



DEFENSE NUCLEAR FACILITIES

SAFETY BOARD

WASHINGTON, D.C. 20004-2901

OFFICE OF THE
INSPECTOR GENERAL

October 1, 2015

MEMORANDUM TO: Chairman Connery

FROM: Hubert T. Bell */RA/*
Inspector General

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE MOST
SERIOUS MANAGEMENT AND PERFORMANCE
CHALLENGES FACING THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD (DNFSB-16-A-01)

In accordance with the Reports Consolidation Act of 2000, I am providing what I consider to be the most serious management and performance challenges facing the Defense Nuclear Facilities Safety Board (DNFSB) in FY 2016.

INTRODUCTION

The Consolidated Appropriations Act, 2014, provided that notwithstanding any other provision of law, the Inspector General (IG) of the Nuclear Regulatory Commission (NRC) is authorized in 2014 and subsequent years to exercise the same authorities with respect to DNFSB, as determined by the NRC IG, as the IG exercises under the IG Act of 1978 (5 U.S.C. App.) with respect to NRC.

BACKGROUND

DNFSB is an independent organization within the executive branch chartered with the responsibility of providing recommendations and advice to the President and the Secretary of Energy regarding public health and safety issues at Department of Energy defense nuclear facilities. In operation since October 1989, DNFSB reviews and evaluates the content and implementation of health and safety standards, as well as other requirements, relating to the design, construction, operation, and decommissioning of the Department of Energy's defense nuclear facilities.

DNFSB is supported by approximately 110 technical and administrative staff personnel and an annual budget of approximately \$29 million. DNFSB's enabling legislation authorized a staff of up to 150 personnel in FY 2015.

MANAGEMENT AND PERFORMANCE CHALLENGES

The FY 2016 management and performance challenges are related to DNFSB's organizational culture and climate, security, human capital and internal controls. Our work in these areas indicates that program improvements are needed and DNFSB is responding positively to recommendations to improve the efficiency and effectiveness of its programs. The FY 2016 management and performance challenges are as follows:

1. Organizational culture and climate.
2. Management of security over internal infrastructure (personnel, physical and cyber security) and nuclear security.
3. Human capital management.
4. Internal controls for technical and administrative/financial programs.

These challenges represent what the NRC Office of the Inspector General (OIG) considers to be inherent and immediate program challenges relative to maintaining effective and efficient oversight and internal management controls. As a result, some are likely to remain challenges from year to year; others may be removed from the list as progress is made toward resolution. Challenges do not necessarily equate to problems.

Attached is a brief synopsis of each management and performance challenge along with summaries of OIG reports and planned work that has informed and will inform our assessment of DNFSB's progress in meeting the challenges. A complete list of reports can be found at <http://www.nrc.gov/reading-rm/doc-collections/insp-gen/>.

1. Organizational culture and climate.

To perform with optimum efficiency and effectiveness, DNFSB must have effective leadership, be able to recruit and retain competent staff (addressed in this report under the human capital management challenge), communicate effectively with and empower its staff, and effectively manage the processes and procedures that continually evolve in a dynamic organization (change management). DNFSB is experiencing challenges related to these areas, particularly change management.

Recognized management best practices emphasize change management as entailing thoughtful planning, sensitive implementation of change, and consultation with and involvement of the people affected by the changes. Without an effective change management program, challenges with coordination, communication, and other barriers to change can impede change and reduce the success of the change effort.

DNFSB's FY 2014 Federal Employee Viewpoint Survey results showed a need to improve staff views of leadership and leadership honesty and integrity, management performance (office directors), policies supporting diversity, and job-relevant skills and knowledge. Furthermore, OIG's FY 2014 DNFSB Culture and Climate Survey results highlighted a number of concerns about DNFSB's organizational culture and climate, including change management.

Key culture and climate challenges for DNFSB include the following:

- Ensure that organizational communication and change management contribute to a pervasive sense of organizational stability.
- Ensure that policies and procedures are enforced and kept current.

The following synopses are examples of organization culture and climate work that OIG completed at DNFSB in FY 2015 and will complete in FY 2016.

DNFSB Culture and Climate Survey
DNFSB-15-A-06, September 2, 2015

In the Spring of 2015, Towers Watson assisted the OIG in assessing DNFSB's culture and climate. OIG commissioned Towers Watson to conduct a survey to evaluate the current culture and climate of DNFSB and facilitate identification of the organization's strengths and opportunities for improvement, as it continues to experience significant challenges.

The DNFSB Culture and Climate Survey was administered from March 30th – April 10th, 2015. All permanent DNFSB staff and managers were eligible to participate. Of the 107 employees asked to participate, 79 completed surveys, for an overall return rate of 74 percent. This return rate is on par with Towers Watson's global return rate of 75 percent and is a great first year percentage, being sufficient to provide a reliable and valid measure of the current attitudes and perceptions of DNFSB staff and managers. As a first year survey, the results of this study allow for a baseline measure that DNFSB can use as a benchmark to understand if progress is being made against these initiatives.

Survey Results:

Results show that DNFSB's culture and climate need substantial improvement. Although overall, employees are perceived to be engaged with their job and to feel they have the opportunity to make an impact, learn and grow, and have work/life balance, the survey found

- Employees lack a sense of pride in DNFSB and personal accomplishment in their work.
- Many employees feel they lack the right tools and resources.
- Thirty-eight percent of employees say they plan to leave DNFSB in the next year.
- Employees perceive that DNFSB is not attracting and retaining the right talent.

In addition, communication is a consistent theme related to both DNFSB Board Members and senior leadership. Employees desire a change in the timeliness and tone of communications. Specifically, employees want more information about changes, decisions, how decisions are made, and how decisions/changes relate to the organization's mission.

Results also show that improvements can be made in the areas of respectfulness and professionalism in the organization. Specifically, both for employees respecting leaders as well as senior leaders treating staff with more respect. Along with that, scores for effective operating procedures and employees having the necessary tools and resources to perform their jobs are quite low and suggest that further attention should be placed on these areas as well.

Lastly, where comparisons exist, results are generally better than in the 2014 Federal Employee Viewpoint survey, especially for issues rated to the quality of work, cooperation, empowerment, and training.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1524/ML15245A515.pdf>.

Change Management – To Be Initiated In FY 2016

Change management consists of the processes, tools, and techniques for managing change. Change management is frequently used in private industry and government organizations to facilitate and monitor implementation of a major change. Most change processes contain three phases that respectively address (1) preparing for change, (2) managing change, and (3) reinforcing change.

Change management is typically applied in a graded approach with more structure, oversight, and effort for more significant and potentially difficult changes. It has proven effective in implementing technical system changes, such as new software systems for recording time and attendance, as well as organizational changes, such as the establishment of new offices.

DNFSB's ability to effectively manage organizational, technical, and procedural change is a critical performance characteristic which can significantly affect DNFSB's ability to successfully carry out its mission.

The audit objective will be to assess the efficiency and effectiveness of DNFSB's management of change.

2. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

DNFSB must take appropriate measures to secure its personnel, facilities, and information. Criminals and foreign intelligence organizations pose obvious external threats. However, DNFSB must also protect itself against trusted insiders who could maliciously or unintentionally compromise the security of its facilities and information systems. Additionally, information security presents unique challenges by virtue of the imperative to balance information safeguards while facilitating legitimate users' access to information.

Key security challenges for DNFSB include the following:

- Given the importance and sensitivity of DNFSB's activities, cyber security has become a crucial aspect of DNFSB's overall security posture. Recent breaches of Office of Personnel Management and health insurance data systems, which compromised the personal information of Federal employees, underscore the importance of protecting these systems as well as the difficulty and diligence required to guard against such intrusions. It is critical that cyber security protective measures keep pace with evolving threats.
- Recent breaches of classified information by Federal employees and contractors illustrate the need to maintain robust internal controls over classified information and the systems that process, store, and transmit it.
- Sound records management practices are key to ensuring that DNFSB staff can respond effectively to information requests from external stakeholders and conduct agency business as transparently as possible.

The following audit synopses are examples of security and information management work that OIG has initiated or completed at DNFSB in FY 2014 and FY 2015.

Audit of the Board's Information Security Program (Ongoing Audit)

DNFSB employees have a responsibility to handle sensitive information pertaining to defense nuclear facilities in accordance with Federal laws, policies, and regulations. Classified information has unique requirements governing access, dissemination, composition, and de-classification. DNFSB personnel must therefore meet special training, security clearance, and "need to know" standards depending on the type of classified information they handle. Furthermore, DNFSB facilities must meet specific security standards to help prevent loss of, or unauthorized access to, classified information. In addition to upholding classified information protection requirements, DNFSB personnel must also take special precautions to safeguard sensitive unclassified information, which could include proprietary data, attorney-client privilege information, and personally identifiable information. These precautions extend beyond the handling and storage of hard copy documents to the storage, processing, and dissemination of electronic records as well.

The audit objective is to determine if DNFSB staff handle sensitive and classified information in accordance with Federal policies, laws and regulations.

Independent Evaluation of the Board's Implementation of the Federal Information Security Management Act (FISMA) for FY 2014
DNFSB-15-A-02 July 15, 2015

DNFSB has issued two documents for implementing its information systems security program (ISSP). However, the majority of the policies and procedures supporting DNFSB's ISSP are draft documents, and therefore, have not been fully implemented. While DNFSB's ISSP includes all of the elements required by FISMA, Office of Management and Budget, and the National Institute of Standards and Technology, the evaluation team was not able to evaluate fully every element of DNFSB's ISSP due to the lack of final, approved policies and procedures.

The elements of DNFSB's ISSP that were evaluated identified several weaknesses. For example, continuous monitoring is not performed, and DNFSB's plan of action and milestones management is inadequate. Additionally, the oversight of systems managed by contractors or other agencies is also inadequate. DNFSB agreed with the report's findings and recommendations.

The full report and the agency's response is available at
<http://pbadupws.nrc.gov/docs/ML1431/ML14316A202.pdf>

**Audit of the Board's Freedom of Information Act (FOIA) Process
DNFSB-14-A-02 September 30, 2014**

DNFSB generally meets FOIA timeliness requirements; however, opportunities exist to enhance program efficiency and compliance with Federal and internal guidance by improving internal controls, training, and FOIA document management.

Specifically, DNFSB staff do not always follow FOIA guidance when searching for records and responding to FOIA requests. DNFSB is required to adhere to Federal and internal FOIA guidance. However, management has not implemented effective internal controls and made FOIA training available to all DNFSB staff. As a result, inaccurate and incomplete FOIA responses have occurred.

In addition, FOIA documentation at DNFSB is dispersed and not efficiently maintained. Document management guidance requires maintaining and using records in an effective and efficient manner. However, DNFSB has not designed and implemented controls for FOIA documentation management. As a result, inefficiencies exist and there is an increased potential for misplaced or lost FOIA documents at DNFSB. DNFSB agreed with the report's findings and recommendations.

The full report and the agency's response is available at
<http://pbadupws.nrc.gov/docs/ML1427/ML14273A133.pdf>

3. Human capital management.

Human capital management is the process of acquiring, training, managing, and retaining employees for them to contribute effectively to the goals of the organization. Attributes of human capital management include effective programs for selection and hiring, knowledge transfer management, career development, training, and succession planning.

DNFSB recognizes that a challenge facing its organization is maintaining a focused and well-executed human capital management program. Because DNFSB's work relies on in-depth technical information and detailed safety analyses, the recruitment and retention of scientific and technical staff members continues to be critical to the successful accomplishment of DNFSB's mission.

DNFSB's FY 2013 Performance and Accountability Report acknowledges the combination of an aging workforce and high demand for experienced scientists and engineers by other organizations will remain a challenge for DNFSB. DNFSB has concluded that 16 percent of its technical staff is eligible for retirement and, consequently, agency management understands the need to spend more resources on recruiting highly qualified technical personnel. In meetings with OIG staff, DNFSB's management acknowledges that hiring and retaining staff will continue to be a challenge for the agency.

The OIG 2015 DNFSB Culture and Climate Survey also identified human capital management as a significant challenge facing DNFSB.

Key internal control documentation challenges include the following:

- Developing a succession planning process.
- Retaining and continuing to develop competent staff.
- Providing respected and effective leadership throughout the Board.

The following audit synopsis is an example of human capital management work that OIG will initiate at DNFSB in FY 2016.

**Audit of DNFSB's Human Resources Process for Filling Vacancies
(To Be Initiated in FY 2016)**

The Office of Personnel Management (OPM) requires agencies to establish and maintain a system of accountability for merit system principles. Agencies are further required to use guidance, measures, and metrics and to identify the measures used in agency accountability policies. OPM established the Human Capital Assessment and Accountability Framework (HCAAF) system as standards, including appropriate metrics for evaluators to use when assessing human capital management by Federal agencies. HCAAF's system components are (1) Strategic Alignment System, (2) Leadership/Knowledge Management System, (3) Results-Oriented Performance Culture System, (4) Talent Management System, and (5) Accountability System. Human resources evaluators use agency processes and activities outlined in standards for the HCAAF System to ensure that over time, the agency manages people efficiently and effectively in accordance with merit system principles, veterans' preference and related public policies.

The 2015 DNFSB Culture and Climate Survey conducted by OIG suggests that DNFSB's process for hiring and retaining staff needs improvement. There is a perception among DNFSB staff that the agency is not attracting and retaining the right talent. Moreover, survey results reflect that 38 percent of DNFSB employees plan to leave in the next year.

The audit objective will be to determine if DNFSB has identified mission-critical occupations and competencies and developed strategies to hire and retain staff in accordance with Federal standards.

4. Internal controls for technical and administrative/financial programs.

Internal controls are the plans, methods, policies, and procedures an organization employs to ensure effective resource use in fulfilling its mission, goals, objectives, and strategic plan. A quality internal control program promotes operational efficiency, ensures that established policies are followed, safeguards assets, prevents fraud, minimizes errors, and verifies the accuracy and reliability of data. While DNFSB states that it has a formal internal control policy, the agency identified a lack of formal controls in its technical operations. DNFSB's senior management has confirmed with OIG that the agency has not done a good job of documenting procedures but they are in the process of updating existing policies and procedures.

Key internal control documentation challenges include the following:

- Documentation of processes for DNFSB members to share information amongst each other. Update and implement policies and procedures for conducting DNFSB's mission essential (technical) functions.
- Improve internal control documentation and practices for DNFSB's financial and administrative functions.

The following audit synopses are examples of work OIG has performed at DNFSB pertaining to internal controls for DNFSB's technical and administrative/financial programs.

**Audit of the Board's Purchase Card Program
DNFSB-14-A-01, September 29, 2014**

OIG conducted an audit to determine whether internal controls are in place and operating effectively to maintain compliance with applicable purchase card laws, regulations, and DNFSB policies.

Overall, DNFSB used purchase cards appropriately during the period under review. However, DNFSB's purchase card internal controls need improvement. Specifically, some of the purchase card controls are incomplete, outdated, or not fully implemented. As a result, internal controls are less effective and the potential for personal use, misuse, or loss is increased. DNFSB agreed with the report's findings and recommendations and all recommendations are closed.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1427/ML14272A413.pdf>

**Audit of the Board's Travel Card and Travel Program
DNFSB-15-A-05, April 23, 2015**

Travel card and travel program controls are generally in place. However, opportunities exist to improve the effectiveness of internal controls over the travel card and travel program and to enhance user access controls in Concur, DNFSB's travel management system.

Internal controls are not always effective at maintaining compliance with Federal requirements and established DNFSB policies. OIG identified that 45 percent of all employees who had Temporary Duty travel during a recent 9-month period either had travel card or travel program exceptions to include the following: (1) using the card for unauthorized expenses or ATM withdrawals, (2) claiming and receiving reimbursement for amounts not supported by or not consistent with documentation, (3) claiming compensatory time without receiving prior approval, and (4) claiming hazardous weather leave to which they were not entitled while on official travel. In addition, DNFSB does not appropriately control user access in Concur. DNFSB agreed with the report's findings and recommendations and is taking action to implement the recommendations.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1511/ML15113B139.pdf>

Results of the Audit of The Defense Nuclear Facilities Safety Board's Financial Statements for the Fiscal Years 2014 and 2013
DNFSB-15-A-03, November 14, 2014

The objective of a financial statement audit is to determine whether the audited entity's financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. OIG contracted with an independent auditor to provide (1) an opinion on the fair presentation of DNFSB's financial statements, (2) an opinion on internal controls over financial reporting and (3) report on the compliance with laws and regulations.

The independent auditors determined that:

1. The financial statements as of and for the fiscal years ended September 30, 2014, and 2013, are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America.
2. Although internal controls could be improved, DNFSB maintained, in all material respects, effective internal control over financial reporting as of September 30, 2014.
3. No reportable noncompliance for fiscal year 2014 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

Specific to internal controls, the independent auditors found that DNFSB did not utilize robust procedures in its internal control over its financial reporting assessment process performed under OMB Circular A-123. Citing its limited resources, DNFSB relied on its managers' self-assessments of their operations and did not perform any testing of internal controls to independently verify they were operating effectively. As a result, DNFSB faced increased risk that material weaknesses in internal controls would not be identified. DNFSB agreed with the report's findings and recommendations.

The full report is available at: <http://pbadupws.nrc.gov/docs/ML1432/ML14323A857.pdf>

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Address: U.S. Nuclear Regulatory Commission
Office of the Inspector General
Hotline Program
Mail Stop O5-E13
11555 Rockville Pike
Rockville, MD 20852

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