

PDR



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

December 28, 1993

The Honorable John Conyers, Jr., Chairman
Committee on Government Operations
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

In response to your letter of October 20, 1993, I am pleased to provide the Nuclear Regulatory Commission's answers to the seven specific questions you posed about the NRC's program evaluation efforts. If you have any additional questions concerning this matter, please contact me, or have your staff contact Mr. Ronald M. Scroggins, Deputy Chief Financial Officer/Controller, at (301) 492-4750.

Sincerely,

Kenneth C. Rogers
Kenneth C. Rogers
Acting Chairman

Enclosure:
Responses to Questions

cc: Rep. William F. Clinger, Jr.

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QUESTION 1.

The amount of funding that has been provided by the agency for program evaluation for FY 1994, and the projected amount of funding for FY 1995.

ANSWER.

The NRC does not specifically budget for program evaluations and related analyses; therefore, precise funding figures are difficult to obtain. However, the agency does conduct program evaluations and related analyses, which include OIG audits, management control and risk assessment reviews, biennial fee reviews, followup audit reviews, and program studies. The program evaluations and analyses are determined based on need, priority, and the availability of resources. However, we estimate funding required for such efforts was approximately \$4 million last year out of a budget of \$540 million. A listing of some of the program studies is provided at Attachment 1. The following studies and audits were conducted last year, and an estimate is provided as to what the approximate costs were to perform this work.

<u>TYPE OF STUDY</u>	<u>NUMBER</u>	<u>DOLLARS</u>
OIG Audits and Internal Control	21 Audits	\$2.4 M
Reviews	4 Reviews	
Management Control Reviews	20 Reviews	\$64 K

QUESTION 1. (Continued)

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Fee Reviews	4 Reviews	\$48 K
Followup Audit Reviews	5 Reviews	\$16 K
Program Studies	10 initiatives	\$1.4 M

We anticipate that a comparable number of studies will be conducted in FY 1994 and FY 1995. Additionally, the agency is in the early stages of developing the necessary framework to assess program outcomes and program effectiveness on a routine basis as envisioned by the Government Performance and Results Act (GRPA) of 1993. As that framework is put in place, program evaluations will be identified and completed as necessary to assess the manner and extent to which NRC programs (or their components) achieve intended objectives. The funding necessary to conduct such evaluations will be provided from within available agency resources as the requirement for such evaluations is identified.

QUESTION 2.

The current amount of full-time staff assigned to conducting program evaluations and to whom they report. Please report if the amount of staff is expected to change in the next fiscal year.

ANSWER.

As indicated in Question 1, the NRC does not specifically budget for program evaluations and related analyses. Therefore, there are no dedicated full-time staff currently assigned to conducting program evaluations as defined in OMB Circular A-11. In conducting the studies identified in OMB Circular A-11, the agency reallocates the required staff from available agency resources. As an example of FTE utilization, it is typical that a team of from one to three employees are involved in a management control review, which could last between one day and two weeks depending on the complexity of the assessable unit. It is estimated the following FTE were utilized to perform the studies, audits and reviews shown.

<u>TYPE OF STUDY</u>	<u>NUMBER</u>	<u>FTE</u>
OIG Audits and Internal Control	21 Audits	19.0 FTE
Reviews	4 Reviews	
Management Control Reviews	20 Reviews	.8 FTE
Fee Reviews	4 Reviews	.6 FTE
Followup Audit Reviews	5 Reviews	.2 FTE
Program Studies	10 Initiatives	13.5 FTE

QUESTION 3.

The amount and type of program evaluation units that exist. Specify if there currently is a systematic, planned, ongoing effort to evaluate programs, and where this operation exists within the agency.

ANSWER.

Within the Nuclear Regulatory Commission (NRC) there is no organization which has been created specifically for the purpose of conducting program evaluations as defined in the Office of Management and Budget Circular A-11. However, there are several organizations within the agency which are independent of the major line offices and can conduct such evaluations. These organizations are the Office of the Executive Director for Operations, the Office of Policy Planning, the Office of the Controller, the Office of the Inspector General and the Internal Control Committee. The Office of the Executive Director for Operations evaluates technical and administrative issues that are identified and based on need, priority, and availability of resources and routinely establishes evaluation teams to assess program functions and processes. The Office of Policy Planning is designed to develop and examine long-range policy issues relevant to NRC programs and provide analyses of issues, operational alternatives, and recommendations to the Executive Director for Operations and the Commission. The Office of the Controller is also responsible for providing to senior management analyses of policy, program, and resource issues, as evidenced in the strategic planning for the agency's Five-Year Plan. The Internal Control Committee is responsible for identifying assessable units, planning and reviewing the management control reviews, and making recommendations on material weaknesses.

The Office of the Inspector General (IG) has a systematic, planned, ongoing effort to evaluate NRC programs. The IG conducts performance audits to include reviews of selected programs and activities to evaluate their overall effectiveness in achieving anticipated results. The Annual IG Audit Plan (Strategy and FY 1994 Work Planned) is attached as Attachment 2.

QUESTION 4.

Specify the types of studies that have been conducted, and that are planned for the future. (Please use the definitions from Circular A-11--47.2).

ANSWER.

The NRC conducts some studies that fall within the scope of program evaluations as defined in OMB Circular A-11 (i.e., formal studies, surveys, and analyses used to determine program effectiveness). We also conduct studies which do not fall within the scope of program evaluations as defined in OMB Circular A-11 (i.e., compliance audits, management evaluations of operational efficiency, and productivity measurement). As requested in your letter, information is being provided about the full scope of agency efforts. Examples of such studies are as follows:

The Executive Director for Operations established a Regulatory Review Group to conduct a review of power reactor regulations and related processes, programs, and practices with special attention placed on the feasibility of substituting performance-based requirements and guidance for prescriptive requirements and guidance. The group completed this evaluation in FY 1993.

As the office responsible for oversight of the agency's reactor inspection program, the Office of Nuclear Reactor Regulation performed an assessment of the effectiveness of that program as conducted by the agency's five regional offices. That assessment was completed during FY 1993.

QUESTION 4. (Continued) - 2 -

During FY 1993, a management review was conducted of the agency's program for regulating the medical use of nuclear materials. The review specifically focused on determining whether the existing program is being effectively implemented and on identifying recommendations to correct any deficiencies in implementation of the existing program.

During FY 1994-1995, the NRC is having the National Academy of Sciences conduct an independent review of regulatory rules, policies, practices, and procedures to assess whether NRC's current framework for medical use of byproduct material is appropriate to fulfill statutory responsibilities to protect the public health and safety.

The agency's Office of the Inspector General (IG) conducts an ongoing program of performance audits on selected NRC administrative and program operations. These audits are conducted to evaluate the effectiveness and efficiency with which managerial responsibilities are carried out. They focus on whether management controls, practices, processes, and procedures are adequate and effective. Performance audits also include reviews of selected programs and activities to evaluate their overall effectiveness in achieving anticipated results.

Additional efforts include the organizational reviews of regional offices and headquarters offices to assess efficiency and effectiveness. The review team is in the process of making recommendations for Commission consideration.

QUESTION 5.

Explain how program evaluation studies are used and who uses them. For example, are they used by the sponsor of the study, Congressional Committees, the OMB, etc. Are they used to make policy decisions, perform Congressional oversight, allocate program budgets?

ANSWER.

The results of the studies discussed in the answer to Question 4 are used by personnel throughout the agency as well as agency senior management as input to policy decisions regarding program effectiveness, resource allocation, and the necessity for program redirection.

QUESTION 6.

Explain the effects, if any, of the three percent administrative costs cut ordered by the President on current and future program evaluation efforts in the agencies.

ANSWER.

The three percent administrative costs cut ordered by the President is not expected to preclude any program evaluation efforts deemed necessary by agency senior management. The majority of program evaluation studies and analyses are conducted in specific program areas and the resources are redirected within program funds, not administrative funds. The three percent administrative costs cut may affect current and future program evaluation efforts if travel is involved in the analyses, as in the regional consolidation study for Regions IV and V. Currently the agency is able to redirect agency resources to fund program evaluations; however, if administrative resources are further reduced, the ability to conduct these evaluations may be negatively impacted.

QUESTION 7.

Explain OMB's general role and attitude about program evaluation efforts both in the past, and today. Is there room for improvement? If improvements can be made, please specify how. Again, please look beyond its role with Circular A-11 guidance.

ANSWER.

In the past, OMB has generally been supportive of our program evaluation efforts. With the passage of both the Chief Financial Officers Act of 1990 and the Government Performance and Results Act of 1993 there has been increased OMB emphasis on developing a closer correlation between budget planning and budget execution. OMB has also increased emphasis on development and reporting of performance measures and indicators, and encouraged agencies to consider activity based costing. This guidance is indicative of OMB's desire to increase managers' focus on cost awareness, operating performance, and strategic objectives.

U.S. NUCLEAR REGULATORY COMMISSION INITIATIVES
CONSIDERED INTERNAL TO NRC

1. Streamlining NRC Regulations
2. Inspection Program Assessment
3. Recentralization of the Operator Licensing Function
4. Conduct an Independent Audit of NRC's Medical Use Program
5. Conduct Business Process Reengineering of Materials Licensing and Inspection Process
- 6.* Reinventing the Procurement System
- 7.* Initiate Fast Payment of Commercial Invoices
8. Improving NRC Commercial Acquisition Process Through the Use of Business Process Reengineering
- 9.* Alternative Approach to Small FIP Resource Acquisition
10. Consolidation of Regions IV and V.

*Consideration is being given to establishing "Reinvention Laboratory" for these.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Streamlining NRC Regulations

Background

The NRC is looking at ways to reduce the regulatory burden on licensees while maintaining adequate public health and safety. The NRC believes that by streamlining its regulations, the net results can be improved safety and lower costs. The following are areas being reviewed:

1. High Cost/Low Safety Significant Licensing Issues

NRC prioritizes its reviews of proposed license changes based on their safety significance. Consequently, proposed changes with low safety significance may not receive timely review even though the cost to utilities may be high. NRC is considering options to expedite review of these proposed changes so that unnecessary costs do not adversely affect other safety programs. The primary benefit will be that licensees will be able to make cost effective changes to their operations more rapidly with an expected net increase in safety.

2. Credit for Licensee Self Assessment

A pilot program is underway to allow good performing licensees to perform self-assessments in lieu of some NRC inspections. The degree of NRC overview effort and independent inspection effort will be a function of NRC's perception of the licensee's past performance and the quality of the licensee self-assessment. The NRC inspection resources to overview a licensee self-assessment would be approximately 25% of the effort for a normal NRC area of emphasis inspection, based upon a reduction of both the team inspection size and duration of the normal NRC inspection. This will result in a significant reduction of licensee resources to support the NRC inspection, and allow licensees to redirect such resources to potential safety issues.

3. Review Operating Nuclear Power Plant Regulations and Regulatory Processes to Eliminate Unnecessary Barriers to the Implementation of Cost Effective Practices by Utilities

The task is to identify those regulations and practices where changes would provide more flexibility for utilities to reduce costs in plant operation while maintaining a comparable level of safety. Potential savings in the annual operating cost for a nuclear power plant are estimated to be 1% to 3%. The savings will be seen by the public through the rate setting process in each state.

4. **Elimination of Regulatory Requirements that are Marginal to the Safe Operation of Licensed Nuclear Power Plants, Fuel Cycle and Medical Facilities**

The NRC has adopted as a fundamental premise the principle that all regulatory burdens must be justified and its regulatory process must be efficient. The initiative to review burdensome regulations involves seeking public comment on regulatory requirements that provide marginal safety benefit yet impose a significant cost or regulatory burden. Decreasing the prescriptiveness of regulations will allow licensees to determine how to meet performance requirements which will stimulate self-initiative and result in a positive impact on safety. Industry estimates are that modifications to requirements in an area such as quality assurance could save at least \$1 billion a year.

5. **Revision of the Guidelines for Preparing Regulatory Analyses**

NRC conducts regulatory analyses to ensure that the NRC's decisions which impose burdens on licensees are based on adequate cost/benefit information. The ultimate objective of this regulatory process is to ensure that all regulatory burdens are needed, justified, and minimal to achieve the regulatory objectives. The revision to the guidelines will address consideration of the NRC safety goal, improved quantification of benefits, and interest/discount rates.

6. **Review Options for Changes in the Regulation of Medical Radiation Protection**

There has been a dramatic growth in medical uses of radioactive materials and radiation in recent years. NRC regulates byproduct radioactive materials by authority of the Atomic Energy Act. States regulate other radioactive material not covered in the Atomic Energy Act. Recent events have raised questions of whether Federal and State regulation provides an adequate margin of protection of public health and the safety of those who may be put at risk by radiation treatment. However, the NRC's jurisdiction covers only approximately 25 percent of the radiation therapy treatments performed nationally. The remainder, which involve identical radiation from different types of sources, are covered under a range of state regulatory programs. Therefore, the NRC is conducting a review of options for improvements in the regulatory control of medical uses of nuclear materials, including shifts in jurisdictional boundaries. On September 16, 1993 NRC provided Congress with an interim report on the issues involved in assessing whether to maintain the current regulatory regime for medical uses of radioactive materials or to make legislative or regulatory changes.

7. **Technical Specifications Improvement Program (TSIP)**

The nuclear industry and the NRC studied the question of whether improvements were needed to the existing nuclear power plant

Technical Specifications contained in operating licenses. Two studies concluded that many improvements were needed in the scope

and content of technical specifications. The development of improved Standard Technical Specifications (STS) was undertaken to enhance safety by making the technical specifications clearer, easier to use, and more focused on safety. Four Nuclear Steam Supply System (NSSS) vendor owners groups completed improved STS. A licensee that converts to the improved STS will reduce its reporting and record keeping burden because many reporting requirements of the current technical specifications are not required in the improved STS.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Inspection Program Assessment

The NRC has initiated efforts to improve independent assessment of the inspection program to provide insights regarding program effectiveness, implementation, and consistency. Inspection program objectives have been reviewed and quantitative and qualitative measures have been identified which will be applied in evaluating whether the inspection program is achieving its objectives. The revised assessment process will provide improved insights regarding program performance through a more structured look at inspection program findings and data. The impact of this effort is that inspection resources will be focused toward areas of higher safety benefit.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Recentralization of the Operator Licensing Function

Currently, the Regional Administrator for each of the five regions is responsible for administering the operator licensing program. In response to claims that the regionalization of the operator licensing function has resulted in inconsistency in the development and administration of operator licensing examinations, the NRC completed a study to identify the sources of such inconsistencies. The study also addressed possible solutions to any quality and inconsistency problems that might be identified, and it evaluated the advantages and disadvantages of both a centralized and decentralized operator licensing structure. A Commission briefing was held on the results of the study, and the Commission is currently determining appropriate actions.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Conduct an Independent Audit of NRC's Medical Use Program

Due to the serious therapy misadministration incident in Indiana, Pennsylvania, and other recent events and circumstances, the Commission has directed an internal review of the existing medical use regulatory program. The review will focus on whether the existing programs, including oversight of the Agreement State Program, are being effectively implemented. Implementation of the study's recommendations should result in better service to the public, fewer misadministrations, and decreased risk of fatalities, and more informed patients and public when misadministrations do occur.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Conduct Business Process Re-engineering of Materials
Licensing and Inspection Process

The NRC staff completes approximately 2,500 inspections of materials facilities and approximately 4,500 licensing actions each year. Currently, documentation and management of materials license review, issuance, amendment, renewal, inspection scheduling, inspection reports, follow up, termination fee payment, enforcement actions, and storage and maintenance of docket consists primarily of a manual process. Several agency ADP systems contain some information related to materials licensees; however, the information in these systems is not fully integrated or sufficiently comprehensive to optimize license reviews and inspections. The goal is to eliminate as much of the administrative burden as possible and streamline the licensing and inspection process utilizing ADP wherever possible.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Reinventing the Procurement System

The Federal procurement system is governed by a wide range of statutes and regulations that often deter individual agencies. The process takes considerable time and is not cost effective in many instances. The NRC plans to establish a "reinvention laboratory" directed toward improving the procurement system at this agency. The NRC will be seeking OMB approval to independently manage its total procurement function in accordance with the dictates and objectives of current laws without oversight of agencies such as GSA. With this authority, the agency will be able to make independent business judgments consistent with the goals and objectives of the agency. This will allow for more efficiency by tailoring procurement strategies, time frames, and source selections to mission needs and circumstances.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Initiate Fast Payment of Commercial Invoices

A significant cause of delays in paying commercial vendors is the requirement that payment offices obtain documentation from the requesting office that goods and/or services have been received before making payment. The delay in obtaining this documentation may result in the requirement to pay an interest penalty in accordance with the Prompt Payment Act. Establishment of a fast pay policy to allow payment of commercial invoices of \$2,500 or less prior to obtaining documentation of receipt of goods and/or services would speed up the payment of commercial vendors, improve relations with vendors and reduce the interest penalties paid by the NRC.

The NRC plans to request approval from OMB to initiate a fast pay pilot program in FY 1994. The NRC will establish a "reinvention laboratory" directed to improvements in payments. Estimated savings could range from \$1,500 to \$2,500 annually.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Improving the NRC Commercial Acquisition Process through the Use of Business Process Reengineering

Like many other government agencies, NRC is dependent upon contracts to obtain goods and services to perform basic functions. Effectiveness and timeliness in acquiring these goods and services and in managing the contracts affects the ability of the agency to successfully execute its mission and programs. The NRC has initiated an assessment of its procedures and automated systems that support the contracting process. The agency plans to use a "business process reengineering" (BPR) approach to analyze internal acquisition procedures, constraints of Federal laws and regulations, processing practices, and supporting automation to determine if there are efficiencies we can adapt to improve the current commercial acquisition process. The NRC proposes to share the results of this internal effort with other government agencies through the Small Agency Council.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Alternative Approach to Small Federal Information Processing Resource Acquisitions

The acquisition of Federal Information Processing (FIP) resources is a complicated, burdensome, and slow process. This is due to the many regulations which require extensive documentation, reviews, and oversight for even the smallest purchases of FIP resources. It is not unusual for the cost to acquire an item to exceed the cost of the item itself. The time required to acquire an item may take so long that the original requirement may come and go before the item is obtained, or when acquired the product may already be outdated.

The NRC plans to use this initiative to establish a "reinvention laboratory" and request waivers from regulations or changes to statutes to simplify procedures for FIP resource acquisitions. Results will be documented for consideration for government-wide implementation.

U.S. NUCLEAR REGULATORY COMMISSION

Issue Title: Consolidation of Regions IV and V

The NRC currently has five regional offices. The two smallest regions (IV and V) are approximately half the size of the three large regions resulting in inefficiencies from fixed overhead and lack of economies of scale. Studies have shown that larger regions are more resource efficient. Based on the need for efficiency and based on reviews indicating that small regions require more fixed cost and overhead, the NRC looked at combining Regions IV and V. A study team was formed and it issued two reports evaluating the potential to consolidate the Regions. The Commission approved combining Regions IV and V into Region IV and retaining a Field Office in Walnut Creek. The FTE savings are estimated at 32 FTE.