

November 19, 2001

MEMORANDUM TO: William D. Travers
Executive Director for Operations

Jesse L. Funches
Chief Financial Officer

FROM: Stephen D. Dingbaum/**RA**/
Assistant Inspector General for Audits

SUBJECT: MEMORANDUM REPORT: AUDIT OF NRC'S USE OF CREDIT
HOURS (OIG-02-A-03)

The Office of the Inspector General (OIG) has completed a review of the agency's policies for and use of credit hours. While the U.S. Nuclear Regulatory Commission's (NRC) credit hour guidance adheres to applicable laws and regulations, this guidance is informal, fragmented and not effectively communicated. Additionally, the process for requesting and approving credit hours is not fully controlled. As a result, some employees earned credit hours without proper authorization.

BACKGROUND

Flexible work schedules (FWS) allow employees to determine work schedules within the limits set by the agency and to earn credit hours. Credit hours represent hours within an FWS that an employee elects to work in excess of his or her basic work requirement to vary the length of the workday. The use of credit hours under an FWS began at NRC on March 3, 1996. Approximately 11 percent of NRC employees earned and/or used credit hours during FY 2000, comprising less than 1 percent of the agency's approximately 6 million regular hours worked.

U.S.C. Title 5, *Government Organization and Employees*, Chapter 61, *Hours of Work*, subchapter II - *Flexible and Compressed Work Schedules* (Title 5) sets forth guidance for Federal agencies to follow in managing the use of credit hours. Additionally, the OPM¹ *Handbook on Alternative Work Schedules* (OPM Handbook) was published to provide Federal agencies with a framework to consult in establishing and administering such programs. Attachment A highlights guidance contained in Title 5 and the OPM Handbook.

¹OPM - The U.S. Office of Personnel Management

PURPOSE

The objectives of the audit were to determine whether NRC's (1) policies governing the accountability and control over the use of credit hours comply with applicable laws and regulations and (2) established practices provide adequate controls over the use of credit hours.

RESULTS

NRC's credit hour guidance complies with applicable laws and regulations. However, credit hour guidance is informal, fragmented and ineffectively promulgated because of delayed revisions to management directives (MDs). Because the agency has not consolidated and effectively communicated credit hour guidance, some timekeepers and certifying officials are not fully aware of credit hour guidance and do not fully follow procedures for reporting credit hours. Additionally, the process for requesting and approving credit hours is not fully controlled. As a result, some employees earned credit hours without proper authorization. This situation places the agency at risk of errors that may violate laws, regulations or NRC guidance.

Management Directives Do Not Address Credit Hours

NRC's credit hour guidance complies with applicable laws and regulations; however, NRC MD 10.42, *Hours of Work and Premium Pay* and MD 10.43, *Time and Attendance Reporting* contain no guidance on credit hours. Rather, internal credit hour guidance only exists informally as memoranda, network announcements and in the collective bargaining agreement. No single document contains a compendium of credit hour guidance. To gain a full understanding of NRC credit hour guidance, staff must refer to as many as seven documents.

In a network bulletin dated February 26, 1996, the agency outlined its credit hour guidance. A series of communications followed which supplemented the February 26, 1996 guidance. Those communications include the following:

- (1) Memorandum to Certifying Officials and Timekeepers: *Guidance on Credit Hours*, dated 2/29/96
- (2) NRC Network Announcement: *Credit Hours - Corrected*, dated 5/21/96
- (3) Memorandum: *Guidance on Credit Hours - Phase II*, dated 5/24/96
- (4) *Collective Bargaining Agreement Between U.S. Nuclear Regulatory Commission and National Treasury Employees Union* (collective bargaining agreement), dated 8/1/97
- (5) NRC Network Announcement - *Corrected Official Guidance on Credit Hours*, dated 9/2/97

(6) NRC Network Announcement - *Compensation for Travel*, dated 6/14/01.

Together, these seven documents provide the internal guidance governing NRC's credit hour program.

Additionally, NRC has not effectively promulgated credit hour guidance to timekeepers and certifying officials responsible for preparing the biweekly time and attendance reports. Therefore, some timekeepers and certifying officials are not fully aware of NRC's credit hour guidance. For instance, some timekeepers and certifying officials could not identify specific written procedures they follow in reporting credit hours or explained that they are not aware of any procedures for credit hours. Other timekeepers and certifying officials cited management directives or the collective bargaining agreement as the guidance they follow. However, the management directives do not include guidance on recording credit hours.

Some timekeepers and certifying officials are not fully aware of NRC's credit hour guidance because such guidance has not been consolidated in management directives. The agency delayed revisions to management directives until it completes a transition to a new time and attendance and payroll system.² However, the new system became operational on November 4, 2001. Since the system recently became operational, now is an opportune time to revise and incorporate credit hour guidance into management directives. Unless timekeepers and certifying officials are fully aware of NRC's credit hour guidance, NRC is at risk of errors that may violate laws, regulations and NRC guidance.

The Request and Approval Process Is Not Fully Controlled

To request and approve credit hours, NRC requires staff to complete NRC Form 707, *Hours of Work Request* (Form 707) authorizing an FWS. Additionally, they must complete NRC Form 710, *Credit Hour Plan and Certification* (Form 710) for each pay period where credit hours will be earned or used. However, these forms are not consistently completed.

Several timekeepers did not require or maintain Form 707 for employees earning and/or using credit hours. In fact, at least one timekeeper believed that Form 707 is not required to authorize an employee to earn credit hours. Because this form was not consistently prepared, some employees earned and/or used credit hours without required authorization. While NRC's Payroll Office conducts annual reviews of the time and attendance reporting process, these reviews do not verify that Form 707 is completed.

Additionally, inconsistency across units exists in preparing Form 710. For example, one timekeeper does not require Form 710; instead the employee earning credit hours writes credit hours earned and/or used on a time and attendance log maintained in the office.

²A PeopleSoft time and attendance module is one component of the agency's planned financial and resource management system, Starfire.

Other timekeepers require that Form 710 be completed at the beginning of the pay period. If the employee strays from the plan, they require the employee to note the variations from the plan and to resubmit the form at the end of the pay period.

Because requesting and approval procedures are inconsistent and timekeepers and certifying officials are not fully aware of credit hour guidance, some employees earned and/or used credit hours without proper authorization. This situation places the agency at risk of errors and of abuse of the credit hour program and places employees at risk of forfeiting accumulated credit hour balances without pay.

RECOMMENDATIONS

OIG recommends that the Executive Director for Operations:

1. Revise applicable management directives to include guidance on credit hours.
2. Issue and implement interim guidance immediately.

Additionally, OIG recommends that the Chief Financial Officer in coordination with the Executive Director for Operations:

3. Include a specific review of all supporting documentation authorizing the use of credit hours in the annual review of time and attendance reporting.

Please provide information on actions taken or planned on each recommendation directed to your office by December 21, 2001. Actions taken or planned are subject to OIG follow up. Instructions for responding to OIG report recommendations are attached.

SCOPE/CONTRIBUTORS

OIG evaluated the management controls related to NRC's use of credit hours for FY 2000 and conducted its work from June 2001 to August 2001, in accordance with Generally Accepted Government Auditing Standards. This review was conducted by Debra Lipkey, Auditor and Anthony Lipuma, Team Leader.

If you have any questions or concerns regarding this report, please contact Anthony Lipuma 415-5910 or me at 415-5915.

Attachments: As stated

cc: John Craig, OEDO
Margo Bridgers, OEDO
Debra Corley, OEDO

Guidance from U.S. Code, Title 5 and *OPM Handbook on Alternative Work Schedules* includes, but is not limited to:

- (1) Employees may only earn credit hours within a flexible work schedule (FWS); no legal authority exists for credit hours under a compressed work schedule program.
- (2) Credit hours are worked at the employees election and consistent with agency policies.
- (3) Employees ceasing to follow an FWS must be paid for accumulated credit hours. Payment is limited to a maximum of 24 hours for a full-time employee.
- (4) Employees are not entitled to compensation for credit hours unless an employee ceases to participate in an FWS.
- (5) An employee participating in an FWS will not receive premium pay for nightwork solely because the employee elects to work credit hours, or elects a time of arrival or departure, at a time of day for which such premium pay is otherwise authorized.
- (6) Credit hours must be considered daytime hours whenever possible.
- (7) Full-time employees on a flexible schedule can accumulate not more than twenty-four credit hours for carryover from a biweekly pay period to a succeeding biweekly pay period.
- (8) An agency may further limit the number of credit hours carried forward from one biweekly pay period to the next.
- (9) Senior Executive Service members may not earn and accumulate credit hours.
- (10) An agency may place a limit on the number of credit hours an employee may earn during a biweekly pay period and/or the number of credit hours an employee may earn on a daily or weekly basis.
- (11) An agency may set a time frame within which employees may use credit hours.

Instructions for Responding to OIG Report Recommendations

Instructions for Action Offices

Action offices should provide a written response on each recommendation within 30 days of the date of the transmittal memorandum or letter accompanying the report. The concurrence or clearance of appropriate offices should be shown on the response. After the initial response, responses to subsequent OIG correspondence should be sent on a schedule agreed to with OIG.

Please ensure the response includes:

1. The report number and title, followed by each recommendation. List the recommendations by number, repeating its text verbatim.
2. A management decision for each recommendation indicating agreement or disagreement with the recommended action.
 - a. For agreement, include corrective actions taken or planned, and actual or target dates for completion.
 - b. For disagreement, include reasons for disagreement, and any alternative proposals for corrective action.
 - c. If questioned or unsupported costs are identified, state the amount that is determined to be disallowed and the plan to collect the disallowed funds.
 - d. If funds put to better use are identified, then state the amount that can be put to better use (if these amounts differ from OIG's, state the reasons).

OIG Evaluation of Responses

If OIG concurs with a response to a recommendation, it will (1) note that a management decision has been made, (2) identify the recommendation as resolved, and (3) track the action office's implementation measures until final action is accomplished and the recommendation is closed.

If OIG does not concur with the action office's proposed corrective action, or if the action office fails to respond to a recommendation or rejects it, OIG will identify the recommendation as unresolved (no management decision). OIG will attempt to resolve the disagreement at the action office level. However, if OIG determines that an impasse has been reached, it will refer the matter for adjudication to the Chairman.

Semiannual Report to Congress

In accordance with the Inspector General Act of 1978, as amended, OIG is required to report to Congress semiannually on April 1 and October 1 of each year, a summary of each OIG report issued for which no management decision was made during the previous 6-month period. Heads of agencies are required to report to Congress on significant recommendations from previous OIG reports where final action has not been taken for more than one year from the date of management decision, together with an explanation of delays.