



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

FEB 10 1986

MEMORANDUM FOR: Chairman Palladino

FROM: Victor Stello, Jr.  
Acting Executive Director for Operations

SUBJECT: BUDGET INITIATIVES

This completes my response to your notation to me on Commissioner Zech's December 19, 1985 memorandum to you, same subject. My memorandum of January 15, 1986 addressed FTE management; this memorandum addresses contract costs and review times.

Commissioner Zech urges that greater attention be made to the agency's expenditures on outside contracts. I endorse this view and would like to outline some of the steps taken in this area. In considering possible savings in contract dollars, it is important to bear in mind that approximately 80% of these funds are spent in DOE National Laboratories. The remaining 20% of contract dollars are made available to private commercial firms, educational institutions, and other federal agencies.

During FY85, you reviewed 12 contracts which were in excess of my contractual delegation of authority. This review usually took from 5 to 6 weeks to complete. Several reviews were well in excess of that period, but the projects can be considered unusual and atypical. If the current \$750,000 approval level were lowered to \$500,000, the staff estimates that your reviews would double. I believe that the present dollar threshold for your review of commercial contracts is appropriate and that the increased number of contracts which would be reviewed at a lower threshold would not yield significant dollar savings.

I continue to rely upon Office Directors to determine the priorities and most efficient expenditure of program support funds less than \$500,000 annually. All projects with estimated annual obligations of \$500,000 or more are reviewed by the Senior Contract Review Board. This Board, chaired by the Deputy Executive Director for Operations, performs a technical and managerial review of all proposed contracts and inter-agency projects including DOE work, above this threshold. The Board examines whether the work constitutes an appropriate use of agency resources and whether the NRC technical and administrative staffs are adequately protecting the agency's financial and technical interests.

In addition to representation on the Board by the Controller, the Director, Office of Administration and the Director, Regional Operations and Generic Requirements Staff, I recently increased Board membership to include the Director, Office for the Analysis and Evaluation of Operational Data and the Director, Division of Contracts to provide more focus to both the technical and cost aspects of pending contractual projects. I am satisfied that the Board's review is thorough and has resulted in much better conceived and economical projects.

I also believe that dollar savings can be realized through greater competition in contractual projects. I have therefore tasked the Director, Division of Contracts, who is the agency's Competition Advocate, to develop initiatives to assure that full and open competition for contractual projects is accomplished wherever possible. This includes work which has been traditionally and routinely assigned to DOE National Laboratories. In their presentations to the Senior Contract Review Board, Program Offices are currently required to justify assignment of work to DOE Laboratories. For projects which do not reach the Senior Contract Review Board threshold, the Competition Advocate will periodically meet with Program Offices to encourage them to use competitive means rather than assign the work to a DOE Laboratory or utilize a sole source contractor.

To assure that our administrative and program support funds are managed in the most efficient manner, the Senior Contract Review Board will conduct a review of NRC's contracting process and provide recommendations for improvement to me.

Original signed by  
Victor Stello

Victor Stello, Jr.  
Acting Executive Director  
for Operations

cc: Commissioner Roberts  
Commissioner Asselstine  
Commissioner Bernthal  
Commissioner Zech  
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