaining servers in several locations.

Completion Criteria:

Reduced the number of data centers to two (2).

Potential Cost Impact:

High

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

There is the potential for longer term savings related to Data Center Consolidation through the modernization and standardization of hosting solutions including cloud services. NRC is in process of consolidating data centers at their headquarters location and is in the preliminary phases of the regional data center consolidation effort in accordance with the standards set forth by the Office of Management and Budget and the Federal Data Center Consolidation Initiative (FDCCI).

A virtualized data center environment has been implemented in NRCs core data center to provide a standardized hosting environment. Closure and consolidation of data centers at the NRC headquarters location is currently underway. Two NRC data centers were closed during FY 2015. One additional data center at headquarters will be closed by September 2016. These data centers have been consolidated into the NRC core data center. A high-level assessment regarding the consolidation of 4 additional data centers located in NRC regional offices and the technical training center has been performed. A more detailed assessment to determine if it is feasible to consolidate these data centers will be performed during quarter 1 FY 2016.

NRC is currently on track to close one data center at headquarters in FY 2016 and to provide a more detailed assessment regarding regional data center consolidation during quarter 1 FY 2016.

Cost Reduction Recommendation #7

Information Technology:

Consider additional approaches to IT cost savings (e.g. outsourcing data processing, cloud services) and identify approaches that reduce costs.

Completion Criteria:

Conducted an analysis on additional IT cost savings opportunities. This should enable NRC to develop and implement a roadmap to generate identified cost reductions.

Potential Cost Impact:

High

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

The NRC agrees with the overall objective of this recommendation. The NRC has already taken steps to improve IT governance practices and fiscal IT planning process since FY2014 to make sure IT aligns to the mission and vision of the agency along with identifying areas of duplicative IT investments within the corporate support and mission space. On-going improvements are expected in FY 2016.

The NRC continues to standardize, centralize and enhance IT planning efforts and processes for agency wide IT cost savings and budget formulation, to include short fall prioritization. Through enhanced planning and IT governance processes, the NRC expects ongoing cost savings and improvements. In FY 2015, the NRC started to institutionalize IT policy within IT governance and planning in the budgeting space. The NRC is on target to implement these policies by quarter 2 FY 2016.

To standardize and centralize IT planning policies, the NRC is currently building out streamlined processes and working with the IT Governance boards. Expected implementation dates are quarter 1 FY 2016 with continued enhancements as needed.

NRC is currently enhancing the IT governance processes to allow for a more streamlined approach. Expected implementation dates are quarter 1 FY 2016 with continued enhancements as needed.

Cost Reduction Recommendation #8

Real Property:

Rationalize size and deployment of security staffing at NRC facilities (e.g., number of security checkpoints) to identify opportunities to reduce costs without decreasing effectiveness.

Completion Criteria:

Conducted an analysis on the value of the size and deployment of security staff. This should enable NRC to develop and implement a roadmap to generate identified cost reductions.

Potential Cost Impact:

Medium

Considering the cost reduction recommendation, completion criteria and potential cost impact identified above, staff's assessment is as follows:

The staff agrees with this recommendation.

Notwithstanding the recommendation to reduce overall security costs, the paramount objective is to ensure the safety and security of the NRC's facilities and staff and meet Federal requirements for the protection of classified information. The recent consolidation of the agency to the One White Flint North (OWFN) and Two White Flint North (TWFN) buildings from Three White Flint North (3WFN) has reduced both the physical and employee footprint. As a result of this consolidation, the staff is reviewing the smaller footprint to determine if additional reductions of existing security measures, including reducing the number of security officers, could be implemented.

On an ongoing basis, the staff reviews the size and deployment of security staffing at NRC facilities (e.g., number of security checkpoints) to identify opportunities to reduce costs without decreasing effectiveness of security at the facilities. As a result of these ongoing facility security reviews, the staff has already implemented several reductions to the size and deployment of the security staffing. For example, several guard posts around the OWFN and TWFN buildings were consolidated, and access points to the two buildings were reduced to enhance facility security, resulting in the reduction of several guard posts (each guard post equates to a reduction of about three guards each due to scheduling considerations). Other guard posts were relocated to facilitate the changing physical and threat environment.

In addition, as a result of the consolidation of the White Flint Campus and relinquishing of eight floors in 3WFN to the U.S. Food and Drug Administration (FDA), the NRC and FDA security organizations conducted an analysis of the existing security measures and identified numerous changes that could be made to reduce costs and not increase risk to either agency. The results of the analysis was shared with FDA and the Federal Protective Service (FPS) Contracting

Officer for the purposes of instituting contractual changes and agreed upon by all. Below is a timeline outlining milestones to achieve additional cost saving goals.

NRC Milestones	Completion Date	Status
Office of Administration (ADM) conducted assessment	May 22, 2015	Completed
Provide recommendations to ADM management	May 27, 2015	Completed
Dialog with FDA regarding analysis and recommendations	June 19, 2015	Completed
Dialog with FPS and FDA regarding possible changes and process	June 19, 2015	Completed
Follow-on dialog with FPS regarding possible changes	July 10, 2015	Completed
Final changes to FPS	July 31, 2015	In progress
Letter to FDA documenting agreed upon changes	August 31, 2015	In progress
Guard force contract modification issued (FPS action)	September 18, 2015	Not started
3WFN guard force changes effective	October 5, 2015	Not started

The staff will continue to conduct periodic reviews of the security staffing at NRC facilities to identify opportunities to gain efficiencies which may include reducing costs while ensuring the safety and security of the facilities, staff, and the protection of classified information.

Currently, the agency plans to install security revolving doors in the front of the TWFN building in the fall (CY 2015). This scheduled installation may allow the agency to reduce further the number of security officers.

For the 3WFN building, final changes to the FPS contract were submitted by the NRC on July 31, 2015. These changes will be put into a contract modification that will be effective beginning October 1, 2015. The anticipated savings for the NRC portion of security officer costs will be approximately \$370,000 per year.