



DEFENSE NUCLEAR FACILITIES

SAFETY BOARD

WASHINGTON, D.C. 20004-2901

October 23, 2018

OFFICE OF THE
INSPECTOR GENERAL

MEMORANDUM TO: Acting Chairman Hamilton

FROM:

Hubert T. Bell
Inspector General

SUBJECT:

INSPECTOR GENERAL'S ASSESSMENT OF THE MOST
SERIOUS MANAGEMENT AND PERFORMANCE
CHALLENGES FACING THE DEFENSE NUCLEAR
FACILITIES SAFETY BOARD (DNFSB) IN FISCAL YEAR
(FY) 2019 (DNFSB-19-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 DNFSB in FY 2019. 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.*

INTRODUCTION

The *Consolidated Appropriations Act of 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 DNFSB, as determined by the NRC IG, as the IG exercises under the *Inspector General Act of 1978* (5 U.S.C. App.) with respect to NRC.

BACKGROUND

DNFSB was created by Congress in 1988 as an independent organization within the executive branch to provide recommendations and advice to the President and the Secretary of Energy regarding public health and safety issues at Department of Energy (DOE) defense nuclear facilities. DNFSB 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 DOE's defense nuclear facilities. As of March 31, 2018, DNFSB has 117 full time employees, including 4 Board members. In August 2018, the Acting Chairman of DNFSB announced a plan to reorganize and reduce staff at DNFSB, with a targeted increase of 80 percent in the number of on-site Resident Inspectors and an approximately 40 percent decrease in DNFSB headquarters staff to 79 employees, but Congressional approval will be needed before such an action is taken. DNFSB's enabling legislation authorized a staff of up to 130 personnel in FY 2018. The DNFSB FY 2019 appropriation is \$31 million.

MANAGEMENT AND PERFORMANCE CHALLENGES

The FY 2019 management and performance challenges are related to DNFSB's organizational culture and climate, security, human capital, and internal controls. Our work in these areas indicates that DNFSB needs to continue improving the efficiency and effectiveness of its programs. The FY 2019 management and performance challenges are as follows:

1. Management of a healthy and sustainable organizational culture and climate.
2. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.
3. Management of administrative functions.
4. Management of technical programs.

These challenges represent what the Office of the Inspector General (OIG) considers to be inherent and immediate program challenges relative to maintaining effective and efficient oversight and internal management controls.

As a result, some are likely to remain challenges from year to year while others may be removed from the list as progress is made toward resolution. Challenges do not necessarily equate to problems, rather, they should be considered areas of continuing important focus for DNFSB management and staff.

Attached is a brief synopsis of each management and performance challenge along with summaries of OIG audits and planned work that have informed the assessment process. A complete list of reports can be found at <http://www.nrc.gov/reading-rm/doc-collections/insp-gen/>.

1. Management of a healthy and sustainable organizational culture and climate.

To meet its important health and safety mission, one of DNFSB's principles is to conduct operations in a manner that is accountable by fostering an organizational culture that relies on high standards of integrity, fiscal responsibility, and operational proficiency. However, employee morale at DNFSB is low and has been for the past several years. Survey data from the Federal Employee Viewpoint Survey (FEVS) for FY 2014 - 2017 demonstrates that employee morale has been low and diminished further in the last year.

The Partnership for Public Service annually publishes The Best Places to Work in the Federal Government, which is drawn from the FEVS results, and ranks the agencies based on the results. The Best Places to Work offers an assessment of how Federal public servants view their jobs and workplace, providing employee perspectives on leadership, pay, innovation, work-life balance, and other issues. Over the last two fiscal years, DNFSB has ranked low, compared with other small agencies. In 2016, DNFSB posted an index score of 53.6. In 2017, DNFSB's index score dropped to 38.6, ranking it last in the small agency category.

During the spring of 2015, OIG hired an independent contractor, Willis Towers Watson, to conduct an independent survey to evaluate the culture and climate of DNFSB and to facilitate identification of its strengths and opportunities for improvement. As part of its work, Willis Towers Watson prepared a report of key findings and identified that "morale is low."

Low employee morale and the lack of Board collegiality are significant organizational challenges for DNFSB. Low employee morale leads to a challenging organizational culture, lack of cohesion, and possibly hampered mission effectiveness. Moreover, low employee morale leads to employee disengagement, which is costly to an organization, as disengaged employees have higher absenteeism and lower productivity.

In an effort to develop and maintain a healthy and sustainable organizational culture and climate, DNFSB has a strategic objective to align human capital strategies with agency mission, goals, and objectives through analysis, planning, investment, measurement, and management of human capital programs.

Key culture and climate challenges for the Board include the following:

- Ensure that organizational communication and change management contribute to a pervasive sense of organizational stability.
- Operate in a manner that is accountable to the public and achieves the mission efficiently and effectively.
- Engender through leadership and operational processes an organizational culture that strives for the highest standards of integrity, efficiency, effectiveness, transparency, fiscal responsibility, and management proficiency.

The following synopsis is an example of work OIG conducted in FY 2018 with regard to DNFSB's culture and climate.

Audit of the DNFSB's Implementation of Its Governing Legislation DNFSB-18-A-05, May 29, 2018

In 1988 Congress created the DNFSB as an independent executive branch agency to provide independent analysis, advice, and recommendations to the Secretary of Energy regarding adequate protection of public health and safety at the DOE defense nuclear facilities.

There are 14 major defense nuclear facilities under DNFSB's jurisdiction. As of March 31, 2018, DNFSB has 117 full time employees, including four Board members. DNFSB is supported by an annual budget of approximately \$31 million.

DNFSB's enabling statute allows it to establish reporting requirements for DOE. These reporting requirements are binding upon the Secretary of Energy, may accompany a report DNFSB staff have prepared on a safety issue, may request a briefing from DOE, or be a standalone request for information from a Board member.

The audit objective was to review the role and structure of DNFSB to determine whether the Board is (1) operating in accordance with applicable laws and (2) whether the role and structure is effective to facilitate the agency's mission.

OIG did not find any evidence that DNFSB is not operating in accordance with its enabling statute, the *National Defense Authorization Act of FY 1989*, and any amendments thereto. However, OIG identified improvements DNFSB should make in order to more effectively accomplish its mission. Specifically, OIG noted a stark disagreement among Board members, on how and when reporting requirements should be issued, as illustrated by the FY 2016 and 2017 notational voting records.

Additionally, OIG identified that multiple agency-wide surveys consistently illustrate low employee morale and a lack of collegiality and/or cohesion among the Board members. While OIG did not identify any specific instances of DNFSB's mission being impacted by these two issues, they should be of concern to the Board. Low employee morale and lack of Board collegiality are significant organizational challenges for DNFSB.

Moreover, the Board sets the "tone at the top" for DNFSB's guidance values and principles. Whatever tone the Board members set has an effect on DNFSB employees.

The report made two recommendations to address the findings identified during the audit work.

The full report is available at <https://www.nrc.gov/docs/ML1814/ML18149A287.pdf>

2. Management of security over internal infrastructure (personnel, physical, and cyber security) and nuclear security.

DNFSB must take appropriate measures to secure its personnel, facilities, and information. Criminals and foreign intelligence organizations pose obvious external threats. However, DNFSB must also protect itself against trusted insiders who could maliciously or unintentionally compromise the security of its facilities and information systems. Additionally, information security presents unique challenges by virtue of the imperative to balance information safeguards while facilitating legitimate users' access to information.

Key security challenges for DNFSB include the following:

- Ensuring that cyber security has become a crucial aspect of DNFSB's overall security posture and that cyber security protective measures keep pace with evolving threats, given the importance and sensitivity of DNFSB's activities.
- Maintaining robust internal controls over classified information and the systems that process, store, and transmit it to protect against breaches of classified information by Federal employees and contractors such as what occurred at the Department of Defense and the Office of Personnel Management.
- Implementing sound records management practices to ensure that DNFSB staff can respond effectively to information requests from external stakeholders and conduct agency business as transparently as possible.

The following audit synopsis is an example of security and information management work that OIG completed during FY 2018, pertaining to security.

**Independent Evaluation of DNFSB's Implementation of the *Federal Information Security Modernization Act of 2014* (FISMA 2014) for FY 2017
DNFSB-18-A-02, October 30, 2017**

FISMA 2014 outlines the information security management requirements for agencies, which include an annual independent evaluation of an agency's information security program and practices to determine their effectiveness. This evaluation must include testing the effectiveness of information security policies, procedures, and practices for a representative subset of the agency's information systems. The evaluation also must include an assessment of the effectiveness of the information security policies, procedures, and practices of the agency.

FISMA 2014 requires the annual evaluation to be performed by OIG or by an independent external auditor. The Office of Management and Budget (OMB) requires OIGs to report their responses to OMB's annual FISMA reporting questions for OIGs via an automated collection tool.

The evaluation objective was to perform an independent evaluation of DNFSB's implementation of FISMA 2014 for FY 2017.

DNFSB has continued to make improvements in its information security program, and has completed implementing the recommendations from previous FISMA evaluations. However, the independent evaluation identified the following security program weaknesses

- Information security program documentation is not up-to-date.
- Information system contingency planning needs improvement.

The report made two recommendations to improve DNFSB's implementation of FISMA.

The full report is available at <https://www.nrc.gov/docs/ML1730/ML17303B119.pdf>

3. Management of administrative functions.

DNFSB should continue exploring ways to improve its administrative functions. To support the technical staff, DNFSB provides corporate support services such as contract support, human resources support, financial reporting, and information technology services. Although DNFSB has established these administrative functions to support agency staff, there is still ongoing concern regarding employee morale, recruiting new hires, and retention. DNFSB must be able to effectively recruit new hires, strengthen performance management and increase employee engagement. This includes employee recognition and training new and current staff. Lastly, DNFSB should continue to improve its information security and information technology efforts to comply with Federal requirements and meet staff needs.

Key DNFSB administrative function challenges include the following:

- Continuing to improve internal control documentation and practices for DNFSB's financial and administrative functions.
- Implementing effective employee engagement and recognition techniques.
- Providing current staff with the training and tools to maintain and/or improve the skills needed to effectively perform their jobs.
- Continuing efforts to keep DNFSB policies and procedures current.

The following synopsis is an example of work that OIG plans to complete in FY 2019, pertaining to DNFSB's administrative functions.

**Audit of DNFSB's Talent Management System for Filling Vacancies within the Human Capital Framework (HCF)
(To be initiated in FY 2019)**

The director of OPM requires agencies to establish and maintain a system of accountability for merit system principles. Agencies are further required to use guidance, measures and metrics and to identify the measures used in agency accountability policies. OPM established the Human Capital Assessment and Accountability Framework (HCF) system as standards, including appropriate metrics, for Evaluators to use when assessing human capital management by Federal agencies. HCF's system components are

1. Strategic Alignment System
2. Leadership/Knowledge Management System
3. Results-Oriented Performance Culture System
4. Talent Management System
5. Accountability System

The Talent Management System requires that agencies identify, through a systematic process, mission-critical occupations and competencies needed in the current and future workforce and develop a strategy to close the gaps. Accountability System guidelines require organizations to establish a comprehensive set of measures for each of the five systems to gauge organizational progress toward achieving human capital goals, to collect data and to make it available in a way that supports necessary analysis and decision-making.

Human Resources Evaluators use agency processes and activities outlined in standards for the Accountability System to ensure that over time, the agency manages people efficiently and effectively in accordance with merit system principles, veterans' preference and related public policies. Agencies are required under 5 C.F.R. 250.203 to submit a Human Capital Management Report (HCMR) for review and approval annually. Evaluations begin with review of the HCMR.

The evaluation objectives will be to determine if DNFSB's Talent Management System is effective in identification of mission-critical occupations and competencies and if DNFSB has developed strategies to hire and retain staff in support of its mission and in accordance with Federal standards.

4. Management of technical programs.

DNFSB's mission is to provide independent analysis, advice, and recommendations to the Secretary of Energy to inform the Secretary, in the role of the Secretary as operator and regulator of the defense nuclear facilities of the DOE, in providing adequate protection of public health and safety at such defense nuclear facilities.

DNFSB's jurisdiction covers DOE's "defense nuclear facilities." This scope includes all facilities operated by DOE that fall under the *Atomic Energy Act* and have a function related to national defense. It excludes DOE's nuclear projects that are civilian in purpose and commercial nuclear facilities regulated by the NRC. DNFSB's oversight jurisdiction does not extend to the U.S. Navy's nuclear propulsion program or to environmental hazards regulated by other federal and state agencies.

When DNFSB technical staff evaluate safety at the specified DOE facilities, they must employ specific analyses of many unique processes and hazards. DOE's nuclear weapons program is technically challenging and hazardous. Complex, high-hazard operations critical to national defense include assembly and disassembly of nuclear weapons, fabrication of plutonium pits and weapon secondary assemblies, production and recycling of tritium, nuclear criticality experiments, experiments to characterize special nuclear materials under extreme conditions, and a host of activities to address the radioactive legacy of nearly 70 years of these operations. DOE's major defense nuclear facilities are each one-of-a-kind.

Key technical program challenges for the Board include the following:

- Ensure that operations are conducted in a manner that is accountable and transparent, and that directs the Board's resources toward oversight of the most significant potential safety risks in DOE's defense nuclear complex.
- Develop and sustain a staff that earns the respect and confidence of the public and DOE through its expertise in the field of nuclear safety and performance of its oversight functions.

- Maintain open and effective two-way communications with DOE that enable problem solving through mutual understanding of safety issues that require action as well as factors that may constrain action to address safety issues.
- Ensure that internal controls are fully understood and implemented.

The following synopsis is an example of ongoing OIG work at DNFSB in FY 2018 regarding the management of technical programs.

Audit of DNFSB's Issue and Commitment Tracking System (IACTS) 3.0 and its Related Processes (Ongoing work)

The DNFSB IACTS 3.0 is an electronic repository that DNFSB's technical staff uses to support the management of Board member commitments. Commitments are the follow-up actions to be completed on any potential safety items identified at defense nuclear facilities, and generally consist of internal written products owed by DNFSB's technical staff to the Board, or DOE responses to Board requests.

Staff monitor potential safety items through staff's corresponding electronic lists that are closely tied to IACTS 3.0. Because IACTS 3.0 and its corresponding lists serve as the central repository for all safety-related DOE information, these systems work closely with several other internal DNFSB processes that may involve Board safety decisions.

During the 2016 Audit of DNFSB's Oversight of Construction Projects at Defense Nuclear Facilities, OIG determined IACTS guidance did not adequately detail what information should be included in the system. As a result, DNFSB's Technical Staff inconsistently completed information in IACTS and infrequently updated the IACTS entries. However, it should be noted that, since 2016, IACTS has been through several changes and has evolved from IACTS to its current version, IACTS 3.0.

The audit objective is to determine if IACTS 3.0 and its related processes are effective in helping DNFSB accomplish its mission.

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