

ORIGINAL

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

Title: **BRIEFING ON THE STATUS OF CFO PROGRAMS,
PERFORMANCE AND PLANS - Public Meeting**

Location: **Rockville, Maryland**

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Pages: **1 - 48**

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1 UNITED STATES OF AMERICA
2 NUCLEAR REGULATORY COMMISSION
3 OFFICE OF SECRETARY

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6 BRIEFING ON THE STATUS OF CFO PROGRAMS
7 PERFORMANCE AND PLANS

8 ***

9 PUBLIC MEETING

10
11 Nuclear Regulatory Commission
12 One White Flint North
13 Rockville, Maryland
14 Thursday, February 10, 2000
15

16 The Commission met in open session, pursuant to
17 notice, at 9:30 a.m., Richard A. Meserve, Chairman,
18 presiding.
19

20 COMMISSIONER'S PRESENT:

21 RICHARD A. MESERVE, Chairman of the Commission
22 GRETA J. DICUS, Commissioner
23 NILS J. DIAZ, Commissioner
24 EDWARD McGAFFIGAN, Commissioner
25 JEFFREY S. MERRIFIELD, Commissioner

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1 STAFF AND PRSENTERS SEATED AT THE COMMISSIONERS' TABLE:

2 ANNETTE L. VIETTI-COOK, Secretary of the
3 Commission

4 KAREN D. CYR, General Counsel

5 JAMES TURDICI, Director, Division of Accounting
6 and Finance, OCFO

7 PETER FUNCHES, Deputy CFO

8 JESSE FUNCHES, Director, Division of Planning,
9 Budget and Analysis

10 CHARLOTTE TURNER, Deputy Director, Division of
11 Planning, Budget and Analysis

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P R O C E E D I N G S

[9:30 a.m.]

MR. MESERVE: This morning, we're here to discuss the status of the Office of the Chief Financial Officer, in particular the programs, performance, and plans of that office.

As I'm sure everybody in the office knows, that office is responsible for the agency's financial operations and reporting. In addition to performing the judicial budget and accounting functions, it is responsible for the coordination of the agency's implementation of the government's Performance and Results Act of 1983, from the transition to a more performance based organization.

This is a very important activity for the Commission, and we very much look forward to hearing from you as to the progress you've made and as to the issues that are confronting you in the future.

Let me turn to my colleagues and see if they have any opening statements they'd like to make. If you not, you may proceed.

MR. FUNCHES: Thank you. Chairman Meserve, Commissioners Diaz, McGaffigan, and Merrifield, I'm pleased to have the opportunity to discuss with you the Office of the Chief Financial Officer of program plan, performance, and challenges of the future. If you could go to the first

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1 chart, please.

2 Sorry, we're trying to fix microphone problems.

3 MR. FUNCHES: At the table with me today is Peter
4 Rabideau, the Deputy Chief Financial Officer, who is sitting
5 to my right. Sitting next to him is Mr. James Turdici, the
6 Director of the Division of Accounting and Finance.

7 Mr. Richard Rough, who is sitting to my left, is
8 the Director of our Division of Planning, Budget, and
9 Analysis. Sitting next to him is Charlotte Turner, the
10 Deputy Director for that division. The branch structure
11 that we've shown on this chart is indicative of the office
12 responsibility that I will be discussing with you today.

13 To carry out our responsibilities we have a budget
14 of 108 FTE and approximately \$5 million. Going into the
15 next fiscal year, we will be reduced in the number of FTE we
16 have from 108 to 104.

17 In addition to carrying out the basic
18 responsibilities for the office, we serve as the allotment
19 and financial manager of funds that support agency wide
20 activities. This includes approximately \$6 million for
21 relocating employees of agencies, and all the agency's
22 salaries and benefits. If you would put up slide three,
23 please.

24 My presentation today will follow the agenda on
25 this chart. I will first discuss our primary financial

1 operation activities, followed by our performance and
2 managing agency financial resources.

3 This will be followed by a discussion of our
4 efforts to implement the planning, budgeting, and
5 performance management system, our efforts to prepare the
6 agency's financial statement, and the implementation of Star
7 Fire, the agency of wide financial and resource management
8 system.

9 For each area, I will discuss what we do, our
10 goals, our performance against those goals, and the plans
11 and challenges for the future. Put up slide four please.

12 The first area I will discuss is related to
13 financial operation. Our overall strategic approach to
14 financial operation is to ensure that the use of our
15 financial resources are in accordance with applicable law
16 and regulations.

17 The area I will discuss now in operations is
18 related to good payment of our employees. We make
19 approximately 100,000 payments annually. Our goal is to
20 make 99 percent of these payments on time, and accurately.
21 We are meeting these goals.

22 The third goal we have is to make payments
23 electronically. This goal reflects a government wide effort
24 to reduce the cost of payments. We are currently paying 99
25 plus percent of the employees through electronic funds

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1 transfer, compared to our goal of 100 percent.

2 Those employees who are not being paid through
3 electronic funds transfer have been exempted in accordance
4 the guidance that we have from the Department of Treasury.
5 Slide five please.

6 The next major area in financial operations
7 involve approximately 40,000 payments to commercial
8 contractors and other government agency through interagency
9 agreements. Our goal is to make 94 percent of these
10 payments within 30 days, achieve an accuracy rate of 99
11 percent, and to make 99 percent of these payments
12 electronically.

13 We are meeting these goals as indicated on the
14 chart. As a result of meeting these goals, the cost to the
15 agency is reduced in that we are able to avoid interest
16 payments on certain contracts.

17 We were recognized by the Department of Treasury
18 for the pace at which we have implemented a government wide
19 initiative for electronic payment through commercial
20 contractors, and the rate of progress that we have made.

21 In achieving this goal, we depend heavily on other
22 organizations within the NRC. I would like to acknowledge
23 the contribution of the divisional contracts and the many
24 technical assistant department managers throughout the
25 agency who work with us as partners to achieve payments of

1 our commercial vouchers within 30 days. If you would go to
2 slide seven, please.

3 We are responsible for providing travel service
4 for approximately 14,500 trips annually. We have delegated
5 a region of authority to perform these services for our
6 regional office employees who take about sixty percent of
7 these trips.

8 On a metric, I have shown on the chart focused on
9 the back end and the front, I want to assure you that our
10 overall approach is to make sure that we provide cost
11 effective travel services to all of the employees such that
12 they can carry out their functions in a very effective and
13 efficient way.

14 To make sure that we entirely reimburse employees
15 for their travel, our goal is to review and pay 95 percent
16 of the travel vouchers for headquarters employees within
17 five days. We are meeting this goal. With travel, we also
18 have a goal to make 100 percent of the payment
19 electronically.

20 Again, except for a few justifiable instances, we
21 have been able to achieve this goal. For the future, there
22 are two new term changes that we must implement. The Travel
23 and Transportation Reform Act requires us to use credit
24 cards for travel and to pay the payment of interest on any
25 travel voucher that is not paid within 30 days of submission

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1 to the supervisor.

2 These requirements become effective on March 1st
3 of this year. We are finalizing the last step to meet this
4 date, and we expect to meet it, and be -- for compliance
5 with the requirements.

6 The second year term change is to implement a
7 renegotiated DSA travel management contract. The new
8 contract shifts additional costs to all federal agencies for
9 services that in the past has been cost free. Under the new
10 contract, the agency will be required to pay transaction
11 fees and fees for other services such as maintaining a
12 travel management service on site.

13 We are currently examining the various options and
14 expect to implement the new requirement by May 2000, the
15 deadline that has been established. In implementing the new
16 requirements, again, we will keep as a priority, making sure
17 that our employees can perform the travel that they need in
18 a cost effective manner. If you would go to slide seven,
19 please.

20 The last activity that we perform related to
21 financial operations is to manage the revenues for the
22 agency. We have two primary outcome goals. The first is to
23 maintain their amount of delinquent debt owed to the Nuclear
24 Regulatory Commission at a low level.

25 I would note that this is another government wide

1 initiative that we are participating in. We are achieving
2 this outcome in that we can reduce the amount of the
3 delinquent debt to less than one percent of the total amount
4 that is billed annually.

5 The second important outcome is to meet the
6 requirement of the Omnibus Budget Reconciliation Act of 1990
7 which related to 100 percent fee recovery. As the chart
8 shows, we have collected approximately 100 percent of the
9 budget subject to fees each year. Over the 9 years that the
10 law has been in effect, we have averaged about 99 percent of
11 the budget being collected through fees.

12 In meeting this requirement, the Office of the
13 General Council has worked very closely with us, and I would
14 like to acknowledge their contribution to us in achieving
15 this important goal for the agency. Could you move to slide
16 eight, please?

17 To make sure that we meet our outcome goals in the
18 revenue area, we have established objectives to make sure
19 that our bills are timely, and we follow up on debt owed to
20 the government. These objectives are shown on these charts
21 and we use them as part of our day-to-day management
22 throughout the year.

23 Turning to the future, we see two challenges.
24 First, as I think as you know, the NRC was successful this
25 year, working with O and B to address the fair and equity

1 issues associated with the 100 percent fee recovery
2 requirement.

3 The budget that we submitted to Congress on Monday
4 is based on reducing the 100 percent fee recovery margin by
5 2 percent per year, beginning in fiscal year 2001, reaching
6 90 percent by fiscal year 2005. Our next step is to work
7 closely with Congress and to continue work with O and B on
8 the legislation necessary to implement this proposal. The
9 other challenge that we have is to continue to look for ways
10 to make cost effective improvements in our fee mythology and
11 internal controls.

12 We've already made provisions to document the fee
13 development process. We are contracted with an independent
14 contractor, Price, Waterhouse, Cooper, to review our
15 methodology, and we expect to take the results from that
16 contract and to determine what improvements that we can make
17 in both the internal control and the efficiency in which we
18 process fees.

19 In summary, we have and expect to continue to meet
20 our outcome goals, but recognize the potential for cost
21 effective improvements and how we implement our fee process.
22 Slide ten please -- I'm sorry, slide nine.

23 The next two charts will discuss our financial
24 performance. The first chart -- first set of charts will
25 discuss our financial performance in obtaining resources to

1 carry out the agency mission.

2 Our goal in this area is to provide those
3 resources that are necessary and sufficient to meet the
4 requirements of the NRC. I believe we're achieving this
5 goal in that the agency has been able to meet its mission
6 while bringing down FTE by about 600 since fiscal year 1993.
7 As the chart shows there have been reductions each year
8 including the fiscal year 19 -- fiscal year 2001 budget,
9 recently submitted to congress. Likewise, the purchasing
10 power of the NRC, as represented by the constant dollar line
11 on the appropriation chart, is down by over \$140 million
12 since fiscal year 1993.

13 For the future, we will use the plan and budget in
14 the performing management process, that I'll be discussing
15 later, to ensure that we continue to obtain only those
16 resources that are necessary and sufficient to meet our
17 goals and carry out our mission. Slide ten, please.

18 Another aspect of financial performance is to
19 efficiently and effectively utilize the financial resources
20 that have been appropriated to the Nuclear Regulatory
21 Commission. We use carry over as our form of metrics in
22 this area.

23 Carryover is defined as the unspent funds from
24 prior year appropriations. We have two metrics. The first
25 is unobligated carryover which is the amount of prior year

1 funds not obligated at the end of the year. Last year,
2 NRC's unobligated carryover was been slightly above \$20
3 million, which is consistent with our goal to maintain carry
4 over at a level of approximately five percent of the agency
5 budget.

6 The second goal measures how well our funds have
7 been utilized. For this, we look at funds that are
8 obligated but have not been expended. For FY1999, we
9 reduced our goal in this area from five to four months of
10 expenditures. These four months recognized that on an
11 average case, a two month lag in billing for work already
12 completed.

13 It also provides for two months of funding
14 continuity across fiscal years. Although we reduced our
15 liquidated carryover by \$15 million in FY1999, it still came
16 up short for the new goal. We will continual to give focus
17 in this area and expect to achieve the goal for the next
18 couple of years that as we identify existing contracts -- as
19 we modify existing contracts and interagency agreement.

20 To accomplish what we have accomplished over the
21 last five or six years required the coordinated effort of my
22 staff, the office director, and their allowance financial
23 manager. And I would like to acknowledge their contribution
24 in working with us to make this happen. Slide 11 please.

25 I would like to now discuss implementation of the

1 NRC's plan, and budget, and performance management process.
2 Our goal is not only to meet the specific requirements of
3 the Government Performance and Results Act, but also be
4 intent of that act.

5 I believe the PPBM process that we have depicted
6 on this chart provides the necessary framework to manager,
7 to outcome, which is intent of PPRA. We have made progress
8 in implementing each of these four elements of the process
9 that is depicted on the diagram on this chart. What I would
10 like to do now is turn to a discussion of the progress that
11 we have made and the challenges that we have future. Slide
12 11 please.

13 With respect to accomplishment, we are using the
14 performance managing concept. We started with the pilot of
15 last year and expanded the pilot to research NMSS program
16 during the development of last year, fiscal year 2001
17 budget.

18 For the past six months or so, we have used the
19 process to develop the goals, measures, strategies for the
20 agency's strategic plan. We will continue to use these
21 concepts in developing the fiscal year 2002 budget and
22 performance plan, and management of -- day-to-day management
23 of agency activities.

24 To meet the explicit requirements of GIPPER, we
25 will complete our tri-annual update of the strategic plan by

1 September 30, 2000. To this end, we are provided -- we are
2 providing a proposed plan to the Commission this week, and
3 expect to provide it to stakeholders for comments this
4 month.

5 On Monday, we provided Congress the agency's
6 second integrated budget and performance plan. Our first
7 performance report covering fiscal year 1999 is currently
8 undergoing Commissioner review, and will be submitted to
9 Congress as part of the accountability report by March the
10 31st of this year. For the future, we will focus on
11 continuing to apply the concept of managing to outcome that
12 we have developed over the past year or so. I will also be
13 looking to stabilize a plan and budget, performance
14 management process by refining what we have instituted as
15 opposed to making further major changes. Slide seven
16 please. I mean, slide 13, I'm sorry.

17 The CFO Act that was passed several years ago has
18 several key features. It created a position of chief
19 financial officer reporting to the head of the agency and
20 specified qualification requirements for that position. The
21 CFO counsel, government wide counsel was also created.
22 Additionally, each agency covered by the CFO Act was
23 required to produce and order the financial statement.

24 The primary purpose of the financial statements
25 which we have adopted as our goal is to provide complete

1 reliable, timely, and consistent financial information for
2 use by the NRC, the Executive Branch, and Congress.

3 We measure whether we are meeting this goal by
4 looking at where our financial statements are in qualified.
5 We look at whether we comply with the federal accounting
6 standards, and whether or not the standards are -- the
7 statements are produced timely. We have received an
8 unqualified financial statement for fiscal year 1994 through
9 1998.

10 The IG recently informed me in a briefing that the
11 fiscal year 1999 financial statements will also be
12 unqualified. Achievement of this outcome for fiscal year
13 1999 requires substantial effort on the part of my staff and
14 the IG.

15 And I would like to acknowledge the contribution
16 of the IG who are working with us to use various methods to
17 produce one of the more difficult statements this year, the
18 statement of net cost. We have complied with all of the
19 accounting standards which are applicable to the NRC except
20 one, and this standard is the standard related to cost
21 accounting.

22 Our financial statements have been issued on time
23 except for one year, fiscal year 1996, in which during that
24 year, the statement was a couple of days late. While we
25 have made substantial achievements, there are significant

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1 shortcomings that we need to address.

2 First, we need to comply with the cost accounting
3 standard. For as this end, we have developed a remediation
4 plan. First component of that plan is to capture staff hour
5 program, was implemented at the beginning of this fiscal
6 through modification through our existing payroll system.

7 The second part is to implement a time in labor
8 and cost accounting. This is being accomplished by the Star
9 Fire project, which I will be discussing later. The last
10 component of cost accounting is to improve the use of cost
11 in decision making.

12 We have the majority of this effort planned for
13 fiscal year 2001, after the cost accounting system is in
14 place. We will re-look at our remediation plan to see if
15 changes are needed based on the recent IG audit. In
16 addition to the cost accounting standard, the IG has
17 identified other reportable conditions involving account
18 controls that we will resolve.

19 Lastly, we must be prepared to implement new
20 standards. At this time, we know of one new standard and
21 that is the standard on capitalization of internal use of
22 software that must be implemented in fiscal year 2001. And
23 we expect to have the system policy and procedures in place
24 for this new standard. Slide 14 please.

25 We are pursuing an integrated financial and

1 resource management system that is known Star Fire. The
2 purpose of that system is to provide the capability to meet
3 accounting standards, reduce our cost for accounting, and
4 improve reporting capabilities, including providing improved
5 information to our NRC managers.

6 On this chart, the left hand column shows our
7 original approach to the Star Fire project, and the other
8 column shows our current plan. Before I discuss our current
9 plan, I would like to provide a little background of how we
10 got to where we are. We were required to select our core
11 accounting system from a GSA schedule which was comprised of
12 contractors that had been certified by the John Financial
13 Management Improvement Project.

14 After selecting the contractor, we managed the
15 project in accordance with a good IT management principal
16 that had been put in place in response to the ITMRA. Based
17 on monies and progress that we were making and the resources
18 in time invested, and those resources in time expected to
19 complete the project given the capabilities that, again,
20 were provided in the system, we made a determination to
21 terminate the effort with one of our contractor, ICF Kaiser.

22 We had deferred implementation of three of the
23 modules that were in that contract until after we can get
24 additional federal experience. Our current plan now is to
25 proceed with the human resources, time and labor, and

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1 payroll modules, or the People Soft effort, and to implement
2 our cost accounting modules in fiscal year 2000.

3 We expect to have all of those efforts completed
4 by the beginning of 2001. Currently, we are training people
5 to perform parallel tests on the labor cost distribution,
6 time and labor, and payroll, and HR modules, and in the
7 process of making the final selection of the cost accounting
8 module. Following the implementation of those modules, we
9 will then proceed to implement a travel manager module and
10 then an executive information system. We expect to have
11 both of those completed in fiscal year 2001. Slide 15,
12 please.

13 For the future, our plan and focus will continue
14 to be on one, making sure that we protect the agency
15 financial assets consistent with the risk of adverse action
16 on those assets. We plan to continue to use good business
17 practices, and we plan to implement that through our plan,
18 and budget, and performance management process.

19 We are looking to integrate our agency account and
20 budgeting and program system to insure that we have
21 integrated information for management and for external
22 reporting. We want to integrate cost into decision making.
23 And lastly, we want to continue to provide high quality
24 services to our employees at a reasonable cost.

25 In summary, I believe we are meeting the financial

1 operation and financial performance goals that we have
2 established. We are making progress in implementing our
3 plan, and budget, and performance management process to
4 transition to agency's to an outcome approach to management.

5 However, we do believe additional improvements are
6 needed in that area. We have a made significant
7 accomplishments in the production of financial statements
8 and reporting on our finances. Again, there are
9 improvements that are needed, and we plan to make those
10 improvements. And we are proceeding expeditiously to
11 implement our Star Fire system on a modified plan.

12 That concludes my presentation. I would like to
13 express my appreciation to the Commission for the support of
14 our activities in the past. And with that, I would -- my
15 staff and I are available to answer any questions that you
16 might have.

17 MR. MESERVE: Thank you very much. Very much
18 appreciate the briefing. I have a question about your slide
19 13, which has to do with financial statement. You indicate
20 there that we're not currently in compliance with the
21 federal accounting standards, standard advisory board,
22 standard number four, for cost accounting. It indicates
23 there.

24 Could you be a little bit more specific about what
25 exactly the nature of the non-compliance is, and perhaps

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1 more importantly, whether that non-compliance reflects any
2 problems as to whether funds have been appropriately
3 expended?

4 MR. FUNCHES: There are two general area -- and
5 Jim maybe you could just add -- one is the standard requires
6 the use of cost information, improving the use of cost
7 information throughout the agencies and decision making.
8 The second one, it requires that you be able to report cost
9 and revenues -- in this case, we're focusing on cost -- by
10 the programs that you carry out.

11 In terms of shortcomings, I want to make sure that
12 there's two pieces to cost. One is the people cost, the
13 labor cost, and then there's the contract cost. We are
14 currently reporting and capturing all of our contract cost
15 by program and that represents at least a forty percent of
16 the cost for the agency.

17 The area where we don't have a system today to
18 capture those costs is in the people area. And what we did
19 this year, we were able to use cost finding techniques. In
20 answer to your second question, that shortcoming has not, in
21 my opinion, led us to any fatal flaw in the utilization of
22 our resources. I think we are efficiently utilizing
23 resources.

24 I think people -- we have controls on FTEs to make
25 sure that we know where the FTEs have been going spending.

1 We also have adequate controls on the time that people have
2 spent. So, I don't think that has led to any misuse of
3 funds allocated to the agency. I'll ask Jim to maybe
4 elaborate on anything else in terms of the requirements.

5 MR. TURDICI: The only thing that I would add is
6 that one of the requirements is that we capture what they
7 call full cost, and that's taking for a specific
8 programmatic area and applying necessary overhead or
9 indirect cost to that. Those costs then are fed to agency
10 managers so that they can then review those costs in order
11 to make better financial decisions. We have not been able
12 to do as yet.

13 With the implementation of time and labor, we'll
14 be able to capture that data through a cost accounting
15 system, apply that overhead in direct cost, and then send
16 the necessary reports down to the internal managers.

17 MR. MESERVE: When do you anticipate that you will
18 be able to come into compliance with that?

19 MR. FUNCHES: The steps we're taking -- we will be
20 able to report this fiscal year by a strategic arena, which
21 is the program that we have. We modified our payroll system
22 at the beginning of the fiscal to capture those costs so
23 that we don't have to use cost finding, or other techniques,
24 to make those reports.

25 At the end of this year, we will have the systems

1 in place that we talked about, the time and labor, and cost
2 accounting. So now it is a lot easier to produce the
3 reports and information from managers. And then we will
4 begin to work our appropriate managers in the fiscal year
5 2001 on utilizing that information.

6 One of the things that I'm thinking about
7 relooking at is part of the remediation plan that we have
8 completed and provided to the IG would be whether there are
9 some things that we might be able do this fiscal year in
10 terms of getting managers some additional cost information
11 that might be useful to them, or maybe begin to work with
12 them a little bit earlier on that particular issue.

13 MR. MESERVE: Is the problem of bringing yourself
14 into compliance related to your difficulties with Star Fire?

15 MR. FUNCHES: To some degree, we had some delays
16 as a result of the difficulty we had with Star Fire. We
17 would not have been this fiscal year. We were still having
18 to use cost finding techniques, but we would have had a
19 system in place slightly earlier on if we had not had
20 difficulties with Star Fire.

21 MR. MESERVE: You indicated at the moment you were
22 in the process of making the final selection of the vendor
23 for a cost accounting, right?

24 MR. FUNCHES: Right.

25 MR. MESERVE: Is that, again, a vendor that has to

1 be selected from a GSA schedule?

2 MR. FUNCHES: We are using the GSA schedule as a
3 means to do that, but it's not one of these where they have
4 previous "been certified." So we have the flexibility -- a
5 little bit more flexibility in who we select.

6 MR.TURDICI: For cost -- our accounting system
7 itself, we were required to use vendors that had passed
8 through the certification process by JMFIP. To go out and
9 select a cost accounting vendor, there is no requirement to
10 use that selected list. While we did use a GSA schedule to
11 go out to vendors, it was similar to general agency
12 procurement practices. It was not something special in
13 which we had that restriction.

14 MR: What steps have you taken to avoid the
15 problem you had in your previous selection?

16 MR. FUNCHES: One of the things -- what we will do
17 is we will look very carefully at the proposals that are
18 coming in. We will look at -- the other thing we are going
19 to do is bring in the people to make sure that they are here
20 with us, not only for the system to bring up, but also to
21 make sure that they are here to work with us as we go
22 forward in implementing the system, including all the
23 procedures that go around it.

24 You know, we'll put in the best people that we
25 have, both people from IT and from the business side, on

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1 looking at the proposals that we have, and then from that,
2 we will make the best judgement that we can in terms of who
3 the best qualified contractor would be, you know, the best
4 cost.

5 MR. MESERVE: Are you looking at experience with
6 other federal -- of other federal agencies in this kind of a
7 module?

8 MR. FUNCHES: We -- I know that the group has done
9 some, what we call reference checks, with other agencies who
10 had used the vendors that are making a proposal. We are in
11 the, I guess, very close to reaching a decision now. And
12 they have made, I think I would call it reference checks,
13 with other agencies and other people that have used the
14 vendor.

15 MR. ROUGH: I think one major difference is in
16 this case, we are bringing on a vendor who's going to assist
17 us, not only in recommending what package to buy, what
18 software package to buy itself, but also that same vendor
19 will help us implement that package.

20 So, on the front end in this case, we're actually
21 having a firm come in, help guide us, help review those
22 requirements, make sure that the requirements that we have
23 are tight, and then recommend packages out there for
24 potential use.

25 Whether or not they procure the software, we

1 procure the software is an option we have today within that
2 procurement package. And then, eventually, that same vendor
3 that we selected to help us will also do the implementation
4 in assisting with the set-up. So it's a slightly different
5 approach that we have than what we have with the cost
6 accounting -- I mean with the general accounting.

7 MR. MESERVE: Let me turn to Commissioner Dicus.

8 MS. DICUS: Thank you, Mr. Chairman. I've got
9 four questions. Hopefully, I think a couple of them are yes
10 or no answers --

11 MR. FUNCHES: Okay.

12 MS. DICUS: -- which should go pretty easily so I
13 don't take up more than my fair share of time, but I would
14 like a couple of issues to get into. One of them, the first
15 thing is the carryover fund. Somewhere between \$16 and \$20
16 million -- I think, in part of your budget execution report,
17 you mentioned \$16 million, and then in your presentation,
18 there was like \$20 million unobligated.

19 Are you comfortable with that figure to be able to
20 give us this cushion if we have unanticipated expenses, and
21 are we within guidelines of what Congress tends to want us
22 to be at with carryover fund?

23 MR. FUNCHES: Let me start with your last question
24 first. We have had discussion with Congress about the level
25 and the about five percent level, at least the current

1 appropriations committee staff were comfortable with that
2 level. You know, based -- as you know we had had somebody
3 do --

4 MS. DICUS: Right.

5 MR. FUNCHES: -- and they are comfortable with
6 that level. In terms of whether I'm comfortable with the
7 amount that we have, you know, I think when you get down
8 into the lower ranges, \$16/17 million total, that -- based
9 on history, is kind of the low end of the pole. We like to
10 stay around \$20 million. I think, that based on the type of
11 emergent demands that have come up during the year, you
12 know, issues associated with transition of cost to you, I
13 feel comfortable with that level. I don't know, Pete, if
14 you had any other comments.

15 MR. RABIDEAU: No.

16 MR. FUNCHES: No. We feel comfortable in that
17 range. If we start getting down into the low teens, then,
18 you know, based on history and what we've seen in the past
19 --

20 MS. DICUS: Right.

21 MR. FUNCHES: -- it starts to create a more
22 difficult choices.

23 MS. DICUS: Okay. So we're comfortable where we
24 are in carryover --

25 MR. FUNCHES: We're comfortable of where we are

1 this year.

2 MS. DICUS: -- and Congress is probably
3 comfortable, and the budget people as well.

4 MR. FUNCHES: Yes.

5 MS. DICUS: Okay. Second question has to do with
6 the metric that you had in your budget execution report.
7 And what you said that you wanted each organization to have
8 no more than 13 months of funding available at the end of
9 December 1999. And everybody within the agency met it,
10 except NRR, and I understand they have like 17 months. And
11 part of the problems there were delays in the funding for
12 Risk Informing, Part 50 and perhaps the delays were in
13 awarding contracts. Is this metric really -- I mean, tell
14 me about this metric. Do we need to worry about this, or is
15 this not a metric that --

16 MR. FUNCHES: Let me answer the question that
17 relates to NRR and then maybe a little bit of general
18 discussion of how we use the metrics. One is, NRR has been
19 very effective in this area. I think what you see there is
20 a spike on the screen.

21 I know NRR's aware of that issue, and they're
22 working on it. But, over the past, they have done a very,
23 very, very good job actually, probably been one of the most
24 effective offices in this area.

25 We use that -- and the reason we produced that

1 report because of the budget execution -- we produce it
2 monthly and we circulate it. Again, for information for use
3 in management. And what we use that is as an indicator, or
4 if it were a flag, such that we don't trend in the wrong
5 direction.

6 I think that in this case it is a flag, and we
7 will use it that way to draw attention to it. And I know
8 for a fact that NRR is looking at this, and there will be
9 because of things that don't go as you expected them, and in
10 this case, I think it's understood what the issues were.
11 But there are indicators that we like to use such that we
12 don't look at the end of the year, and then say, "Oops," you
13 know, and then you can't do anything about it. So it is a
14 blip for NRR that I --

15 MS. DICUS: So you're monitoring it. That's the
16 point I wanted to get to. The next question has to do with
17 the fact that we did get an unqualified financial statement.
18 I want to congratulate you, and your staff, and the IG, and
19 the IG staff for working on this issue, but this has been --
20 this came up last year, the possibility that we would have a
21 qualified financial statement.

22 And this year, it was even more of a possibility,
23 and I know I had discussions with you about it, as you
24 recall, and also with the IG because that's not something
25 that we want to get.

1 And, again, I congratulate both organizations for
2 working on this. But, are we resolving the issues so that
3 we're not in the same boat next year, that we're worried
4 about getting a qualified financial statement?

5 MR. FUNCHES: My goal is to do that, and I think
6 we have identified at least the basic issue that we need to
7 work on in terms of being able to produce the -- let me just
8 step back just a little bit. We produce a lot of other
9 statements, and those statements are being produced without
10 any significant issues or grudges. The one statement which
11 is one of the newer statements is the statement of net cost,
12 and that statement has given us some concern last -- not as
13 much last year as this year.

14 We have put in place a mechanism that captures the
15 data such that we can produce that statement. We know how
16 to do out a cost allocation across the arena. Even though
17 we won't have an automatic system to do it, we are able to
18 do it based on the methods that we -- we know the methods
19 and we're able to do that.

20 I think the thing that we focus a lot attention on
21 over the next week or so, and the next month, is just
22 stepping back and looking at how we approach the production
23 of the financial statement, looking at the strategies that
24 we use to produce the financial statement.

25 I plan to talk some more with the contract

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1 auditor, the IG agreed to allow me to do that, to understand
2 what other strategies, say, commercial funds use, or other
3 government agencies use, as part of their financial
4 statement production.

5 We also maybe will talk to some other federal
6 agencies such as Social Security Office, they're a whole lot
7 bigger, but see if they have some techniques and strategies
8 that we can use during the year to somewhat reduce how we --
9 what we need to do, you know, during the actual production
10 of this statement that may flush out some issues early. So,
11 we have some work to do, but I'm confident that we can do
12 that, and my belief is that the coming year shouldn't be as
13 difficult as last year.

14 MS. DICUS: Okay. So I can have this comfort
15 level that when we have this briefing this time next year,
16 we will have an unqualified financial statement. There's
17 where I'm heading.

18 MR. FUNCHES: Well, I believe that we can --

19 MS. DICUS: I think that should be a goal. I
20 mean, it has to be --

21 MR. FUNCHES: It's no doubt that is one of our
22 goals. It's no doubt that not only -- let me step back.
23 It's not only our goal to produce an unqualified statement,
24 but our goal is to do good accounting and financial
25 management of the resources. And I think that if we do

1 that, the production of the financial statement --

2 MS. DICUS: I see an IG person standing there. I
3 don't know if he wants to come to the microphone or not.

4 MR. FUNCHES: Our goal is to eliminate all the
5 uncertainty, but the bigger focus is to focus on doing good
6 accounting. And I think that if we can do that and get that
7 done -- I don't know, Jim, do you --

8 MS. DICUS: Okay. Mr. Chairman, one more
9 question, please? Quickly, the other thing is, and this is
10 really going to slide 12, but the number of meetings that
11 are required for strategic planning updates, budget
12 preparations, development of performance plans, and all the
13 activities that surround them, I know, I hear a lot from
14 various parts of the staff that this is so very time
15 consuming and even frustrations on this.

16 Are we reaching a point where we are beginning to
17 channel, and we can focus, and there be a lot less time
18 spent on this, and still get the product that we need?

19 MR. FUNCHES: I believe so. I think that in the
20 beginning there was a need to invest for a couple of
21 reasons. One is to invest management time for them to
22 understand the concept. I think understanding the concept
23 -- I think you heard from NRR and research -- I think we're
24 to that point where we understand the concept. Having
25 understood the concept, I think now the investment -- we

1 don't need to make that investment in future years. The
2 other thing we want to do is, I mentioned in my briefing, is
3 to try to stay locked in on the process and not have the
4 process, you know, be in flux.

5 And I think that stabilizes that and people can
6 focus in on the direction that we are trying to move, and
7 the amount of time that we would need to spend would be
8 less. I think this trying up date of the strategic plan, we
9 obviously won't have to do again for the next three years,
10 and I think that by that time we should -- the concept will
11 be there and we won't have to spend as much time coming up
12 to speed.

13 MS. DICUS: Because it has been time consuming and
14 taking the staff away from some other issues they deal with.
15 No further questions, Mr. Chairman. Thank you.

16 MR. MESERVE: Mr. Diaz.

17 MR. DIAZ: Yes, I think Commissioner Dicus has
18 made my job very easy. I like to join her in being pleased
19 with the fact that we don't have qualifications in our
20 financial statement, and I think the goal is next year,
21 don't even think about it.

22 MS. DICUS: He stated it much better than I did.

23 MR. DIAZ: Not even bring it to the table. And on
24 the issue of the strategic plan, we continue to be concerned
25 that the strategic plan doesn't grow by itself because then

1 it becomes non-strategic, it's not an operating plan. I
2 think it's time to reduce it to what it is.

3 We know we need to comply with GPAR and
4 congressional expectations, and it's your job to make thing
5 that it fits. Having said that, and although unsolicited,
6 I'd like to yield the remaining of my time to the incisive
7 fiscal conservative expertise of Commissioner McGaffigan.

8 MS. DICUS: You're on, Ed.

9 MR. MCGAFFIGAN: Yes, thanks for the seeding of
10 time. I'll start by also complimenting you on a lot of
11 things. I think there are a lot of good measures that you
12 are achieving here. One question. We recently had a
13 meeting with NRR, and the SRM, I think on that, said next
14 year we should do it by arena.

15 If we, next year, organize these program briefings
16 by arena, where would you fit? Is there an arena that fits
17 your -- you're not safety. You're not international.
18 You're not reactors, and you're not -- do we need a fifth --
19 we had a fifth arena once.

20 Is there -- I mean, management and support isn't
21 an arena, but would we need -- if we organize these things
22 differently next year, would you guys be in, you know, sort
23 of a cats and dogs management support arena?

24 [Laughter.]

25 MR. FUNCHES: Let me answer it in two ways. We

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1 will continue to have what we call a management support
2 arena. I like to look at it more as corporate support
3 because it covers a lot of things. It covers corporate
4 level support for General Counsel. It covers my office. It
5 covers human resources.

6 MR. MCGAFFIGAN: But if we do it, I mean, we sort
7 of said we're going to do it. The reason we did it for
8 reactors is we wanted to bring in the regions.

9 MR. FUNCHES: Right.

10 MR. MCGAFFIGAN: They were missing from the
11 reactor one, and I think that would be useful for some of
12 the others. But maybe, in terms of your office, would you
13 suggest rather than lumping you all together in a management
14 and support, that we treat the different pieces of
15 management and support separately?

16 MR. FUNCHES: I would think that, you know, the
17 financial management would be treated separately. You know,
18 I think there are some, you know, obviously some financial
19 aspect and planning aspect that goes with the arenas, but I
20 would suggest that it would be treated separately.

21 MR. MCGAFFIGAN: Okay. Let me get to something
22 more along the lines of a question you guys may be have
23 expected. The ICF Kaiser contract, is that terminated? Are
24 there no further discussions about compensation between us
25 and the contractee?

1 MR. FUNCHES: Right. We have completed our
2 negotiations with them and that effort is terminated.

3 MR. MCGAFFIGAN: And they were terminated for not
4 convenience, or not for cause, right?

5 MR. FUNCHES: The termination was for convenience.

6 MR. MCGAFFIGAN: Okay. What could they not
7 deliver? What -- I mean, this was supposed to be
8 commercial, off-the-shelf technology. You were buying it.
9 It was certified by the JFMIP group. This was supposed to
10 be a straight-forward software purchase with relatively low
11 risk, I think, when we started it. How did we get so off
12 track?

13 MR. FUNCHES: I think there's a couple of things.
14 One is, as you said, I think the expectation were as you
15 defined them. I think those expectations were not what the
16 software was able to do.

17 I think my view was that this software did not do
18 all of the core accounting activities that were -- it was
19 required to do or was expected to do. So, therefore, there
20 was time and effort necessary to make modifications to the
21 software to make it perform in basic accounting. And it was
22 not renew requirement that we were be known to software.

23 MR. MCGAFFIGAN: Was that a failure of the JFMIP
24 process, or was that a failure of us in our contracting, or
25 where was the disconnect between the fact that we thought

1 that this was straight-forward, and then -- once you start
2 making any changes in software, you go down a slippery slope
3 to hell pretty quick.

4 MR. FUNCHES: Absolutely, and that's where we
5 signed, so that's the reason we made the decision to pull
6 back. I think it's just not this vendor's software. The
7 information we're getting from other agencies that started
8 efforts something similar to this, is that their parts are
9 not working as well either. I think there was -- some of
10 this was premature. The JFMIP had basically withdrew their
11 certification of all the software, their certification
12 program, and recently in the past year, went through a
13 recertification process for all their software they had
14 previously certified.

15 So, I think there was some -- I won't say failure,
16 but the process of certifying the software wasn't as robust
17 as it needed to be to kind of flush out to make sure the
18 software was working.

19 MR. MCGAFFIGAN: In working with the software that
20 you are now going to purchase, is this typical software, or
21 you know, Norton Utilities, or whatever, where there will be
22 version X one year, and version X plus one the next year,
23 and are you guaranteed in your contracting to have access to
24 the updated versions and be able to have those implemented
25 relatively straight-forwardly?

1 I know in Adams, the writer says that they're
2 eventually get something that's more web like, and that's
3 something that will be a version added on to -- a later
4 version of what we have today. But, how are you dealing
5 with making sure your software stays up to date?

6 MR. FUNCHES: There will be new versions. We will
7 have access to those new versions. We will know how to
8 implement those new versions, so we will keep up to date.
9 They will make changes to meet, you know, new federal
10 requirements. We will expect them to do that. They will
11 make changes.

12 MR. MCGAFFIGAN: You will keep -- you will
13 implement new versions or you will make a choice each time?

14 MR. FUNCHES: One of the issues is that if you
15 don't implement new versions, you'll get to a point where
16 they --

17 MR. MCGAFFIGAN: Won't support it.

18 MR. FUNCHES: Won't support it, right. So that is
19 something we recognize in going to cost is that you -- but
20 you know, you can't skip a version -- but, you know, if you
21 get too far behind, then you're not supported and you're not
22 doing cost, you're back to trying to support some other kind
23 of way. I don't know, Jim? I think I'm going to get out --

24 MR. TURDICI: Yes, plus there's always changes
25 going on. Thrift Savings is an example of a recent change.

1 Unless we adapt quickly, and we're not sure how quickly the
2 vendor will adapt, but we've got to put that in place as
3 required by law and when they're going to make those things
4 happen. So we may be forced to put something in place now,
5 and then when the version finally comes out that adapts that
6 --

7 MR. MCGAFFIGAN: How much is -- I don't want to
8 proceed too much longer, but Thrift Savings is something
9 that was mandated by law, right? These are the additional
10 options, you're saying, under Thrift Savings.

11 MR. FUNCHES: Not only additional options, but how
12 an individual interplays with Thrift. It's much different
13 than what it is today.

14 MR. MCGAFFIGAN: But you might have to add that on
15 your own as an adjunct to the software?

16 MR. FUNCHES: We've already contacted People Soft
17 to find out what their schedule is. If their schedule goes
18 beyond the implementation date, we very well may have to put
19 a fix in ourselves to be in compliance.

20 MR. MCGAFFIGAN: Congress should think about these
21 things. It sounds like you're -- at least this time, you're
22 not from Missouri with regard to whoever is filling in the
23 stuff. That's good. You are from Missouri, sorry.

24 MR. FUNCHES: Right. The other thing we -- based
25 on what we see happening out there government wide, we will

1 not jump in on the Core Account again until we see progress
2 made and that experience has been gained on the minute
3 business out there and make sure that there's been progress,
4 and then we would -- you know, we would then go back and
5 bring in a cost because it is less costly for us to operate.

6 MR. MCGAFFIGAN: Okay. One last real quick
7 question. I think it's -- the delinquent debt, is that
8 largely a single contractor, too, where it is going from --
9 you know, up a bid, or is it a bunch of -- I know Atlas was
10 behind because it was bankrupt and all that. Is there a
11 single contractor that is accounting for the flip up there
12 or --

13 MR. FUNCHES: No, it's about -- I guess it's a
14 little over 300 --

15 MR. MCGAFFIGAN: Three hundred different people.

16 MR. FUNCHES: Three hundred different people --

17 MR. MCGAFFIGAN: Licensees, sorry.

18 MR. FUNCHES: Right, Licensees. Right. So it's
19 not one big debt. Every once in a while, we'll get a big
20 debt either for a contract where there's a debt owed to us,
21 but typically, the larger firms don't have delinquent debt.

22 MR. MCGAFFIGAN: So what's the largest of the debt
23 that's out there at the moment, and who is it -- is there
24 anybody that is owing us several hundred thousands dollars?

25 MR. FUNCHES: I don't --

1 MR. TURDICI: We'd have to get back to you on
2 that, Mr. Commissioner.

3 MR. MESERVE: Commissioner Merrifield.

4 MR. MERRIFIELD: Thank you, Chairman. I'd like to
5 join Chairman Dicus and Commissioner Diaz in -- Commissioner
6 Dicus, sorry. Join you for -- in their compliments of
7 getting an unqualified opinion. That's a lot of hard work,
8 and your employees certainly put a lot into that. On the
9 Star Fire, we beat that one to death pretty well today, but
10 I've got a couple more that I just want to say. One of the
11 issues we had with the original ICF Kaiser issues were
12 company related.

13 It was a company that had a lot of troubles, not
14 just Star Fire. How in our selection of a contractor are we
15 going to be able to have the confidence that we're selecting
16 a company that has its act together and is going to be able
17 to deliver?

18 MR. FUNCHES: I think the short answer is yes, and
19 the firms we're looking at are --

20 MR. MERRIFIELD: Do they have their own fiscal
21 house in order as well?

22 MR. FUNCHES: Big six type firms.

23 MR. MERRIFIELD: Right. Okay.

24 MR. FUNCHES: Right. Yes, they're large firms.
25 They're stable firms, but I guess I can't predict, but they

1 are stable firms. And we're looking at the larger firms --

2 MR. MERRIFIELD: And I presume, we really haven't
3 talked to it, but I presume there is a strong interaction
4 between your office and the CIO's office in this regard, in
5 terms, or not?

6 MR. FUNCHES: I think that is a very good
7 question. We have -- on the people soft, if you notice,
8 there were time and labor fees, there were HR fees, and cost
9 accounting fees. We have kind of a management oversight
10 group that is comprised of myself, Stu Rider, and Paul Berg,
11 that we meet weekly and we all -- and Bob Bennett.

12 The team that is working on the project is
13 comprised of the business partners from both HR and my
14 staff, plus we have people from the CIO's organization. So
15 we are working as a team because of all the components that
16 we need to integrate together.

17 MR. MERRIFIELD: As you know, I and other
18 commissioners have raised concerns in the past regarding the
19 fact as more states are becoming agreement states, we're
20 placing a greater and greater financial burden of a
21 materials program under a remaining material licensees. Can
22 you describe for me the planning of your undertaking with
23 MMSS to identify some long range solutions to this potential
24 issue for us?

25 MR. FUNCHES: In terms of -- I think there are two

1 things that we can look at. Obviously, the first area we're
2 looking at, the kind of agency and why there is this issue,
3 the fairness in equities issue which I think we now have a
4 proposal for Congress, we did have a look, again, this year
5 to see whether there was what I call fee options available
6 to us to somewhat address the issue of increasing number of
7 materials licensed. I think in terms of just a plain fee
8 option, where we are is without, you know, taking the fees
9 and redistributing them some other type of way to the
10 licensee, it's not there. We looked at fixing the fees, but
11 then it creates the fairness and equity that we're dealing
12 with through the proposal that we just submitted to
13 Congress.

14 So in terms of fee options, you know, it gets down
15 to basically you have to reduce the cost in some type of
16 way. And what we don't want to do is create unfair and
17 equity ops. My belief is the way that you address the
18 problem is you address it through the budget and process.
19 You look at it and evaluate those costs that are associated
20 with the program.

21 We're obviously looking at how we allocate
22 overhead cost across all programs. But you look at the cost
23 of the programs and how those programs are carried out --
24 you know, if you get to a very small number of licensed,
25 there might be some options there and how you go about

1 carrying out the program.

2 And what we will do as part of the PPBM process is
3 look at those types of issues. I know the recent SRM we had
4 -- you know, back when the Commission asked us to take maybe
5 a more expedited look at those, and we do plan to do that.
6 We have not had a chance to sit down with NMSS and the other
7 staff to look at, you know, whether we want to pull
8 something off on the side and look at it. One of the things
9 -- one of the options could be to have maybe a separate
10 program for evaluation and look at that part of the PPBM
11 process. The process provides for that if we see an issue
12 that we want to look at.

13 But we have not sat down and taken a look at the
14 recent SRM and see how we want to approach that, but as part
15 of the PPBM process, we should be -- we will continue to
16 look at how we do our business and make sure that we are
17 doing it in the most efficient way to achieve the outcomes
18 we have set.

19 MR. MERRIFIELD: Right. Yes. I think, for my own
20 personal perspective, I know, irrespective of how many
21 agreement states we're going to end up down the line, we're
22 going to need -- I believe we will need to have an ongoing
23 materials program and how we get there is certainly
24 something we all need to consider.

25 On a different notion, I'd like you to discuss a

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1 little bit the role that you and your staff play in auditing
2 or scrutinizing individual office budgets and planning and
3 performance documents.

4 In my review of the green book and some of the
5 strategic plan chapters, I was somewhat surprised by the
6 degree of variation coming out of different offices. Who
7 serves as a gate keeper, sort of an editor to ensure that
8 our budget requests are consistent, reasonable, planning
9 documents of high quality? Is that a function that falls
10 within your area? Is it an AC function? Is it an office
11 structure function? How do we get there?

12 MR. FUNCHES: That function falls to us. That is
13 our responsibility. Obviously, we work with the offices to
14 generate the data, but the final analysis, it is our
15 responsibility to look at the full document to make sure it
16 is consistent, it communicates the message for the agency,
17 and that it is of high quality. And the comments you raise,
18 we would definitely take back, but that responsibility falls
19 on us, and we will take back and take that as a challenge to
20 make sure that doesn't happen.

21 MR. MERRIFIELD: I'm certain my review next year
22 will be more positive in that regard. Last question. In an
23 August 13th SRM, we -- Commission stated, "Given the
24 magnitude of the CIO and CFO budget, this Commission is
25 particular interested in ensuring that their organizations

1 are aggressively seeking organizational efficiencies,
2 process improvements, and resource in savings."

3 Can you discuss what you have done in your office
4 in response to this SRM relative to efficiencies
5 improvements and resource savings?

6 MR. FUNCHES: Let me just go back. Just a couple
7 of things. One is that I mentioned to you before at the
8 beginning, we do -- our budget for next year will decrease.
9 We have a decrease in our budget. We expect to see some
10 deficiency in how we carry out the plan -- PPBM process.
11 We're looking at to see how we can be more efficient.

12 I would like to go back and -- because I think it
13 might be misleading in a sense that we haven't achieved
14 efficiencies in the past. We have looked at how we have
15 carried out our vendors. We have looked at how we carry out
16 travel.

17 We've gone to an auditing of the vouchers as
18 opposed to a full review of travel. We have looked at our
19 fee systems to try to make them more efficient to help us
20 reduce the amount of time that we have to put in. We have a
21 lot of new initiative that has been added to us over the
22 last five or so years.

23 And as we implement new initiatives, the operation
24 has to continue. And one of the difficulties that we have
25 is -- especially when we get -- try to make that

1 implementation at the same time carry out a high quality
2 operation until the new incoming one can be put into play
3 because we just can't stop at that point.

4 So, that's the struggle that we are having now,
5 but we are continuing to look at trying to make our own PPBM
6 process efficient. We are trying to look at ways within the
7 operation of that area to be more efficient. We have come
8 down to a one day ratio. We have done that over the past
9 year. So I think we have taken some steps. We obviously
10 will continue to look and as we go into the budget of 2001,
11 we can assume that we can come down in people.

12 MR. MERRIFIELD: Thank you, Mr. Chairman.

13 MR. MESERVE: Let me turn to my colleagues and see
14 if they have any other questions they'd like to ask?

15 MR. MCGAFFIGAN: I could ask one that's really
16 just a follow on to one Commissioner Merrifield just asked.
17 We have said get more efficient, but if I look at the agency
18 I know best, other than Section C, Department of Defense,
19 the Comptroller office under which the chief financial
20 officer has a program analysis evaluation office, has the
21 comptroller shop, and they provide a significant check on
22 the program offices, not just making sure the paperwork is
23 right, but saying, you know, this weapon system won't work,
24 or is pre-mature, or isn't needed, or whatever. You have a
25 little program office today.

1 Is it a dream of the CFO office that at least you
2 would have some analysts who would be monitoring the program
3 offices and their programs, individual programs, and
4 providing a check on the system as to -- not that I'm saying
5 that there is any problem today, but what you don't know,
6 you don't know. Is that a -- do other CFOs across
7 government try to develop those capabilities that have been
8 existent in the Pentagon since the 1960s?

9 MR. FUNCHES: I think -- you know many agencies
10 I'm familiar with, you have varying levels of program
11 evaluation capability. And we think that is important at
12 NRC in a sense and we have built that into the PVM process,
13 as a program evaluation component there. I think --

14 MR. MCGAFFIGAN: Are you staffed to do that today,
15 though?

16 MR. FUNCHES: We're not staffed to do a Pentagon
17 type approach. I think the approach we were looking at is
18 to identify say fraud areas that we want to look at and then
19 to the extent necessary, we would bring -- if we had to, we
20 would bring a contractor in to assist us in doing that.
21 But, I think an evaluation function to make sure that we're
22 putting together a very good program and budget, I think, is
23 something that we do. I don't believe that it should reach
24 the level, say of --

25 MR. MCGAFFIGAN: I'm not advocating the Pentagon

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1 motto entirely, but a program evaluation function separate
2 from the office self evaluations may be some day a useful
3 thing for us to have. But, not that I'm trying to build our
4 budget to -- lose my fiscal conservative reputation that
5 Commissioner Diaz gave me earlier.

6 MR. MESERVE: I'd like to thank you very much.
7 This was a very informative and helpful briefing for us.
8 You obviously have a crucial function here at the agency and
9 we appreciate your efforts. Let me turn to my colleagues
10 and see if they have any final statements, and if not, we
11 stand adjointed. Thank you.

12 [Whereupon, the meeting was concluded.]
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CERTIFICATE

This is to certify that the attached description of a meeting of the U.S. Nuclear Regulatory Commission entitled:

TITLE OF MEETING: BRIEFING ON THE STATUS OF CFO
PROGRAMS, PERFORMANCE AND PLANS
PUBLIC MEETING

PLACE OF MEETING: Rockville, Maryland

DATE OF MEETING: Thursday, February 10, 2000

was held as herein appears, is a true and accurate record of the meeting, and that this is the original transcript thereof taken stenographically by me, thereafter reduced to typewriting by me or under the direction of the court reporting company.

Transcriber: Jeannie Rivers

Reporter: Jeannie Rivers

OFFICE OF THE CHIEF FINANCIAL OFFICER PROGRAM REVIEW

**Presented to the Commission
February 10, 2000**

**Jesse L. Funches
Chief Financial Officer**

Office of the Chief Financial Officer

Jesse L. Funches, Chief Financial Officer
Peter J. Rabideau, Deputy Chief Financial Officer

Division of Planning, Budget and Analysis

Richard R. Rough, Director
Charlotte L. Turner, Deputy Director

- **Budget, Planning and Operations Branch**
- **Program Analysis Branch**
- **Funds Control Branch**

Division of Accounting and Finance

James Turdici, Director

- **General Accounting Branch**
- **License Fee and Accounts Receivable Branch**
- **Travel Management Branch**
- **Financial Operations Branch**
- **STARFIRE**

AGENDA

- o Financial Operations**
- o Financial Performance**
- o Planning, Budgeting and Performance Management**
- o Financial Statements**
- o STARFIRE***

*Agency-wide integrated financial and resource management system.

FINANCIAL OPERATIONS

- o Make approximately 100,000 salary and award payments annually.**

	<u>FY 99 Performance</u>	
	<u>Goal</u>	<u>Actual</u>
Timeliness of payroll	99%	100%
Accuracy of payroll	99%	99%
Payments made electronically	100%	99%

FINANCIAL OPERATIONS

- o **Make approximately 40,000 contract, interagency agreement and travel payments annually.**

FY 99 Performance

	<u>Goal</u>	<u>Actual</u>
Timeliness of payments	94%	96%
Accuracy of payments	99%	99%
Payments made electronically	98%	98%

Recognized by the Department of the Treasury as a leader in electronic payments.

FINANCIAL OPERATIONS

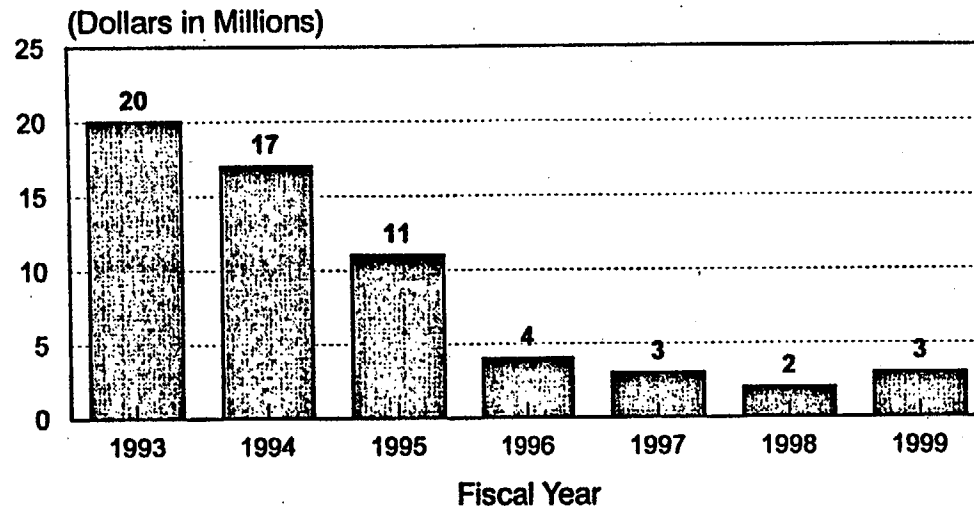
- o Provide travel services for approximately 14,500 trips annually.

	<u>FY 99 Performance</u>	
	<u>Goal</u>	<u>Actual</u>
Travel voucher review and payment	95% within 5 Days	95% within 5 Days
Payments made electronically	100%	99.9%

- Future Challenges
 - Implement Travel and Transportation Reform Act.
 - Implement New GSA Travel Management Contract.

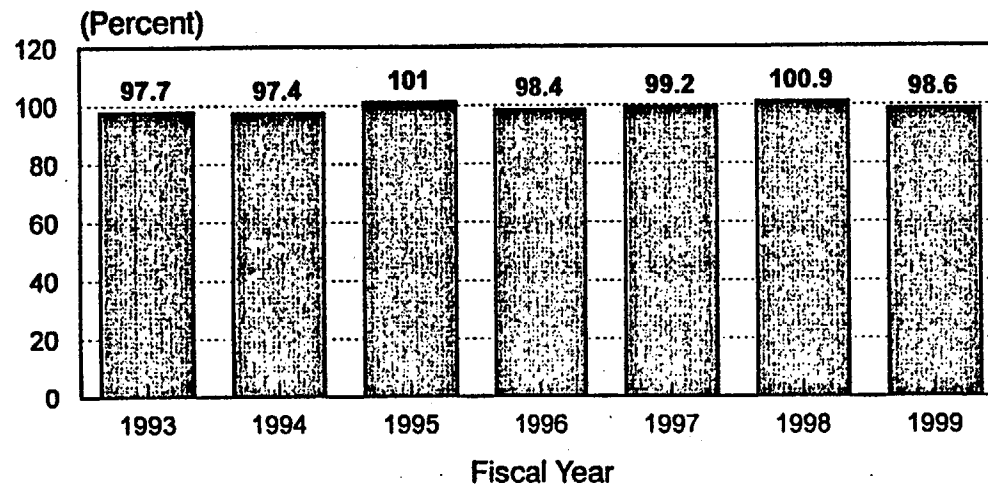
FINANCIAL OPERATIONS

Delinquent Debt



- Goal: Maintain low level of delinquent debt.

Fee Collections



- Goal: Collect approximately 100% of NRC budget annually.

FINANCIAL OPERATIONS

o Achieve fee collection and debt goals by meeting the following objectives:

Issue fee rule

Issue monthly billing (5,600 annually)

Issue quarterly billing (2,400 annually)

Issue 2nd and final notices (3,000 annually)

Refer debt to Treasury (50 annually)

Prior to June each year

By 10th of each month

30 days from end of quarter

30 & 60 days from original invoice

180 days from original invoice

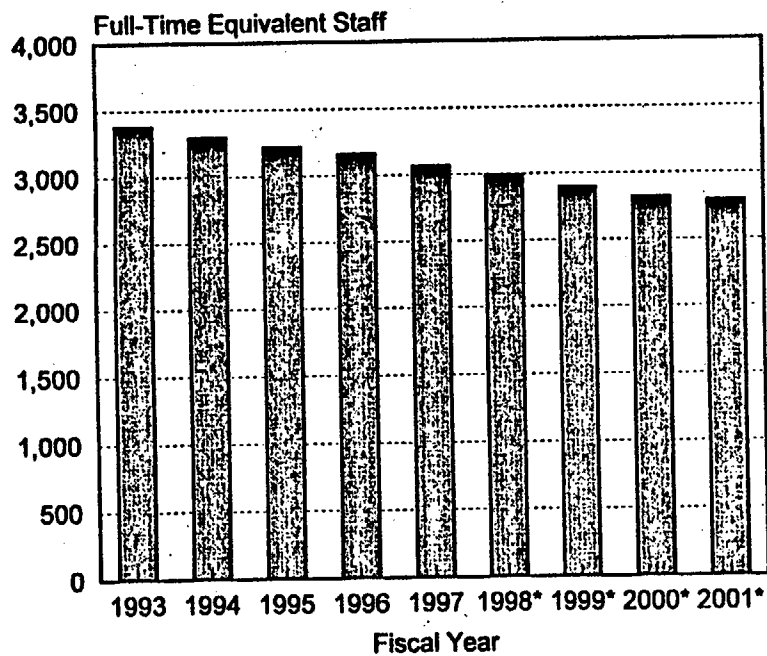
o Future Challenges

- Continue to work with Congress and OMB on fairness and equity issues associated with fees (2 percent per year for five years).**
- Refine fee methodology and quality control.**

FINANCIAL PERFORMANCE

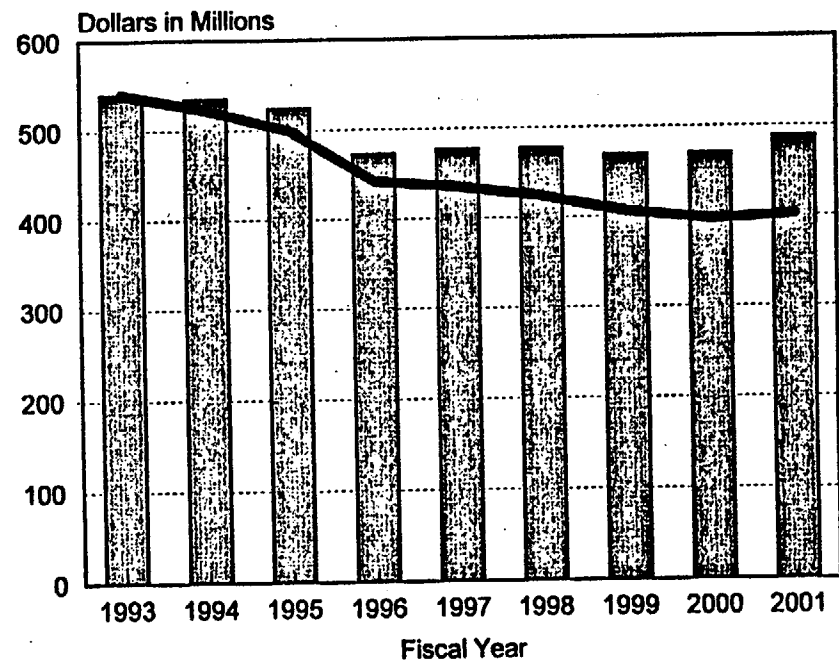
- Goal: Provide necessary and sufficient resources to meet NRC mission.

Authorized Staffing



* Includes reimbursable business-like FTEs

Appropriations



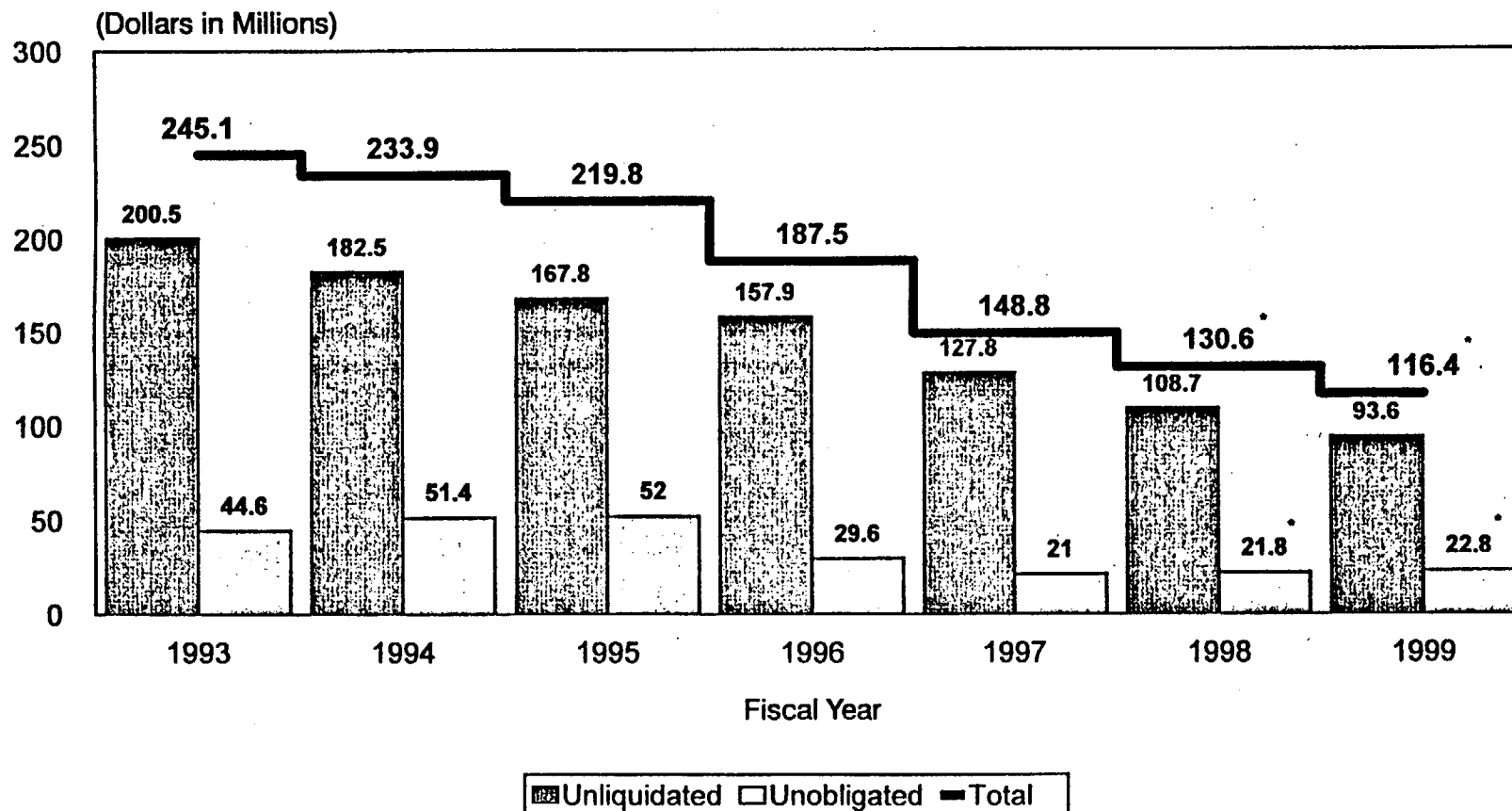
Actual Constant 1993 Dollars

FINANCIAL PERFORMANCE

- **Goal:**

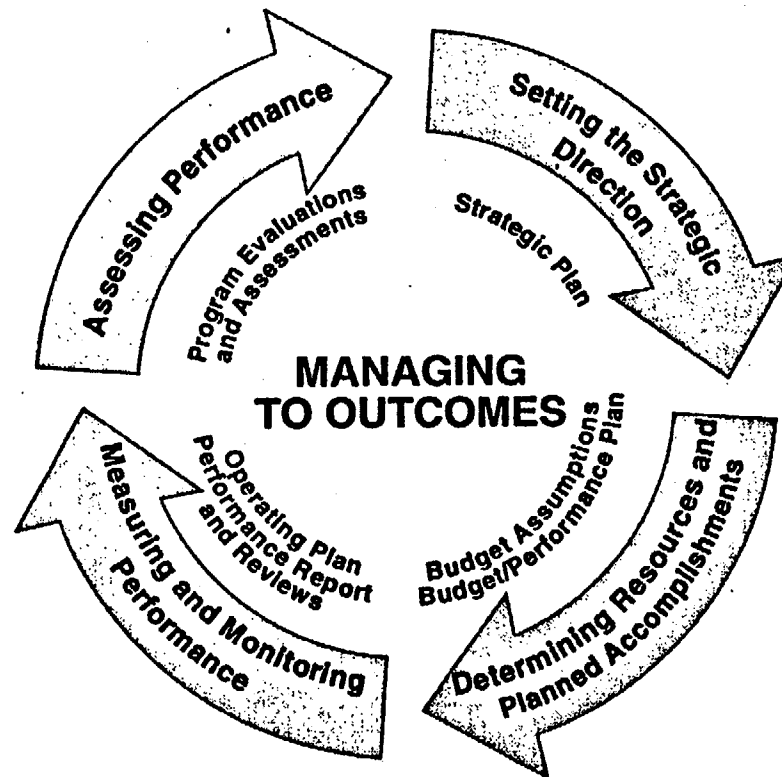
- Unobligated carryover - approximately 5 percent of NRC budget.
- Unliquidated carryover - approximately 4 months of annual expenditures.

Carryover Funds



PLANNING, BUDGETING AND PERFORMANCE MANAGEMENT (PBPM)

- o **Goal:** Meet the requirements and intent of the Government Performance and Results Act (GPRA).



PLANNING, BUDGETING AND PERFORMANCE MANAGEMENT

- o Using performance management concepts.**
 - Office pilots.**
 - Strategic Plan goals, measures, and strategies.**
- o Meeting specific GPRA requirements.**
 - Triennial update of the Strategic Plan.**
 - Budget and Performance Plan.**
 - Performance Report.**
- o Future Challenges**
 - Continue to utilize performance management concepts.**
 - Stabilize the process.**

FINANCIAL STATEMENTS

- o **Goal: Provide complete, reliable, timely, and consistent financial information for use by the NRC, Executive Branch and Congress.**
 - **Comply with Federal Accounting Standard Advisory Board (FASAB) Standards and timely issuance of financial statement.**
- o **Performance**
 - **Unqualified audit opinion received in FY 1994 - 1998.”**
 - **Complied with 7 of 8 applicable FASAB standards.**
 - **Audited financial statements issued on time.**
- o **Future Challenges**
 - **Comply with FASAB Standard 4 for Cost Accounting.**
 - **Resolve reportable conditions.**
 - **Implement new FASAB Standards.**

“FY 1999 audit opinion not issued at time charts provided to SECY (2/3/00).

STARFIRE

● Goal:

- Provide capability to meet FASAB standards.
- Reduce accounting costs.
- Improve reporting capabilities.

<u>Original Approach</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>Beyond FY 2002</u>
ICF Kaiser <div>CORE Accounting FY99</div> <div>Budget Formulation FY00</div> <div>Procurement Module FY00</div> <div>Travel Module FY00</div> <div>Cost Accounting FY00</div>	<div>Cost Accounting</div>	<div>Travel Module</div>	<div>New CORE Accounting</div> <div>Budget Formulation</div> <div>Procurement Module</div>
PeopleSoft <div>Human Resources FY99</div> <div>Time & Labor FY99</div> <div>Payroll FY99</div>	<div>Human Resources</div> <div>Time & Labor</div> <div>Payroll</div>		
<div>Executive Information System FY00</div>		<div>Executive Information System</div>	

OCFO PLANNING FOCUS

- o Protect agency financial assets consistent with risk.**
- o Use good business practices in planning, budgeting and performance management.**
- o Integrate agency accounting, budgeting and program systems.**
- o Integrate cost information into NRC decision making.**
- o Provide high quality service at reasonable cost.**

SUMMARY

- o Meeting financial operations and financial performance goals.**
- o Making progress but further improvements needed on PBPM and financial statements.**
- o Implementing STARFIRE on a modified plan.**