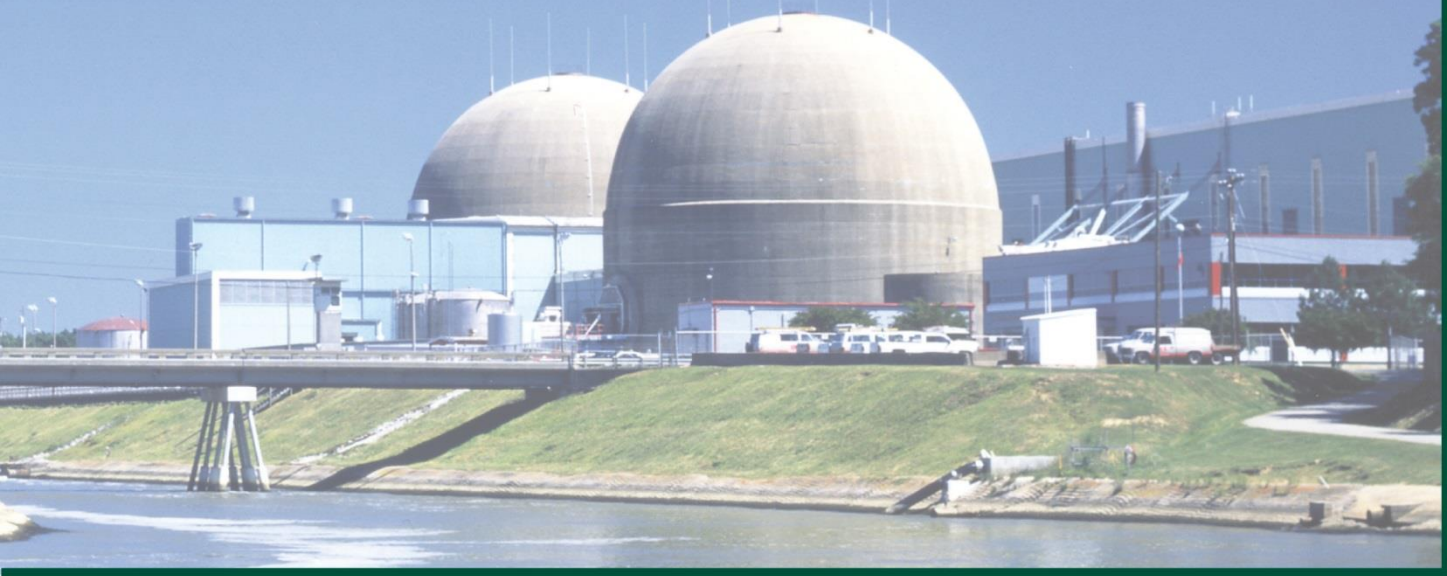
OFFICE OF THE INSPECTOR GENERAL

U.S. NUCLEAR REGULATORY COMMISSION
DEFENSE NUCLEAR FACILITIES SAFETY BOARD

Audit of NRC's Exercise of Its Early Out/Buyout Authority

OIG-19-A-04
December 3, 2018



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

OFFICE OF THE
INSPECTOR GENERAL

December 3, 2018

MEMORANDUM TO: Margaret M. Doane
Executive Director for Operations

FROM: Dr. Brett M. Baker ***/RA/***
Assistant Inspector General for Audits

SUBJECT: AUDIT OF NRC'S EXERCISE OF ITS EARLY OUT/BUYOUT AUTHORITY (OIG-19-A-04)

Attached is the Office of the Inspector General's (OIG) audit report titled *Audit of NRC's Exercise of Its Early Out/Buyout Authority*.

The report presents the results of the subject audit. Following the May 14, 2018, exit conference, agency staff indicated that they had formal comments for inclusion in this report. These comments and OIG's analysis of the comments are included as report appendices.

Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to OIG followup as stated in Management Directive 6.1.

We appreciate the cooperation extended to us by members of your staff during the audit. If you have any questions or comments about our report, please contact me at (301) 415-5915 or Eric Rivera, Team Leader, at (301) 415-7032.

Attachment: As stated

Office of the Inspector General

U.S. Nuclear Regulatory Commission
Defense Nuclear Facilities Safety Board

OIG-19-A-04
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Results in Brief

Why We Did This Review

The Federal Government created Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payment (VSIP) as a means to reshape and decrease the size of its workforce. From 2015 through 2017, the U.S. Nuclear Regulatory Commission (NRC) used its approved VERA/VSIP authority to reshape and reduce its workforce. NRC identified 381 positions for elimination or restructuring via its VERA/VSIP program. Ultimately, 190 employees left the agency through a VERA or VSIP.

The audit objective was to assess NRC's early out/buyout policies, procedures, and practices to determine if workforce planning documentation, personnel staffing plans, and/or similar documents were developed, communicated, and applied as permitted by applicable criteria.

Audit of NRC's Exercise of Its Early Out/Buyout Authority

What We Found

OIG found that NRC's Voluntary Early Retirement Authority (VERA)/Voluntary Separation Incentive Payment (VSIP) program resulted in separations that helped the agency reshape its workforce, but opportunities exist for improving program efficiency and effectiveness. Specifically, NRC should have (1) set detailed program goals for the number of expected separations, (2) aligned the VERA/VSIP program with larger human capital strategies such as strategic workforce planning, (3) created detailed agency-specific VERA/VSIP guidance, (4) comprehensively tracked VERA/VSIP positions and separations, (5) performed program evaluations after each VERA/VSIP cycle, and (6) timed the VERA/VSIP program in a more cost advantageous manner.

What We Recommend

The report has two recommendations: (1) NRC conduct a formal evaluation assessing the value of VERA/VSIP as a workforce restructuring tool and (2) develop written procedures for implementing a VERA/VSIP program.

Agency management agreed with the recommendations but also offered various comments about the report's finding. Agency comments are included in Appendix B of this report.

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ABBREVIATIONS AND ACRONYMS

CFR	Code of Federal Regulations
FTE	Full-Time Equivalents
FY	Fiscal Year
GAO	U.S. Government Accountability Office
NRC	U.S. Nuclear Regulatory Commission
OCHCO	Office of the Chief Human Capital Officer
OPM	U.S. Office of Personnel Management
USC	U.S. Code
VERA	Voluntary Early Retirement Authority
VSIP	Voluntary Separation Incentive Payment

I. BACKGROUND

Overview of Special Retirement and Separation Authorities

Agencies may use VERA and VSIPs to reshape and decrease the size of their workforce.[1] VERA/VSIPs are management tools that can be used alone or together to incentivize employees to voluntarily leave the Federal workforce.[2] These workforce management tools can help agencies avoid or lessen the impact of involuntary staff reductions resulting from budgetary shortfalls or changes to the agencies' missions.

VERA, also referred to as "early out" retirement, temporarily lowers age and service requirements for retirement. It is used to increase the number of employees who are eligible for retirement during periods of substantial restructuring,[3] reshaping, downsizing, or reorganization.

VSIPs, also known as "buyouts," allow agencies to offer lump sum payments of up to $25,000 to incentivize employees to leave the Federal Government. The employees targeted through VSIPs are in surplus positions[4] or have skills that are no longer needed. Employees who accept VSIPs may separate by resignation, retirement, or by VERA, if authorized.

VERA/VSIPs are tools designed to help Federal agencies reshape their workforces. Agency leadership and workforce managers must be thoughtful in identifying the surplus positions and functions that need to be reduced or eliminated. Agencies cannot simply create a general "blanket" VERA/VSIP program to eliminate every position in the agency or a

[1] The legal authority for VERA/VSIPs is codified in Title 5 of the U.S. Code (USC) (5 USC § 8336, § 8414, and § 3521-3525) and the Code of Federal Regulations (CFR) (5 CFR § 576).

[2] Using VERA in conjunction with VSIPs has been shown to significantly increase the acceptance rate for voluntary separations.

[3] Restructuring involved changing a position's grade level, title, function(s), etc. after an employee departed through the VERA/VSIP program.

[4] Surplus positions were those identified in an agency's VERA/VSIP plan to the U.S. Office of Personnel Management (OPM) as the "specific positions and functions to be reduced or eliminated by organizational unit, geographical location, occupational category, grade level, and any other factors related to the position, such as skills and knowledge gaps."

component of the agency (i.e. an entire office). Similarly, an agency planning for a substantial reduction in force should not create a VERA program for all eligible employees with the goal of seeing how many employees remain after the program is done.

OPM has issued implementing guidance to assist agencies with their VERA/VSIP programs. The U.S. Government Accountability Office (GAO) and OPM have also issued general guidance to help agencies with their human capital management.

Unless an agency has its own statutory authority independent of the provisions vested in OPM, only OPM can authorize the use of VERA/VSIPs,[5] based on a request from an agency head. Once OPM approves the agency's plan, the agency can implement its VERA/VSIP program. The OPM-approved plan does not include various agency-specific details for implementing the program. For example, at the U.S. Nuclear Regulatory Commission (NRC), the program's implementation strategy included how to communicate the program to employees and evaluate employees' VERA/VSIP applications. These details were not included in the plans reviewed and approved by OPM.

NRC's VERA/VSIP Program

NRC requested VERA/VSIP authority[6] from OPM on 3 separate "rounds" spanning 3 fiscal years (Fiscal Year (FY) 2015, FY 2016, and FY 2017). OPM approved all three requests, and NRC completed its final VERA/VSIP round in May 2017.[7]

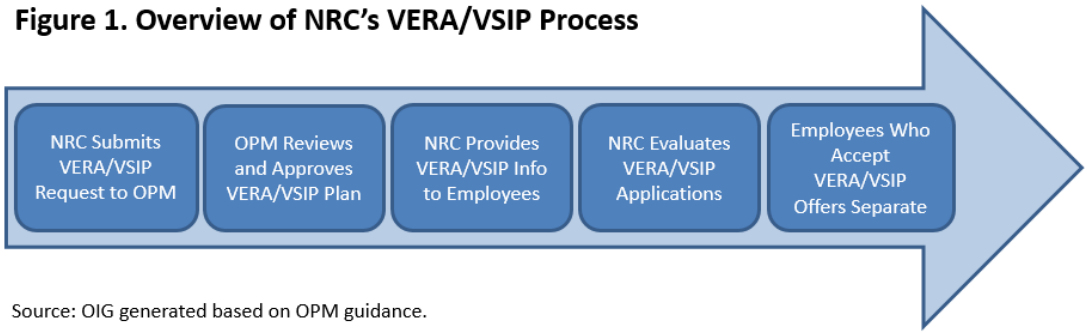
NRC made written requests for VERA/VSIP authority to help rebalance and restructure its workforce in order to avoid an involuntary reduction in force. It sought to rebalance resources for various reasons, including (1) reducing resources dedicated to corporate management, (2) reducing the number of supervisory positions, and (3) redirecting more of its resources from corporate support to programmatic work.

[5] OPM consults with the Office of Management and Budget before approving an agency's VSIP plan.

[6] NRC requested two separate VERA/VSIP authorities from OPM. OPM approved the first request on September 30, 2015, which granted VERA/VSIP authority until January 31, 2016. OPM approved the second request on April 19, 2016, which granted VERA/VSIP authority until June 30, 2018. OPM later approved an amendment to NRC's second request that added additional offices into the scope of the program.

[7] NRC indicated that it may request VERA/VSIP authority in the future.

Figure 1. Overview of NRC's VERA/VSIP Process



Source: OIG generated based on OPM guidance.

In its requests to OPM to obtain VERA/VSIP authority, NRC noted the agency grew significantly (a) after the terrorist attacks of September 11, 2001, to enhance security and incident responses, and (b) to prepare for a projected growth in the use of nuclear power in the United States. However, NRC's VERA/VSIP requests also cited changing conditions that warranted a decrease in staffing. The agency concluded that the projected increase in nuclear licensing applications would not materialize, and by 2020 the agency's staffing level could be about 10 percent smaller. NRC also cited Project Aim,[8] an agency initiative that included a recommendation to reduce the size of the agency, in its request to OPM.[9]

NRC's Office of the Chief Human Capital Officer (OCHCO) was responsible for implementing the agency's VERA/VSIP program. The Office of Chief Financial Officer provided assistance at various times throughout the program, and OCHCO worked closely with individual program offices to identify the surplus positions NRC intended to eliminate or restructure through the VERA/VSIP program.

NRC developed a plan for each round that detailed what positions were targeted and what would happen to the positions after someone left through the program. NRC's plans identified 381 surplus positions for separation across the three rounds. The surplus positions listed in the plans were identified by offices, pay plans, grade levels, series, and titles. Surplus positions that were vacated would be either eliminated or restructured.

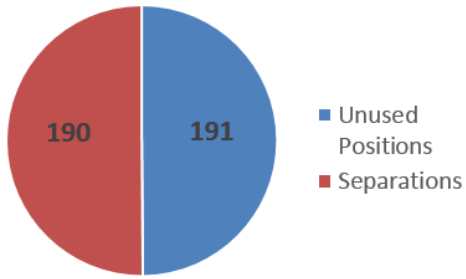
[8] Project Aim is an agency initiative to forecast future workloads and develop recommendations to make NRC more effective, efficient, and agile.

[9] A June 2015 Project Aim supplementary announcement identified a total full-time equivalent (FTE) reduction goal for the agency, but it did not set office-specific goals.

Government agencies can offer a buyout to an employee that is not in a position specifically targeted for elimination or restructuring. Per OPM's written guidance, these employees could provide placement[10] for employees whose position would be eliminated or restructured. For example, an employee who didn't specifically qualify for the VERA/VSIP program could switch positions with someone who did in order to qualify. OPM officials stated there did not have to be a direct relationship between the employee leaving the agency via a buyout and efforts to reshape or eliminate a specific position. Thus, an employee could leave NRC with a buyout and not switch positions with an employee whose job was targeted for elimination or restructuring.[11] NRC chose to use this flexibility to increase the number of separations and ultimately further reduce the size of its workforce.[12]

Through the program, NRC separated 190 employees, at a cost of approximately $4.7 million.[13] These separations occurred throughout the agency, both at NRC Headquarters and in regional offices. The majority of NRC employees who left the agency through the program took advantage of the VSIPs, and most of the employees were already eligible to retire. See Table 1 for a breakdown of NRC's VERA/VSIP results.

Figure 2. VERA/VSIP Participation



Source: NRC VERA/VSIP tracking data and OPM submissions.

[10] Positions not specifically targeted for elimination or restructuring were referred to as "safe" positions. Per OPM's written and verbal guidance, employees in safe positions were eligible for VSIPs in order to provide placement opportunity for employees holding surplus positions targeted for elimination and restructuring.

[11] To clarify the relationship between safe and surplus positions, OIG sought guidance from OPM experts on numerous occasions. OPM officials stated that some agencies had been confused over this part of the written guidance.

[12] NRC's VERA/VSIP plans included a large number of generally eligible employees in safe positions that the agency believed could potentially separate through the surplus positions identified on the OPM-approved plans. For example, in its 2016 VERA/VSIP request, NRC listed over 2,000 employees (of the agency's 3,595 employees) that could apply for 212 surplus VERA/VSIP positions.

[13] To calculate the cost of the program, OIG summed buyout payments given to separated employees and the fees paid to OPM to process NRC's VERA/VSIP separations.

Table 1. Overview of NRC VERA/VSIP Results (FY 2015 – FY 2017)

NRC Workforce (Average FY 2015 – FY 2017)	3,590
Available VERA/VSIP Positions	381
VERA/VSIP Separations	190
VSIP Recipients	188 of 190
Voluntary Retirements	134 of 190
VERA Retirements	47 of 190
Separations Other than Retirement	9 of 190

Note: "Voluntary retirements" are separations based on health reasons or age and length of service. "Separations other than retirements" include a wide range of separations, such as a separation initiated by an employee, an employee leaving the Federal government to accept employment with a non-Federal entity, or when an employee leaves to join the military.

Source: OIG analysis of NRC's VERA/VSIP tracking data, OPM-approved plan, and NRC *Congressional Budget Justification Fiscal Year 2019* (NUREG-1100, Volume 34, Rev. 1).

II. OBJECTIVE

The audit objective was to assess NRC's early out/buyout policies, procedures, and practices to determine if workforce planning documentation, personnel staffing plans, and/or similar documents were developed, communicated, and applied as permitted by applicable criteria. Appendix A contains information on the audit scope and methodology.

III. FINDING

NRC developed and implemented its three VERA/VSIP plans, which OPM approved, to reduce the overall size of its workforce by 190 employees. To support the program, NRC created staffing plans and communicated how the program would work to its employees. However, areas for improvement were identified that could have helped ensure greater program efficiency and effectiveness.

NRC Could Have Potentially Improved the Effectiveness, Efficiency, and Value of Its VERA/VSIP Program

NRC could have potentially improved the efficiency of its VERA/VSIP program by following additional guidance and best practices identified by GAO and OPM. These missed opportunities occurred, in part, due to NRC management's focus on quickly executing the program to reduce FTEs. This left limited time to (1) formally evaluate whether the VERA/VSIP program was an efficient workforce reshaping tool, (2) comprehensively track targeted VERA/VSIP positions and separations, (3) address and strengthen human capital weaknesses, and (4) develop agency-specific guidance and procedures for implementing the VERA/VSIP program. As a result, NRC cannot fully assess the effectiveness, efficiency, and value of VERA/VSIP.

Figure 3. Practices That Could Have Been Used at NRC

Practice	Guidance	Risk
Set clear program goals linked to strategic planning	OPM *Guide to Voluntary Early Retirement Regulations* OPM *Guide to Voluntary Separation Incentive Payments* OPM *Human Resources Flexibilities and Authorities in the Federal Government*	Cannot assess program effectiveness; workforce not properly reshaped
Document key events	GAO *Standards for Internal Control in the Federal Government*	Difficult to evaluate program effectiveness
Track program outcomes and conduct periodic evaluations	GAO *Standards for Internal Control in the Federal Government* GAO *Best Practices and Leading Practices in Human Capital Management* OPM *Workforce Planning Model*	Cannot assess program effectiveness; missed opportunities for improvements
VSIP recipients should leave early in the FY	OPM *Guide to Voluntary Separation Incentive Payments*	Potential missed savings

Source: OIG generated based on audit results, OPM guidance, and GAO guidance.

What Is Required

Federal Practices for Designing and Managing Programs

GAO and OPM have identified various practices for designing and managing programs. These practices can help an agency effectively and efficiently implement programs, such as VERA/VSIP programs and human capital management initiatives.

Setting Program Goals

OPM recommends that an agency should consider how VERA/VSIPs will assist the agency in reaching a specific goal. Without a clear staffing goal, the agency could find that, after offering VERA, too many employees retired. This can hinder the agency's ability to perform its mission.

OPM guidance stresses the importance of developing estimates for the number of employees who may separate through the VERA/VSIP program, which is needed to set goals. For example, the OPM *Guide to Voluntary Early Retirement Regulations* notes that a critical step for an agency in evaluating a potential VERA is to

- Determine the number of employees eligible for VERA.
- Estimate the number of employees who may actually retire early.
- Assess the results of allowing employees to retire by VERA (e.g., payroll cost savings, positions available to staff with different skills, and placement opportunities for displaced employees).

Similarly, the OPM *Guide to Voluntary Separation Incentive Payments* states that an agency should determine the number of employees who may separate with VSIPs.

In addition, restructuring efforts should align with an agency's larger human capital strategies. Per the OPM *Guide to Voluntary Separation Incentive Payments,* OPM *Human Resources Flexibilities and Authorities in the Federal Government,* and OPM personnel, a comprehensive strategic workforce plan that addresses current and future human capital needs will help an agency develop the data needed to submit a VSIP request. Additionally, per the OPM *Guide to Voluntary Separation Incentive Payments*, when planning for VSIPs "the agency should use a collaborative approach involving agency management, Human Resources, and Finance. The agency's decision-makers must be closely involved in all phases of plans to offer VSIPs, particularly in reshaping situations." Structured collaboration involving key stakeholders is important for effective strategic workforce planning.

To help comply with the requirements cited above, OPM guidance calls for creating agency-specific VERA/VSIP guidance. Per the OPM *Guide to Voluntary Early Retirement Regulations* and the OPM *Guide to Voluntary Separation Incentive Payments*, the agency should allot sufficient time for developing sub-agency policy. Developing detailed policies helps ensure the consistent implementation of the program toward approved goals and compliance with applicable laws and regulations.

Internal Controls for Program Monitoring and Documenting Events

GAO *Standards for Internal Control in the Federal Government* states that internal control consists of the plans, methods, policies, and procedures used by an entity to fulfill its mission, strategic plan, goals, and objectives. GAO calls for management to design control activities to achieve objectives and respond to risks.

GAO also urges management to establish "activities to monitor performance measures and indicators." This includes "comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken."

Finally, GAO *Standards for Internal Control in the Federal Government* recommends that management clearly document "all transactions and other significant events in a manner that allows the documentation to be readily available for examination." Additionally, management is responsible for documenting "policies in the appropriate level of detail to allow management to effectively monitor the control activity." GAO guidance also states management should periodically review "control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks."

Periodic Program Evaluation

As stated in GAO *Standards for Internal Control in the Federal Government*, GAO *Best Practices and Leading Practices in Human Capital Management*, and OPM *Workforce Planning Model*, monitoring and evaluation are used in program and human capital management. GAO's human capital guidance specifically notes that "periodic measurement of an agency's progress toward human capital goals and the extent that human capital activities contributed to achieving programmatic goals provides information for effective oversight by identifying performance shortfalls and appropriate corrective actions." Similarly, the OPM *Workforce Planning Model* explains that the last step in planning "involves monitoring progress against milestones, assessing for continuous improvement purposes, and adjusting the plan to make course corrections and to address new workforce issues."

VERA/VSIP Timing

The OPM *Guide to Voluntary Early Retirement* states that agencies should assess savings from a net reduction in personnel, and the OPM *Guide to Voluntary Separation Incentive Payments* notes that offering VSIPs early in the FY will maximize net savings after including the cost of each VSIP.

What We Found

Program Management Practices to Potentially Improve Efficiency, Effectiveness, and Value Were Not Followed

Although NRC reduced its FTE totals, which was a major focus for the VERA/VSIP program, NRC did not use some of the program and human capital management best practices identified by GAO and OPM. Specifically, NRC did not set clear program goals, properly design and document internal controls, conduct periodic evaluations, or time the 2016 VERA/VSIP implementation to maximize payroll savings.

Unclear Program Goals

NRC did not set clear quantifiable goals for the program. There was not a specific target for the number of employees NRC wanted or expected to separate through the VERA/VSIP program. NRC also did not have a specific estimate for how much the program would cost nor set a goal for the payroll savings.

Furthermore, program offices were not clear on how to tie their position elimination or restructuring efforts to NRC's strategic planning. Program offices selecting surplus positions for the VERA/VSIP program mentioned Project Aim[14] and the general goal of downsizing the agency as justification. However, it is not clear how program offices specifically tied their decisions in identifying surplus positions to the agency's strategic human capital plans as recommended by OPM and GAO. In some cases,

[14] A June 2015 Project Aim supplementary announcement identified a total FTE reduction goal for the agency, but it did not set office-specific goals.

offices focused primarily on budget[15] considerations or individuals who were likely to leave instead of considering the agency's strategic[16] human capital plans.

Documentation Could Be Improved

During the course of the audit, OIG identified two spreadsheet tracking systems used to monitor NRC's VERA/VSIP program.

- One spreadsheet only listed the names and offices of employees who left NRC through the VERA/VSIP program under the 2015, 2016, and 2017 authority requests.[17] It did not list the employees' pay plan, series, titles, or grade levels. Such data would be needed to reconcile the employees to the surplus positions to be restructured or eliminated in NRC's VERA/VSIP plans.

- The other spreadsheet tracked the surplus positions that NRC targeted for elimination or restructuring identified through the 2016 and 2017 VERA/VSIP plans approved by OPM, in order to ensure that all surplus positions were eliminated or restructured. However, NRC added people to this tracking system regardless of whether the employee left the agency via a buyout. The system listed 139 individuals who did not receive a buyout and did not include positions targeted for elimination and restructuring in the first (2015) VERA/VSIP round.[18]

No Formal Periodic Evaluations

NRC did not formally evaluate its VERA/VSIP program to determine if the program achieved its intended goals or if opportunities existed to improve the program's effectiveness.

[15] Budget planning requires agencies to prepare a plan with a two-year outlook.

[16] Strategic planning requires a longer term outlook than a budget outlook.

[17] This spreadsheet tracked both surplus and safe positions identified in the VERA/VSIP plans submitted to OPM.

[18] NRC also used this tracking system in an effort to eliminate or restructure all 276 positions noted on the OPM-approved VERA/VSIP plans, regardless of whether the employee in the position separated via the VERA/VSIP program. This commingling of non-VERA/VSIP attrition further obfuscated the tracking of the VERA/VSIP program at NRC.

2016 VERA/VSIP Separations Occurred Late in the FY

Various NRC officials understood the financial benefits of timing VERA/VSIPs early in the FY. However, during the 2016 round, employees separating via the VERA/VSIP program left in the last quarter of the FY. In other years, NRC implemented the VERA/VSIP separations earlier in the FY which increased payroll savings.

Why This Occurred

Focus on FTE Reductions Hindered Consideration to Improve Program Management

NRC management believed the VERA/VSIP program was successful because it allowed the agency to reshape/restructure its workforce and mitigate the number of employees impacted by a potential involuntary reduction in force. However, because NRC moved quickly from one round to the next with an overall focus on reducing FTEs, the agency did not consider conducting a formal evaluation of the program. Additionally, NRC also did not build a robust VERA/VSIP tracking system until after it had completed the second VERA/VSIP round. Additionally, NRC had various other human capital weaknesses, such as a lack of agency-wide workforce goals and supervisor strategic human capital management training, which likely affected NRC's VERA/VSIP program.[19]

NRC also believed OPM's guidance was sufficiently clear to manage the program without creating any additional agency-specific formal policies and procedures. However, OPM's guidance focused on agency-wide issues, even though NRC delegated specific decisions about VERA/VSIP positions to the program office level. OPM's guidance did not specify (1) how to integrate VERA/VSIP in the agency's strategic workforce plan,

[19] GAO-17-233, *Strategic Human Capital Management: NRC Could Better Manage the Size and Composition of Its Workforce by Further Incorporating Leading Practices*, dated April 2017, noted the following specific issues: (1) NRC has not established longer term agency-wide workforce size or composition goals, (2) NRC does not have information on employees' skills or a system for tracking them, and (3) managers/supervisors have received limited training on strategic human capital management. Since VERA/VSIPs are part of NRC's overall strategic human capital management, the human capital weaknesses reported by GAO would impact NRC's VERA/VSIP program.

(2) the level of office-specific guidance needed to help program offices with their decisions, and (3) how to track separations and the surplus positions identified for elimination or restructuring.

Why This Is Important

Without Clear Goals, Documentation, and Evaluations, the Effectiveness, Efficiency, and Value of VERA/VSIPs Cannot Be Fully Assessed

Without clear goals for the VERA/VSIP program, NRC does not have the ability to assess the overall efficiency, effectiveness, and value of VERA/VSIPs as workforce restructuring tools.[20] This also makes it more difficult to identify potential areas for improvement.

By not linking VERA/VSIP plans and actions to detailed strategic planning, the VERA/VSIP program may not have identified the right positions to be eliminated or restructured. For example, some offices significantly revised the positions targeted via VERA/VSIPs after the FY 2015 round, suggesting a lack of strategic workforce planning. Thus, NRC is at risk of not having (1) the optimal workforce size and skills needed for its future mission or (2) enough time to develop or obtain employees with the skills needed to complete future work.

The discrepancy between the two tracking systems made it difficult for NRC to identify how 139 separations helped the agency with its effort to reshape or eliminate surplus positions targeted by the VERA/VSIP program. This increases the risk that NRC may have separated employees who were performing work that was still critical to the agency's mission without assisting the overall goal of the VERA/VSIP program.

By not formally assessing the VERA/VSIP program after each round to monitor progress against overall goals and milestones, NRC potentially missed an opportunity to identify areas for improvement. A formal evaluation would help determine whether the program was an effective and efficient workforce management tool to achieve the desired results.

[20] Some NRC officials noted that $25,000 may not have been a strong incentive for individuals to leave or that individuals who received VSIPs were already planning to leave, which potentially questions the effectiveness, efficiency, and value of the program.

A formal evaluation could include a wide range of issues, including program costs, impact of buyout incentives on employees' decision to separate, comparative analysis of historical attrition rates versus those compared to the VERA/VSIP years, cost efficient timing of employees' separations, and impact on long-term restructuring goals.

Finally, although NRC did increase payroll savings by eliminating FTEs, NRC missed an opportunity to further reduce payroll costs because employees separating through the 2016 VERA/VSIP round did not leave until the end of the FY.

Recommendations

OIG recommends that the Executive Director for Operations

1. Conduct a formal evaluation assessing the value of VERA/VSIPs as workforce restructuring tools at NRC. This evaluation could include
    a. Program costs,
    b. Impact of buyout incentives on employees' decision to separate,
    c. Historical attrition rates compared to attrition rates during the years NRC ran a VERA/VSIP program,
    d. Timing of employee separations,
    e. VERA/VSIPs' impact on NRC and program offices' long-term restructuring goals, and
    f. If the formal evaluation concludes that VERA/VSIPs are the right workforce restructuring tool for NRC to use to achieve its workforce goals, then formally assess the VERA/VSIP program after each future round for potential ways to improve program implementation.

2. Develop written procedures for implementing a VERA/VSIP program, which include
    a. Integrating the strategic workforce plan into VERA/VSIP planning and requests to OPM ,
    b. Determining surplus positions at the office-level, and
    c. Developing a single tracking system to link VERA/VSIP separations to specific positions identified for elimination and restructuring, where possible.

IV. AGENCY COMMENTS

An exit conference was held with the agency on May 14, 2018. After reviewing a discussion draft, agency management provided comments that have been incorporated into this report, as appropriate. Agency management also provided supplemental comments after exit conference that have been incorporated into this report, as appropriate.

On October 15, 2018, agency management provided formal comments to the draft report that stated its agreement with the recommendations but disagreement with the finding. Appendix B contains a copy of the agency's formal comments. Appendix C contains OIG's analysis of the agency's formal comments.

Appendix A

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

The audit objective was to assess NRC's early out/buyout policies, procedures, and practices to determine if workforce planning documentation, personnel staffing plans, and/or similar documents were developed, communicated, and applied as permitted by applicable criteria.

Scope

The audit focused on assessing the management of NRC's VERA/VSIP program. OIG conducted this performance audit from September 2017 through March 2018 at NRC headquarters in Rockville, Maryland. The audit examined three VERA/VSIP rounds conducted by NRC from FY 2015 through FY 2017. Internal controls related to the audit objective were reviewed and analyzed.

Methodology

To accomplish the audit objective, OIG reviewed relevant laws, regulations, and guidance for this audit, including

- Title 5 USC § 8336, § 8414, and § 3521-3525;
- Title 5 CFR, Part 576*, Voluntary Separation Incentive Payments;*
- OPM's *Guide to Voluntary Early Retirement Regulations*;
- OPM's *Guide to Voluntary Separation Incentive Payments;*
- OPM *Top 10 Frequently Asked Questions Voluntary Early Retirement Authority (VERA) and Voluntary Separation Incentive Payments (VSIP)*;
- OPM's *Guide to Processing Personnel Actions*;
- NRC's *Combined Request for Voluntary Separation Incentive Payments (VSIP) and Voluntary Early Retirement Authority (VERA)* and related amendments for each VERA/VSIP round;
- NRC's Management Directive and Handbook 10.1, *Recruitment, Appointments, and Merit Staffing*;

- GAO's *Best Practices and Leading Practices in Human Capital Management*; and
- GAO's *Standards for Internal Control in the Federal Government*.

OIG interviewed NRC staff from OCHCO, the Office of the Chief Financial Officer, the Office of the General Counsel, the Office of New Reactors, the Office of Nuclear Material Safety and Safeguards, the Office of International Programs, and Region III. OIG also interviewed individuals from the following organizations outside of NRC: the National Treasury Employees Union (Chapter 208), OPM,[21] the Small Business Administration OIG, the Environmental Protection Agency OIG, and the Social Security Administration.

OIG conducted a 100 percent review of NRC's VERA/VSIP separations and analyzed the qualifications of NRC employees who applied, but were ultimately denied a VERA/VSIP separation. To conduct its analysis, OIG obtained and reviewed personnel information from the Federal Personnel Payroll System and the Oracle Business Intelligence Enterprise Edition. OIG also benchmarked NRC's VERA/VSIP program to similar programs run by the Small Business Administration, the Environmental Protection Agency, and the Social Security Administration.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Throughout the audit, auditors considered the possibility of fraud, waste, and abuse in the program.

The audit was conducted by Eric Rivera, Team Leader; Timothy Nelson, Audit Manager; Tincy Thomas de Colón, Senior Auditor; and William Chung, Auditor.

[21] OIG met with OPM experts on five occasions to discuss VERA/VSIP authorities, corresponding guidance, and the intent of the VERA/VSIP program.

Appendix B

AGENCY FORMAL COMMENTS

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

October 11, 2018

MEMORANDUM TO: Dr. Brett M. Baker
Assistant Inspector General for Audits
Office of the Inspector General

FROM: Daniel H. Dorman */RA/*
Acting Deputy Executive Director for Materials, Waste, Research, State, Tribal, Compliance, Administration and Human Capital Programs
Office of the Executive Director for Operations

SUBJECT: FORMAL COMMENTS ON OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT "AUDIT OF NRC'S EXERCISE OF ITS EARLY OUT/BUYOUT AUTHORITY" DATED AUGUST 28, 2018

This memorandum and its enclosures respond to the email dated August 28, 2018, from the Office of the Inspector General (OIG) providing the Draft Report, "Audit of NRC's Exercise of Its Early Out/Buyout Authority." The U.S. Nuclear Regulatory Commission (NRC) staff appreciates the opportunity to comment on the draft audit report.

Based on a review of the draft report and discussions with the Office of Personnel Management (OPM), the NRC staff concludes that we are compliant with the regulations in Title 5 of the *Code of Federal Regulations* (5 CFR) Part 576, Subpart A, "Voluntary Separation Incentive Payments," and 5 CFR 831.114, "Voluntary early retirement-substantial delayering, reorganization, reduction in force, transfer of function or other workforce restructuring." The attached enclosure provides detailed comments in response to the draft report.

The staff agrees with the OIG's recommendations to conduct a formal evaluation to assess the value of Voluntary Early Retirement Authority/Voluntary Separation Incentive Payments (VERA/VSIP) as a workforce restructuring tool and to develop generic VERA/VSIP written procedures. The NRC appreciates the collaborative effort demonstrated by OIG and Office of the Chief Human Capital Officer (OCHCO) staff during this audit process and thanks OIG for the opportunity to comment.

Enclosure:
Staff's Comments on Draft Audit Report

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U.S. NUCLEAR REGULATORY COMMISSION (NRC) STAFF'S COMMENTS ON OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT "AUDIT OF NRC'S EXERCISE OF ITS EARLY OUT/BUYOUT AUTHORITY"

Finding: Unclear Program Goals

The staff disagrees that the agency had unclear program goals. While the rationale behind the 2015 and 2016 VERA/VSIP requests (along with the 2017 amendment) were different, each request delineated clear and quantifiable goals. Further, the 2015 VERA/VSIP request was based on the Commission's direction in Staff Requirements Memorandum (SRM)-SECY-15-0015 to rebalance resources devoted to corporate management, supervisory, and senior project management work. The rationale for the agency's 2016 VERA/VSIP request was to address functions that could be shed, de-prioritized, or performed with fewer resources as a result of a 2016 re-baselining review. The 2017 amendment reflected need for further reduction in corporate support resources in light of the agency re-baselining reductions and other restructuring initiatives.

In addition, the staff disagrees that the NRC did not have specific targets for the number of employees NRC wanted or expected to separate. The agency identified the appropriate positions that needed to be eliminated or restructured to achieve the identified program goals and determined a maximum number of VSIP slots that the agency was requesting. The plans provided to the Office of Personnel Management and Office of Management and Budget (OPM/OMB) outlined these surplus positions in the agency and where VERA/VSIP could help increase voluntary attrition.

Furthermore, the staff disagrees that the VERA/VSIP was not consistent with the NRC's strategic plan and that program offices were not clear on how to identify their surplus positions. The NRC's VERA/VSIP authority was consistent with the FY 2014 – 2018 strategic plan. A key human capital objective in the strategic plan was to maintain a qualified and flexible staff and to hire the best talent to carry out the mission now and in the future. Due to the agency's dynamic environment, projecting future staffing requirements necessitates an evaluation of both internal and external factors, which in 2014 was accomplished through Project AIM and subsequent initiatives. The specific surplus positions identified in these subsequent initiatives were determined at the office level. While the agency used Project Aim to prepare for the future, it cannot request VERA/VSIP on anticipated scenarios. In all requests, our positions were identified based on known decisions by the agency. Validating this point is the OPM Top 10 Frequently Asked Questions on VERA/VSIP, which addresses how it may only be authorized based on a known decision or circumstance:

> ***4. Can my agency get approval to offer a VERA and/or VSIP based on an anticipated scenario (e.g., a possible budget shortfall or possible reorganization requiring additional approval)?***
> *A VERA and/or VSIP can only be authorized when an agency is responding to a known decision or circumstance (vs. an uncertain or possible scenario). Note that decisions made under an agency head's authority to reorganize, re-prioritize, reduce, etc., are a valid basis for requesting VERA and/or VSIP.*

In alignment with the NRC's strategic plan, the agency also ensured that the VERA/VSIP was not offered to any positions that would prevent the agency from achieving its future and current needs. During each VERA/VSIP window, the agency excluded any positions that would require

Enclosure

external hiring action and has not attempted to fill a position (via an external hire) that was identified to be abolished/restructured.

Lastly, the staff disagrees that the agency did not have a specific estimate for how much the program would cost or set a goal for the payroll savings. Since VERA/VSIP is a tool for voluntary attrition, the agency would not know the exact number of employees who would accept until offered the opportunity. However, NRC was prepared financially to pay for all of the slots requested. The agency knew that the cost of each VSIP payment would not exceed $25 thousand, and that there was a small fee to be paid to OPM to process the VERA/VSIP. The Office of the Chief Financial Officer ensured there was available funding to pay for these costs as well as any associated payout of leave (e.g., annual leave, credit hours, compensatory time off). The savings realized in the first and second VERA/VSIP authority represented a costs savings of approximately $31 million a year, based on the average full-time equivalent (FTE) salary and benefits rate budgeted in FY 2016.

Finding: Documentation Could Be Improved

The staff disagrees that the NRC used two systems to track the information related to the abolishment/restructuring of positions specified in our VERA/VSIP requests and that it did not track the appropriate information. The agency used one process that tracked all information related to the abolishment/restructuring of positions specified under our VSIP authority in 2016. The agency intentionally kept the tracking of these positions from the previous authority in 2015. The process NRC used to track the abolished/restructured positions was the most efficient option available and in compliance with our authority.

The VERA/VSIP request to OPM/OMB identified specific positions that the agency wanted to abolish/restructure as part of its workforce reshaping effort (to accelerate voluntary attrition). At the same time, the agency also employed other strategies mentioned in OPM's Workforce Reshaping Handbook such as reassignments, training, details, hiring freezes, and voluntary changes to lower grades. By increasing voluntary attrition, the agency had the flexibility to move employees from surplus positions to higher priority positions that were vacated. It is more efficient to track all positions identified to be abolished/restructured in one location. The manual tracking process included the names of specific employees, how and when the position was vacated, if the position was abolished or restructured, and if others were reassigned into the position (including moving employees into safe positions that were vacated by employees who took the VERA/VSIP).

The other spreadsheet mentioned in the OIG report tracked all employees who applied for the VERA/VSIP for a given round, including tracking the applications received and their eligibility category. In each round, a spreadsheet was created that listed every employee who applied, as well as, other criteria to verify the employee met VERA and/or VSIP eligibility requirements. This data was not meant to be used to reconcile employees to the surplus positions to be restructured or eliminated.

On May 30, 2018, OCHCO staff met with the OPM VERA/VSIP experts who confirmed the NRC's understanding regarding tracking of positions identified to be abolished/restructured. OPM agrees the agency must adhere to the approved plan and is responsible for notifying OPM of any changes or modifications. This may be achieved through any type of attrition, including retirements/resignations/reassignments outside of the VERA/VSIP. On June 1, 2018, OPM confirmed this understanding in writing and the email was previously provided to OIG.

Finding: No Formal Periodic Evaluations

While the agency is not required to conduct a formal evaluation (under VERA/VSIP regulations) to assess the value of a VERA/VSIP as a workforce restructuring tool, the agency was able to determine that the program achieved its intended goals and informally identified opportunities to improve the program's effectiveness after each round. As a result of the VERA/VSIP and other workforce reshaping strategies, the agency was able to mitigate the impact of a reduction in force. In addition, the historical average attrition data supports that offering the VERA/VSIP along with the other strategies employed created significant increases in the attrition rates of offices where a VERA/VSIP was offered. In particular, the attrition rate in FY 2016 was approximately double what it had been in prior years.

Finding: 2016 VERA/VSIP Separations Occurred Late in the FY

The agency does not agree with this finding and the associated practice identified in the report that VSIP recipients should leave early in the fiscal year. While financial benefits can be a factor in timing employee separations through the VERA/VSIP, it is not the only factor to consider. The basis for the agency's 2016 request was not budget driven, but was the result of decisions to right-size the agency, consolidate functions within offices/regions, and re-baseline the work of the agency. In addition, the agency has the right to establish windows and periods for when employees retire/resign through the VERA/VSIP program. The OPM Guide to VSIP specifically states:

> *The agency has the right to establish 'windows;' that is, the time period(s) during which it will accept applications for VSIP and to set the time period(s) for employees to retire or resign for VSIP. If the agency is also offering employees the option of retiring under a VERA, the agency should coordinate the VSIP and VERA windows to maximize the effectiveness of both programs. The agency has many potential options to implement effective VSIP windows for employees.*

Topic 5, Preparing for VSIP, in OPM's Guide to VSIP also encourages agencies to allow sufficient time to maximize the benefit of VSIP. It specifically states:

> *"…to maximize the benefit of VSIP, the agency should allow sufficient time for important decisions such as developing activity or subagency policy on the coverage and application of the authority, preparing the human resources staff, counseling employees, holding retirement seminars, computing annuities for those considering retirement, etc. VSIP often results in an additional major workload for an agency's human resources staff. For example, the agency must inform eligible employees of the VSIP opportunity. The agency must also advise interested employees on the amount of their incentive payment, their annuity and related issues. This process requires additional time and staff when eligible employees are widely dispersed and/or do not have access to a local human resources office."*

Consistent with the OPM VSIP Guide, the NRC thoughtfully considered the timing of its second VERA/VSIP window. The 2016 VERA/VSIP request covered the largest number of slots and groups in recent years. The agency chose the specific window in order to take into account the resources required to process such a large group and to allow employees a reasonable and fair amount of time to consider the impact of their decisions. Specifically, in this situation, our goal was to begin FY 2017 with lower FTE numbers and to complete restructuring through calendar year 2018. This strategy was also communicated in our request, which was approved by OPM and OMB on April 19, 2016.

OCHCO staff met with the OPM VERA/VSIP experts on May 30, 2018, who confirmed that it is within the agency's discretion to establish time period(s) during which it will accept applications for VSIP and to set the time period(s) for employees to retire/resign with VSIP. On June 1, 2018, OPM also confirmed this understanding in writing (email previously provided to OIG).

Recommendation 1: Conduct a formal evaluation assessing the value of VERA/VSIPs as workforce restructuring tools at NRC.

While the NRC informally assessed the value of VERA/VSIPs as workforce restructuring tools, we agree to formally document our evaluation so it can be applied to any future VERA/VSIP requests. Note, many of the topics recommended for inclusion in a formal evaluation addressed (e.g., determining program cost, timing of employee separations, etc.) are required before requesting VERA/VSIR authority and were included in our requests to OPM and OMB, which were approved.

Recommendation 2: Develop written procedures for implementing a VERA/VSIP program.

The NRC agrees that written procedures for implementing a VERA/VSIP program would be beneficial and will determine the best way to integrate VERA/VSIP into the overall strategic workforce planning process and how to determine impacted positions at the office level. Additionally, as noted earlier, we disagree that the agency needs to develop a single system to track positions identified for elimination and restructuring since this process already exists.

Appendix C

OIG ANALYSIS OF AGENCY FORMAL COMMENTS

Although NRC accepted OIG's recommendations, it provided written comments about OIG's finding. NRC stressed it complied with the required guidance. However, OIG believes opportunities for improvement exists, which would enhance the overall efficiency, effectiveness, and value of the VERA/VSIP program. Below is a summary of the agency's comments and OIG's responses.

Unclear Program Goals

Agency Comments

The agency believed it had clear goals for the VERA/VSIP program and cited various agency-wide human resource planning documents as well as the VERA/VSIP plans sent to OPM. The agency also stressed that since VERA/VSIP is a tool for encouraging voluntary separations, it could not estimate the exact number of employees who would leave through the program. Additionally, NRC said it was financially prepared to pay for all the positions listed on the approved OPM plan.

OIG Comments

During the course of the audit, OIG received information about general agency-wide human resource goals. However, OIG never received data showing that NRC estimated the number of employees who would actually separate, calculated the expected program costs, or determined how the program specifically tied into the agency's long-term strategic planning. Obtaining such information was recommended by OPM's written guidance and would have provided the necessary evidence that NRC appropriately considered programmatic goals and had the necessary information to assess and, if necessary, improve the program's effectiveness, efficiency, and value.

Documentation Could Be Improved

Agency Comments

NRC states it did not use two systems to track the program's results. The agency stressed it used one process to track all the information related to the elimination and restructuring of positions specified under its 2016 VSIP authority. NRC explained that its tracking system included names of specific employees, how and when positions were vacated, if positions were abolished or restructured, and if employees were reassigned into the tracked positions.

OIG Comments

OPM's written guidance did not specify exactly how the agency should track program execution. As such, OIG recognizes the agency has flexibility in designing how it would track program results. However, OIG identified weaknesses in the two systems NRC developed to track the program. The first tracking system, which was cited in the agency's formal comments, did not track the 2015 VERA/VSIP round and did not distinguish between non-VERA/VSIP attrition and separations directly attributable to VERA/VSIP. The second, more informal, system provided to OIG by OCHCO was used by the VERA/VSIP program manager to track (1) employees who applied for a VERA or VSIP and (2) employees who left the agency via a VERA or VSIP. This second tracking system did not provide enough detail to reconcile the separated employees to the positions targeted for restructuring and elimination through the VERA/VSIP program. Additionally, although NRC did not acknowledge this second system as a formal tracking system, without it NRC would not have been able to readily identify who left the agency through the program.

No Formal Periodic Evaluations

Agency Comments

The agency states VERA/VSIP regulations did not require it to conduct a formal evaluation to assess the value of the VERA/VSIP program as a workforce restructuring tool. The agency also asserted it determined the NRC program achieved its intended goals based on the attrition rate for

one year (FY 2016). Lastly, the agency said it informally identified opportunities to improve the program's effectiveness after completing each round of the program.

OIG Comments

Although OPM's VERA/VSIP guidance did not require a formal evaluation of the VERA/VSIP program, both GAO and OPM guidance stress the importance of periodic evaluations of government programs. Additionally, although the agency said the program was a success, OIG only received general information about the program, which did not specifically support the agency's assertion that the VERA/VSIP incentives significantly influenced employees' decision to separate.[22] Additionally, the agency could not provide sufficient evidence that management considered (1) the ideal timing and likely cost of employees' separations, (2) the program's impact on long-term restructuring goals, or (3) evaluated the program after each round. OIG believes these steps could have helped identify ways to improve the program and assess the benefit and costs of using VERA/VSIP as a restructuring tool.

2016 VERA/VSIP Separations Occurred Late in the FY

Agency Comments

The agency stated that VSIP recipients did not have to leave the Federal Government early in the FY. It also stressed that while financial benefits can be a factor in timing employee separations, it was not the only factor NRC had considered. NRC also said the agency's 2016 request was not a budget-driven action but was made to right-size the agency, consolidate functions within offices and regions, and re-baseline the work of the agency.

OIG Comments

Although OPM guidance did not require NRC to separate employees early in the FY, OIG believes it is a best practice that could have further reduced payroll costs. During the audit, NRC officials also agreed that

[22] Some NRC officials noted that $25,000 may not have been a strong incentive for individuals to leave or that individuals who received VSIPs were already planning to leave, which potentially questions the effectiveness, efficiency, and value of the program.

separating employees as soon as reasonably possible was a good goal. Additionally, for two of the three VERA/VSIP rounds, NRC separated employees earlier in the FY than the FY 2016 round, where employees could separate up to the last day of the FY.

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COMMENTS AND SUGGESTIONS

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