



**Defense Nuclear Facilities
Safety Board**
Washington, DC 20004-2901

**Office of the
Inspector General**

October 1, 2014

MEMORANDUM TO: Chairman Winokur

FROM: Hubert T. Bell */RA/*
Inspector General

SUBJECT: INSPECTOR GENERAL'S ASSESSMENT OF THE MOST
SERIOUS MANAGEMENT AND PERFORMANCE
CHALLENGES FACING THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD (DNFSB-OIG-15-A-01)

In accordance with the Reports Consolidation Act of 2000, I am providing what I consider to be the most serious management and performance challenges facing the Defense Nuclear Facilities Safety Board (the Board).

BACKGROUND AND OBJECTIVES

On January 24, 2000, Congress enacted the *Reports Consolidation Act of 2000*, requiring Federal agencies to provide financial and performance management information in a more meaningful and useful format for Congress, the President, and the public. The act requires the Inspector General of each Federal agency annually to summarize what he or she considers to be the most serious management and performance challenges facing the agency and to assess the agency's progress in addressing those challenges.

The Consolidated Appropriations Act, 2014, provided that notwithstanding any other provision of law, the Inspector General (IG) of the Nuclear Regulatory Commission (NRC) is authorized in 2014 and subsequent years to exercise the same authorities with respect to the Board, as determined by the NRC IG, as the IG exercises under the IG Act of 1978 (5 U.S.C. App.) with respect to NRC. Due to the limited timeframe in which

OIG has provided audit and investigative oversight of the Board, this initial management challenges report is based on the following:

- OIG audit and investigative activities performed to date pertaining to the Board and its operations.
- OIG's review of the Board's FY 2013 Performance and Accountability Report, which lists the Board's self-identified challenges at the time the document was issued.
- OIG interviews with the Board's management to obtain their views on what challenges the agency is facing and what efforts the agency has taken or are underway to address identified challenges.
- OIG review of two separate assessments performed in 2012 by private consultants under contract to the Board to provide such assessments and the Board's response to these assessments.

RESULTS

Congress in 1988 (PL 100-456) created the Board as an independent Executive Branch agency to identify the nature and consequences of potential threats to public health and safety at the Department of Energy's (DOE) defense nuclear facilities, elevate those issues to the highest levels of authority, and inform the public. In operation since October 1989, the Board reviews and evaluates the content and implementation of health and safety standards, as well as other requirements, relating to the design, construction, operation, and decommissioning of the Department's defense nuclear facilities.

Congress left the determination and threshold of what constitutes a most serious management and performance challenge to the discretion of the Inspectors General. I have defined serious management and performance challenges as *mission critical areas or programs that have the potential for a perennial weakness or vulnerability that, without substantial management attention, would seriously impact agency operations or strategic goals.*

Based on this definition, and the basis for this report as described under "Background and Objectives," above, I have identified the following as the most serious management and performance challenges¹ facing the Board as of October 1, 2014:

¹ The challenges are not ranked in any order of importance.

1. Human capital management.
2. Internal controls.
3. Change management.

Challenge 1 – Human Capital Management

Overview

Human capital management is the process of acquiring, training, managing, and retaining employees for them to contribute effectively to the goals of the organization. Attributes of human capital management include effective programs for selection and hiring, knowledge transfer management, career development, training, and succession planning.

The Board recognizes that a challenge facing its organization is maintaining a focused and well-executed human capital management program. Because the Board's work relies on in-depth technical information and detailed safety analyses, the recruitment and retention of scientific and technical staff members continues to be critical to the successful accomplishment of the Board's mission.

Assessment

The Board's FY 2013 Performance and Accountability Report acknowledges the combination of an aging workforce and high demand for experienced scientists and engineers by other organizations will remain a challenge for the Board. The Board has concluded that 16 percent of its technical staff is eligible for retirement and, consequently, agency management understands the need to spend more resources on recruiting highly qualified technical personnel. In meetings with OIG staff, the Board's management acknowledges that hiring and retaining staff will continue to be a challenge for the agency.

Furthermore, the Board will need to continue developing agencywide internal guidance on succession planning. When retirees leave, their knowledge potentially goes with them and the Board will be at a serious disadvantage if the staff's knowledge is not documented in written form. According to assessments conducted for the Board in 2012 by a private consulting firm under contract with the Board, the Board does not regularly update future staffing requirements as part of an ongoing business planning process and needs to improve technical staff succession planning. OIG plans to address the Board's documentation of policies and procedures, which address knowledge transfer, in planned audits for FY 2015.

Challenge 2 – Internal Controls

Overview

Internal controls are the plans, methods, policies, and procedures an organization employs to ensure effective resource use in fulfilling its mission, goals, objectives, and strategic plan. A quality internal control program promotes operational efficiency, ensures that established policies are followed, safeguards assets, prevents fraud, minimizes errors, and verifies the accuracy and reliability of data.

Internal controls are essential to strong organizational performance and affect all of the Board's strategic areas and management objectives. Internal controls are vital for the Board's continued and successful completion of its mission related activities. According to the Board, internal controls for the following areas have been evaluated over the years with no significant or reportable issues: Time and Attendance, Transportation Fringe Benefits Subsidies, Purchase Cards, Employee Travel Cards, Property Accountability, Classified Documents, Security Clearances, Retention and Relocation Bonuses Program, Telework Program, Advisory and Assistance Contracts, Government in the Sunshine Act, and Information Systems Security. Furthermore, no material weaknesses were found during the FY 2013 audit of the Board's financial statements.

Assessment

While the Board states that it has a formal internal control policy, the agency did identify a lack of formal controls in its technical operations. Specifically, an assessment conducted in 2012 by a private consulting firm under contract with the Board suggests that the Board needs to strengthen internal controls and reviews of established internal controls in order for the agency to meet the primary objectives of Office of Management and Budget (OMB) Circular A-123² for providing reasonable assurance that its objectives are being accomplished in accordance with its enabling legislation and Federal regulations. Also, the process for and documentation of internal controls reviews conducted by the Board's Office of the Technical Director as part of the Board's annual assessment of internal controls is not well documented. The Board's senior management has confirmed with OIG that the agency has not done a good job of documenting procedures but they are in the process of updating existing policies and procedures. Ongoing and planned OIG audits at the Board are aimed at addressing internal control issues. For example, for FY 2015, OIG plans to review the Board's process for developing, implementing, and maintaining guidance.

² OMB Circular A-123 – Management's Responsibility for Internal Control.

Challenge 3 – Change Management

Overview

Change Management is a structured process and set of tools to facilitate change in an organization. A formalized change management process is particularly important in addressing communications, coordination, and other challenges in a changing environment.

Key aspects of a change management process include identification of stakeholders to the change, assessing the readiness of the organization for the change, and establishing a team to effect change with oversight by management. Change management also includes identifying and putting into place targeted training and new procedures to assist staff throughout the transition process. The situations where change management is called for are typically defined, and a graded approach (with the change management effort commensurate with the importance of the success of the change) is built into the process.

An organization's management is responsible for facilitating and enabling change by preparing staff to understand the purpose of the change. This requires management to effectively communicate and involve staff early in the process to facilitate a sentiment of trust and openness. Management must clearly articulate to affected staff what their role is in facilitating the change, including the new roles and responsibilities they will be expected to perform and how they will interact with other entities within the organization. Furthermore, management is responsible for identifying the potential barriers to change and developing plans to address them, in addition to providing a systematic transition plan and schedule to guide the change.

Furthermore, recognized management best practices emphasize change management as entailing thoughtful planning, sensitive implementation of change, and consultation with, and involvement of, the people affected by the changes. Without an effective change management program in place, challenges with coordination, communication, and other barriers to change can make change more difficult and reduce the success of the change effort.

Assessment

The Board organization is facing multiple significant changes. These include human capital challenges as experienced technical staff retire, changes in DOE infrastructure and requirements, a new Board member, developing new guidance for ongoing activities, and others. For example,

- The combination of an aging workforce and high demand for experienced scientists and engineers by other organizations is a challenge for the Board. Sixteen percent of the Board's technical staff is eligible for regular retirement. The Board must compete with other Federal agencies to attract and retain the highly qualified technical talent to continue to carry out its mission.
- The Board is challenged to conduct in-depth reviews of new defense nuclear facilities during design and construction to ensure the safety of the public and workers is addressed early in the design process. One prominent example of a high risk, new facility undergoing both design and construction is the multi-billion dollar Waste Treatment and Immobilization Plant in Richland, Washington.
- The Board also faces the challenge of oversight of DOE's transition to new facilities as aging, unsound facilities are replaced. For example, the Chemical and Metallurgy Research Facility at Los Alamos National Laboratory and the 9212 Complex at the Y-12 National Security Complex are of particular concern because of their deficient structures and advanced age.
- The Board is also challenged to continue to provide oversight support to the National Nuclear Security Administration as they continue to reform, enhance, and mature their oversight of contractor assurance and governance systems.
- The Secretary of Energy issued a memorandum titled "Enterprise Risk Management Framework for Directives," announcing a new framework for development, revision, and review of all DOE directives. The Board will be reviewing the process and evaluating proposed changes to nuclear safety requirements.
- The Board will need to closely monitor DOE to ensure DOE's safety program remains viable and adequately protective of public health and safety as DOE undergoes significant organizational change.
- DOE has developed actions responding to the Board's letter of August 28, 2012, that forwarded technical report DNFSB/TECH-37, "Integrated Safety Management at the Activity Level." The Board will continue reviews at DOE defense nuclear facilities to assess the implementation of these DOE improvement actions and the overall conduct of work planning and control.
- The Board will also be challenged to ensure changes are made by DOE in response to the accident at Fukushima Dai-ichi nuclear power plants in the areas of emergency response to severe events.

CONCLUSION

The challenges contained in this report are distinct, yet are interdependent to accomplishing the Board's mission. For example, the challenge of managing human capital affects the other management and performance challenges.

The agency's continued progress in taking actions to address the challenges presented should facilitate achievement of the agency's mission and goals.

BOARD COMMENTS

A discussion draft version of this report was provided to the Board on September 8, 2014, for review and comment. On September 25, 2014, the Board informed OIG it had no formal or informal comments to provide in connection with this report.

SCOPE AND METHODOLOGY

This report presents the IG's assessment of the most serious management and performance challenges facing the Board. The challenges represent critical areas or difficult tasks that warrant high level management attention. To accomplish this work, the OIG focused on determining (1) current challenges, (2) the Board's efforts to address the challenges during FY 2014, and (3) planned efforts to address the challenges. OIG reviewed and analyzed pertinent laws and authoritative guidance, the Board's FY 2013 Performance and Accountability Report, and two separate assessments performed in 2012 by private consultants under contract to the Board to provide such assessments and the Board's response to these assessments. OIG also sought input from Board officials concerning agency accomplishments relative to the challenge areas. Specifically, because challenges affect mission critical areas or programs that have the potential to impact agency operations or strategic goals, Board members, senior management officials of the Board, and the Chief Financial Officer were afforded the opportunity to share any information and insights on this subject.

OIG staff conducted this assessment from June through August 2014 at Board headquarters.