



UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D.C. 20555-0001

OFFICE OF THE
INSPECTOR GENERAL

September 9, 2008

MEMORANDUM TO: R. William Borchardt
Executive Director for Operations

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

SUBJECT: MEMORANDUM REPORT: AUDIT OF THE NUCLEAR
REGULATORY COMMISSION'S USE OF REEMPLOYED
ANNUITANTS (OIG-08-A-15)

The Office of the Inspector General (OIG) conducted this audit to determine the Nuclear Regulatory Commission's (NRC) compliance with relevant laws, regulations, and Office of Personnel Management (OPM) guidance concerning rehiring annuitants. Additionally, OIG examined how NRC uses reemployed annuitants to accomplish the agency's mission. OIG found that the agency's reemployed annuitant process is carried out in compliance with policy, and the work performed by the reemployed annuitants is consistent with NRC's mission. Further, during the audit, the Executive Director for Operations (EDO) issued and implemented a revised policy on granting pension offset waivers to reemployed annuitants. Therefore, OIG makes no recommendations.

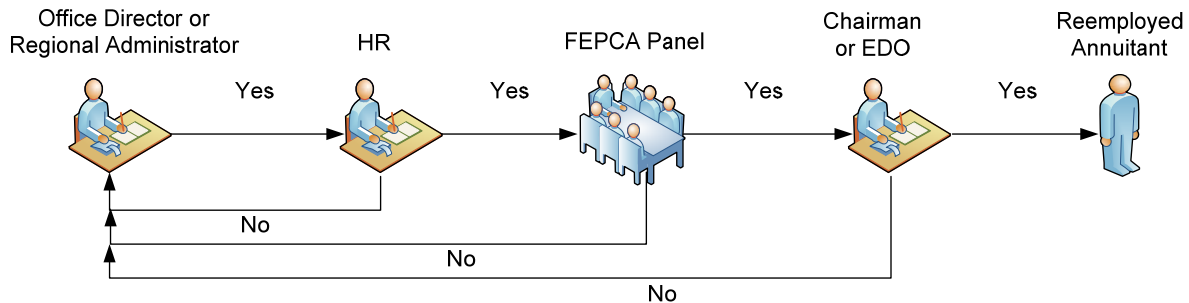
BACKGROUND

NRC currently uses a wide variety of human capital policies, programs, and strategies for recruiting, hiring, training and developing, and retaining skilled professionals. One of the human capital strategies is the use of reemployed annuitants. Rehiring a retired employee has become more common in the Federal Government and now at the NRC because these former agency employees possess critical skills in areas such as nuclear reactors, new plant construction, fuel cycle operations, information technology, and project management that may be otherwise hard to find. This strategy enables the agency to meet its mission using experienced, skilled individuals who are willing to continue working after retirement. Absent authority to waive pension offset, the salaries of reemployed annuitants must be reduced by their retirement annuity, also called pension offset.

The Energy Policy Act of 2005 authorizes NRC to eliminate the pension offset, on a case-by-case basis, for the reemployment of a Federal civilian retiree in a position for which there is exceptional difficulty in recruiting or retaining a qualified employee, or when a temporary emergency hiring need exists. The act also requires that NRC establish procedures for exercising this authority, including the criteria and procedures for any delegation of authority.

In March 2006, the EDO issued policy and procedures to implement the pension offset waiver provision. These procedures state that an Office Director or Regional Administrator may request approval of a pension offset waiver by submitting a request to the Chairman or the EDO, as appropriate, through the Office of Human Resources (HR) and the Federal Employees Pay Comparability Act Senior Management Review Panel (FEPCA Panel).¹ The NRC pension offset waiver approval process is illustrated as follows.

NRC Pension Offset Waiver Approval Process²



NRC's HR, Human Resources Policy and Programs Branch, administers the reemployed annuitant process. Between October 1, 2006, and March 31, 2008, NRC had 134 reemployed annuitants.³ During the same period, the earnings of these employees totaled more than \$13.5 million. Of these, 118 received a pension offset waiver, while 16 had their NRC salary reduced by the amount of their pension.

A reemployed annuitant is appointed as a Special Government Employee (SGE) or as a regular employee. Some of the differences between these two appointments are:

- SGE appointments must end with the fiscal year cycle but may be eligible for reappointment the following fiscal year; regular employee appointments for reemployed annuitants typically do not exceed 2 years.
- SGEs are limited to working 130 days per fiscal year; regular employees have no restrictions on the number of days they may work.

¹ The NRC FEPCA Panel also reviews and makes recommendations regarding recruitment, relocation and retention incentives, and student loan repayments.

² When any one of the approving officials disapproves a waiver request during the NRC pension offset waiver approval process, HR returns the request to the originator for appropriate action.

³ Of the 134 reemployed annuitants, 106 are currently active.

- SGEs work an intermittent schedule, whereas regular employees may work an intermittent schedule or an established part-time or full-time schedule.

PURPOSE

The objectives of this audit were to (1) determine NRC's compliance with relevant laws, regulations, and OPM guidance concerning reemploying annuitants, and (2) ascertain how NRC uses reemployed annuitants to accomplish the agency's mission.

RESULTS

OIG found that:

- The process used to reemploy annuitants is conducted in compliance with policy.
- The work performed by reemployed annuitants is consistent with NRC's mission.

A. PROCESS IS CARRIED OUT IN COMPLIANCE WITH POLICY

NRC's process for rehiring individuals receiving a pension annuity is generally compliant with applicable agency and OPM policy requirements.

NRC Annuitant Reemployment Requirements

In order to reemploy annuitants, NRC must satisfy both its internal requirements and requirements set forth by OPM. These requirements are as follows:

- NRC policy requires that managers requesting reemployment of annuitants with waiver of pension offset address specific factors outlined in the section following. This process enables deciding officials to make a determination concerning reemployment.
- OPM policy requires that annuitants and OPM be notified concerning salary and annuity adjustments.

NRC Pension Offset Waiver Policy Requirements

EDO Memorandum, *Policies and Procedures for Implementation of the Provision for Waiver of Pension Offset in the Energy Policy Act of 2005*, dated March 15, 2006, sets forth NRC's process for implementing the pension offset waiver provision. NRC policy requires that waiver requests submitted by managers include factors such as:

- A description of why the individual's knowledge, skills, and abilities are important to the agency.

- The nature of the position and its importance to agency function.
- Other staffing alternatives and why these alternatives have not been or are not anticipated as being successful.
- A description of the difficulty recruiting or retaining a qualified employee or, if appointed because of a temporary emergency hiring need, a description of the emergency.
- Information about the proposed appointee's duties.
- An indication that the individual is unwilling to return to work unless a waiver is granted.

Requests for Waivers Address Factors

The majority of pension offset waiver requests reviewed by OIG addressed the required factors in accordance with agency policy. OIG analyzed a random sample of 30 pension offset waiver requests submitted to HR and approved by the FEPCA Panel and EDO, or Chairman, and found that 28 waiver requests (or approximately 93 percent) contained the required factors. Of the pension offset waiver requests reviewed:

- One omitted the description of the temporary emergency and how the emergency is beyond the scope of NRC's normal responsibilities.
- One omitted an indication that the annuitant is unwilling to return to work unless granted the waiver.

Based on this review, OIG determined that waiver requests are generally compliant with agency policy.

NRC Follows OPM Notification Policy

In accordance with OPM policy, NRC notifies annuitants and sends OPM documentation concerning salary and annuity adjustments for reemploying individuals who receive a pension annuity. NRC staff complete and send the OPM form, *Notification of Reemployment of an Annuitant*, with a copy of Standard Form 50, *Notification of Personnel Action*, to enable OPM to determine continued eligibility for annuity. In addition, NRC staff discuss with the annuitants the effect of reemployment on their earnings. To ensure that documentation and notification steps are completed before the employee is included in the NRC personnel and payroll systems, NRC staff use a *Checklist for Processing Reemployed Annuitants* during the hiring process.

NRC Revised Policy

During this audit, NRC revised its policy for waiver of pension offset. On April 29, 2008, the EDO issued a revised policy titled, *Policy and Procedures for Implementation of Authority to Waive Pension Offset*. Among other things, this policy served to:

- Clarify the definition of temporary emergency hiring need.
- Clarify how recruitment efforts meet long term needs.
- Clarify definitions of exceptional difficulty recruiting and retaining qualified employees.

The revised policy also requires that managers more specifically address the following factors:

- Explain case-by-case circumstances.
- Explain the nature of appointment and work schedule as well as the Energy Policy Act criterion that forms the basis for the request.
- Explain, with narrative, the FEPCA Panel approval section.
- Provide information for tracking number and type of appointments.

Although revisions to this policy were underway during the course of this audit, OIG conducted its work based on the policy effective March 15, 2006.

B. WORK PERFORMED CONSISTENT WITH NRC'S MISSION

Management has a fundamental responsibility to develop and maintain effective internal control so that programs operate and resources are used consistent with the agency's mission. OIG compared work assignments performed by a sample of reemployed annuitants with the work described in each employee's pension offset waiver request. OIG interviewed 10 randomly selected reemployed annuitants with pension offset waivers. The reemployed annuitants described their assignments. The work performed ranged from developing specialized security rules and reviewing documents for a collaborative international report to training newly hired employees. Annuitants' descriptions of their duties aligned with the information contained in the requests for their pension offset waivers. OIG concluded that reemployed annuitants are performing work described in their pension offset waiver requests to accomplish the agency's mission.

CONCLUSION

The NRC conducts the reemployed annuitant process in accordance with relevant laws, regulations, and guidance. The agency's revised policy contains procedures that require requesting officials to include more information and detail in pension offset waiver requests. These revised requirements should strengthen internal controls. Furthermore, the work performed by reemployed annuitants facilitates NRC mission accomplishment.

AGENCY COMMENTS

At an exit conference on September 3, 2008, NRC officials agreed with the report contents and provided editorial suggestions, which OIG incorporated as appropriate.

SCOPE AND METHODOLOGY

OIG audited internal controls related to NRC's use of reemployed annuitants. We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Steven Zane, Team Leader; Vicki Foster, Audit Manager; and Robert Woodward, Auditor; conducted this audit from March 2008 to June 2008. We performed the audit work at NRC headquarters in Rockville, MD.

If you have any questions or concerns regarding this report, please contact Steven Zane, Team Leader, at 301-415-5912 or me at 415-5915.

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