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OFFICE OF  
THE INSPECTOR GENERAL

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U.S. NUCLEAR  
REGULATORY COMMISSION

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NRC HAS AN OPPORTUNITY  
TO COORDINATE PROJECTS RELATED TO  
TRACKING EMPLOYEE LABOR HOURS

OIG/96E-22 October 25, 1996

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SPECIAL EVALUATION  
REPORT

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## REPORT SYNOPSIS

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We prepared this special evaluation to draw management's attention to several upcoming U.S. Nuclear Regulatory Commission (NRC) projects related to developing or reviewing labor hour tracking systems. It is unclear whether these projects will be independent from one another or whether they will be fully coordinated and developed from an agency-wide perspective.

Because tracking labor hours is a common thread among the projects, we saw this as an opportunity for NRC management to consider managing and coordinating them on an agency-wide basis. Since the projects will be reviewed or undertaken during fiscal year 1997, we believe that now is the opportune time to ensure coordination.

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## INTRODUCTION

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This report contains the results of a special evaluation prepared by the U.S. Nuclear Regulatory Commission's (NRC) Office of the Inspector General (OIG). During recent audits, we have observed a continuing NRC focus on tracking employee labor hours, a need for central control for systems that process those hours, and a need to manage significant systems development from an agency-wide approach.

We prepared this special evaluation to draw management's attention to several upcoming NRC projects related to developing or reviewing labor hour tracking systems. Because tracking labor hours is a common thread among the projects, we saw this as an opportunity for NRC management to consider managing and coordinating them on an agency-wide basis.

## BACKGROUND

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The agency maintains multiple input and tracking systems for labor hours. For example, in a January 1995 internal study, an NRC contractor identified 16 significant input and tracking systems serving 18 NRC offices.

These systems are diverse and involve financial and non-financial uses. They include such functions as time and attendance (T&A) reporting, license fee billing, budget formulation, monthly reporting, and monitoring the status of inspections. For fiscal year (FY) 1995, labor hours represented \$216 million or about 40 percent of NRC's total operating expenses.

Recent OIG audits<sup>1</sup> focused on the financial uses and issues associated with tracking labor hours. These audits included (1) review of NRC's FY 1995 financial statements required by the Chief Financial Officers (CFO) Act, (2) review of NRC's progress in developing and implementing an integrated

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<sup>1</sup> *Results of the Audit of U.S. Nuclear Regulatory Commissions Fiscal Year 1995 Financial Statements*, OIG/95A-17, March 1, 1996; *Review of NRC's Progress in Developing and Implementing An Integrated Payroll/Personnel System (PAY/PERS)*, OIG/96A-15, September 30, 1996; and, *Review of NRC's Part 170 License Fee Billing System*, OIG/96A-09, September 13, 1996.

payroll/personnel system (PAY/PERS), and (3) review of NRC's Part 170<sup>2</sup> license fee billing system. Another recent audit<sup>3</sup> addressed the need for a focal point to manage information resources management projects from an agency-wide approach.

During our previous work, we learned that NRC initiated or will soon initiate at least three projects that involve labor hour tracking and reporting systems. These projects involve (i) a labor cost distribution system (LCDS) and T&A under PAY/PERS, (ii) the Regulatory Information Tracking System (RITS), and (iii) the Reactor Program System (RPS).

During our evaluation, we reviewed criteria contained in Office of Management and Budget (OMB) Circular A-127, Financial Management Systems. This Circular contains agency requirements for developing, operating, evaluating, and reporting on financial systems. We also reviewed the Information Technology Management Reform Act (ITMRA) of 1996 because it contains requirements for managing information technology (IT) investments and designating a Chief Information Officer (CIO). The CIO is to provide greater coordination and accountability for the agency's information resources management activities.

## EVALUATION RESULTS

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Significant NRC projects are either underway or planned that relate to tracking labor hours. However, our recent audit work indicates that these projects may not be adequately coordinated to consider the best interests of NRC as a whole. To minimize cost and maximize effectiveness, we believe that NRC should consider managing them from an agency-wide approach.

### PAYROLL AND LABOR COST DISTRIBUTION

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Our FY 1995 financial statement audit reported that the NRC lacks capability to

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<sup>2</sup>Title 10, Code of Federal Regulations, Part 170.

<sup>3</sup> *Improvements Needed In Agency Oversight Of Information Resources Management Activities*, (OIG/96A-11), September 24, 1996.



determine labor costs by program, as required by OMB Bulletin No. 94-01. This condition was also identified in our PAY/PERS report. The need to report labor costs at the program level becomes more significant in FY 1998. In a proposed revision to Bulletin 94-01 dated August 1, 1996, OMB will require a more detailed breakdown of program expenses as part of a Statement of Net Cost.

In our audit of PAY/PERS, we reported that NRC deferred the development of a LCDS module based on the possibility that the agency would benefit more from a single input vehicle (SIV) system. The theory behind an SIV was that labor hours would be entered only once to meet the various tracking and reporting requirements performed currently by many systems. NRC deferred further studies of a LCDS or SIV until PAY/PERS becomes fully operational in calendar year 1997.

#### **LICENSE FEES**

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In our review of NRC's Part 170 license fee billing system, which relies on RITS, we reported that some of the conditions that led to prior billing problems are continuing and need to be corrected. We also reported that the agency does not have a focal point to ensure that policies, procedures, and training are updated and provided to staff. During that audit, we also learned that NRC's Office of the Controller (OC) plans to comprehensively review the Part 170 billing system, including RITS, beginning in FY 1997. However, specific details of the review are not yet available.

#### **REACTOR PROGRAM SYSTEM (RPS)**

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In FY 1995, the Office of Nuclear Reactor Regulation (NRR) initiated a new project called the Reactor Program System (RPS). Although RPS originally focused on reactor licensing and inspection activities, it has emerged as having potential applications and benefits for other NRC offices.

An RPS component that should be of interest to other offices is a process for reporting actual labor hours, scheduled for implementation in FY 1997. Because of the agency-wide implications for tracking licensing and inspection hours (e.g. license fee billings), we suggested that NRR brief OC's license fee staff. NRR subsequently briefed the OC staff. However, it is unclear how or when RPS will impact the Part 170 billing process or OC's upcoming Part 170 review.

### **LABOR HOUR TRACKING: PRIME CANDIDATE FOR AN AGENCY-WIDE APPROACH**

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In a recent audit, we reported that the agency does not manage significant systems development activities from an agency-wide approach. We found, for example, that the agency needs to obtain timely information and requirements from all potential users. We recommended that NRC establish a focal point and appoint a CIO to ensure oversight and cost effective implementation of information resources management projects. Because several forthcoming agency efforts relate to tracking labor hours, we see a significant benefit from using an agency-wide approach for these projects.

We also noted that OMB Circular A-127's integrated financial system requirements provides for efficient transaction entry. Financial systems shall be designed to eliminate unnecessary duplication of such entries. Further, wherever appropriate, data needed by the systems to support financial functions shall be entered only once.

Entering data (such as labor hours) only once is consistent with an SIV approach. In 1995, an NRC contractor prepared a study concerning developing and using an SIV at NRC. The study concluded that while an SIV would pose a variety of technical, functional, and operational concerns, it is possible to achieve and it seems desirable over attempting to mesh together existing systems. While NRC has recognized the merits in an SIV approach, it has indicated that further review is needed.

### **CONCLUSIONS**

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Based on recent audits, we have observed that at least three substantive upcoming NRC projects relate to tracking labor hours. It is unclear whether these projects will be independent from one another or whether they will be fully coordinated and developed from an agency-wide perspective.

OIG believes that an SIV approach, if properly designed and managed, would ensure coordination, fulfill the various internal and external requirements related to tracking and reporting labor hours, and contribute toward NRC's corrective action program related to our previous audit recommendations. Since LCDS, Part

170, and RPS will be reviewed or developed next fiscal year, we believe that now is the opportune time to ensure coordination.

If NRC considers or adopts an SIV approach to managing the various systems development projects for tracking labor hours, the effort would be a prime candidate for oversight by NRC's future Chief Information Officer.



## **OBJECTIVES, SCOPE, AND METHODOLOGY**

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The objective of this special evaluation was to bring management's attention to several upcoming NRC projects related to developing or reviewing labor hour tracking systems.

We based the information contained in this report on recent OIG audits mentioned in the footnotes on pages 1 and 2. When necessary we obtained additional information from NRC program officials.

## **MAJOR CONTRIBUTORS TO THIS REPORT**

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## GLOSSARY: OFFICE OF THE INSPECTOR GENERAL PRODUCTS

### INVESTIGATIVE

1. *INVESTIGATIVE REPORT - WHITE COVER*

An Investigative Report documents pertinent facts of a case and describes available evidence relevant to allegations against individuals, including aspects of an allegation not substantiated. Investigative reports do not recommend disciplinary action against individual employees. Investigative reports are sensitive documents and contain information subject to the Privacy Act restrictions. Reports are given to officials and managers who have a need to know in order to properly determine whether administrative action is warranted. The agency is expected to advise the OIG within 90 days of receiving the investigative report as to what disciplinary or other action has been taken in response to investigative report findings.

2. *EVENT INQUIRY - GREEN COVER*

The Event Inquiry is an investigative product that documents the examination of events or agency actions that do not focus specifically on individual misconduct. These reports identify institutional weaknesses that led to or allowed a problem to occur. The agency is requested to advise the OIG of managerial initiatives taken in response to issues identified in these reports but tracking its recommendations is not required.

3. *MANAGEMENT IMPLICATIONS REPORT (MIR) - MEMORANDUM*

MIRs provide a "ROOT CAUSE" analysis sufficient for managers to facilitate correction of problems and to avoid similar issues in the future. Agency tracking of recommendations is not required.

### AUDIT

4. *AUDIT REPORT - BLUE COVER*

An Audit Report is the documentation of the review, recommendations, and findings resulting from an objective assessment of a program, function, or activity. Audits follow a defined procedure that allows for agency review and comment on draft audit reports. The audit results are also reported in the OIG's "Semiannual Report" to the Congress. Tracking of audit report recommendations and agency response is required.

5. *SPECIAL EVALUATION REPORT - BURGUNDY COVER*

A Special Evaluation Report documents the results of short-term, limited assessments. It provides an initial, quick response to a question or issue, and data to determine whether an in-depth independent audit should be planned. Agency tracking of recommendations is not required.

### REGULATORY

6. *REGULATORY COMMENTARY - BROWN COVER*

Regulatory Commentary is the review of existing and proposed legislation, regulations, and policies so as to assist the agency in preventing and detecting fraud, waste, and abuse in programs and operations. Commentaries cite the IG Act as authority for the review, state the specific law, regulation or policy examined, pertinent background information considered and identifies OIG concerns, observations, and objections. Significant observations regarding action or inaction by the agency are reported in the OIG Semiannual Report to Congress. Each report indicates whether a response is required.