

# AUDIT REPORT

## Audit of NRC's Process for Revising Management Directives

OIG-14-A-19      September 15, 2014



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OFFICE OF THE  
INSPECTOR GENERAL

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

September 15, 2014

MEMORANDUM TO: Mark A. Satorius  
Executive Director for Operations

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

SUBJECT: AUDIT OF NRC'S PROCESS FOR REVISING  
MANAGEMENT DIRECTIVES (OIG-14-A-19)

Attached is the Office of the Inspector General's (OIG) audit report titled *Audit of NRC's Process for Revising Management Directives*.

The report presents the results of the subject audit. Agency comments provided at the August 25, 2014, exit conference have been incorporated, as appropriate, into this report.

Please provide information on actions taken or planned on each of the recommendations within 30 days of the date of this memorandum. Actions taken or planned are subject to OIG followup as stated in Management Directive 6.1.

We appreciate the cooperation extended to us by members of your staff during the audit. If you have any questions or comments about our report, please contact me at 415-5915 or Eric Rivera, Team Leader, Financial and Administrative Audit Team, at 415-7032.

Attachment: As stated

cc: M. Galloway, OEDO  
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## EXECUTIVE SUMMARY

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### BACKGROUND

Federal regulations<sup>1</sup> provide that Federal agencies should strive to (1) convey written instructions and document agency policies and procedures through effective directives management and (2) provide agency personnel with information needed in the right place, at the right time, and in a useful format. At NRC, management directives are issued to (1) promulgate internal policy and procedures of agencywide interest or application that concern a high profile, mission-critical agency function or program and (2) impose substantive requirements on more than one NRC office. Management directives do not propose new policy; instead, directives reflect policy decisions already made and provide the process and guidance for implementing that policy.

NRC Management Directive (MD) 1.1, *NRC Management Directives System*, issued March 18, 2011, describes the process for issuing and revising directives. These directives are to be reviewed and reissued or certified as relevant at least every 5 years (the 5-Year Plan).

As of November 5, 2013, NRC maintained 164 MDs in its electronic catalog on NRC's Internal Web site (see Appendix C). The average age of these 164 MDs is 8.3 years. There are 2.75 full-time equivalents (FTE) for the Office of Administration's (ADM) management of the MD program. The 2.75 FTE do not include time spent by other agency offices working on the revision of their MDs and supervisory review time.

### OBJECTIVES

The audit objectives were to evaluate the adequacy of NRC's compliance with MD 1.1, particularly in the areas of keeping management directives accurate and up-to-date, and whether opportunities exist to improve the process.

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<sup>1</sup> Title 41, Code of Federal Regulations (CFR), Part 102-193, *Creation, Maintenance, and Use of Records*.

## **RESULTS IN BRIEF**

Although the agency strives for compliance with MD 1.1, NRC generally is not in compliance with keeping MDs accurate and up-to-date. Therefore, opportunities exist to improve program efficiency and increase compliance with MD 1.1 by (A) issuing MDs timely and (B) centralizing authoritative guidance.

### **MDs Not Issued Timely**

The issuance of NRC's management directives is not always timely. Federal regulations require that agencies make every effort to document policies and procedures and provide access to them in a timely manner. Additionally, agency policy requires MDs to be revised or certified as relevant every 5 years (the 5-Year Plan). The revision of NRC MDs is not always timely because there are multiple internal control weaknesses. As a result, agency operations may not be optimally performed and knowledge management programs may not be effective.

### **Authoritative Guidance Is Fragmented**

Federal regulations and agency guidance require NRC to strive to provide staff with information needed in the right place, at the right time, and in a useful format to conduct agency business. However, NRC's MD system does not always contain up-to-date guidance. This is because the agency lacks sufficient internal controls over revisions made to MDs by yellow policy announcements.<sup>2</sup> As a result, staff may not have adequate, up-to-date guidance to conduct agency operations effectively, and staff could be confused or unsure about the correct guidance to follow.

## **RECOMMENDATIONS**

This report makes recommendations to improve the efficiency of NRC's process for revising MDs. A list of these recommendations appears on pages 18-19 of this report.

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<sup>2</sup> For the purposes of this report, the term "yellow policy announcement" refers only to NRC's Policy Announcements that inform NRC employees of new or revised policy.

## **AGENCY COMMENTS**

An exit conference was held with the agency on August 25, 2014. Prior to this meeting, after reviewing a discussion draft, agency management provided comments that have been incorporated into this report, as appropriate. As a result, agency management stated their general agreement with the findings and recommendations in this report and opted not to provide formal comments for inclusion in this report.

## **ABBREVIATIONS AND ACRONYMS**

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ACRS	Advisory Committee on Reactor Safeguards
ADAMS	Agencywide Documents Access and Management System
ADM	Office of Administration
ASLBP	Atomic Safety and Licensing Board Panel
CFR	Code of Federal Regulations
CSO	Computer Security Office
FSME	Office of Federal and State Materials and Environmental Management Programs
FTE	Full-time Equivalent
MD	Management Directive
NMSS	Office of Nuclear Material Safety and Safeguards
NRC	Nuclear Regulatory Commission
NRR	Office of Nuclear Reactor Regulation
NSIR	Office of Nuclear Security and Incident Response
OCA	Office of Congressional Affairs
OCFO	Office of the Chief Financial Officer
OCHCO	Office of the Chief Human Capital Officer
OE	Office of Enforcement
OEDO	Office of the Executive Director for Operations

OI	Office of Investigations
OIG	Office of the Inspector General
OIP	Office of International Programs
OIS	Office of Information Services
OPA	Office of Public Affairs
RES	Office of Nuclear Regulatory Research
SBCR	Office of Small Business and Civil Rights

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## I. BACKGROUND

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### Federal Requirements

Federal regulations<sup>3</sup> provide that Federal agencies should strive to (1) convey written instructions and document agency policies and procedures through effective directives management and (2) provide agency personnel with information needed in the right place, at the right time, and in a useful format. In addition, Nuclear Regulatory Commission (NRC) regulations<sup>4</sup> provide that “A statement of the NRC’s organization, policies, procedures, assignments of responsibility, and delegations of authority is in the Nuclear Regulatory Commission Management Directives System....” At NRC, management directives (MD) are issued to (1) promulgate internal policy and procedures of agencywide interest or application that concern a high profile, mission-critical agency function or program and (2) impose substantive requirements on more than one NRC office. MDs do not propose new policy; instead, directives reflect policy decisions already made and provide the process and guidance for implementing that policy. NRC prepares and issues MDs as well as revisions to these documents to meet the requirement that all Federal agencies have an internal Management Directives System.

### NRC Hierarchy of Internal Policy

The agency maintains general categories for hierarchy of NRC internal policy and guidance documents. These documents have been categorized into five levels of importance. NRC Commission (Level 1) (the highest level) includes commission enforcement policy, commission documents, and internal commission procedures. NRC Policy Implementation (Level 2) (the second highest level) includes management directives, yellow policy announcements, and the Collective Bargaining Agreement.<sup>5</sup> The complete detailed hierarchy is shown in Appendix B of this report.

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<sup>3</sup> Title 41, Code of Federal Regulations (CFR), Part 102-193, *Creation, Maintenance, and Use of Records*.

<sup>4</sup> 10 CFR, Part 1.3, *Sources of Additional Information*.

<sup>5</sup> To the extent that the agency’s rules, policies, and regulations are in conflict with the terms of the Collective Bargaining Agreement, the Collective Bargaining Agreement terms govern.

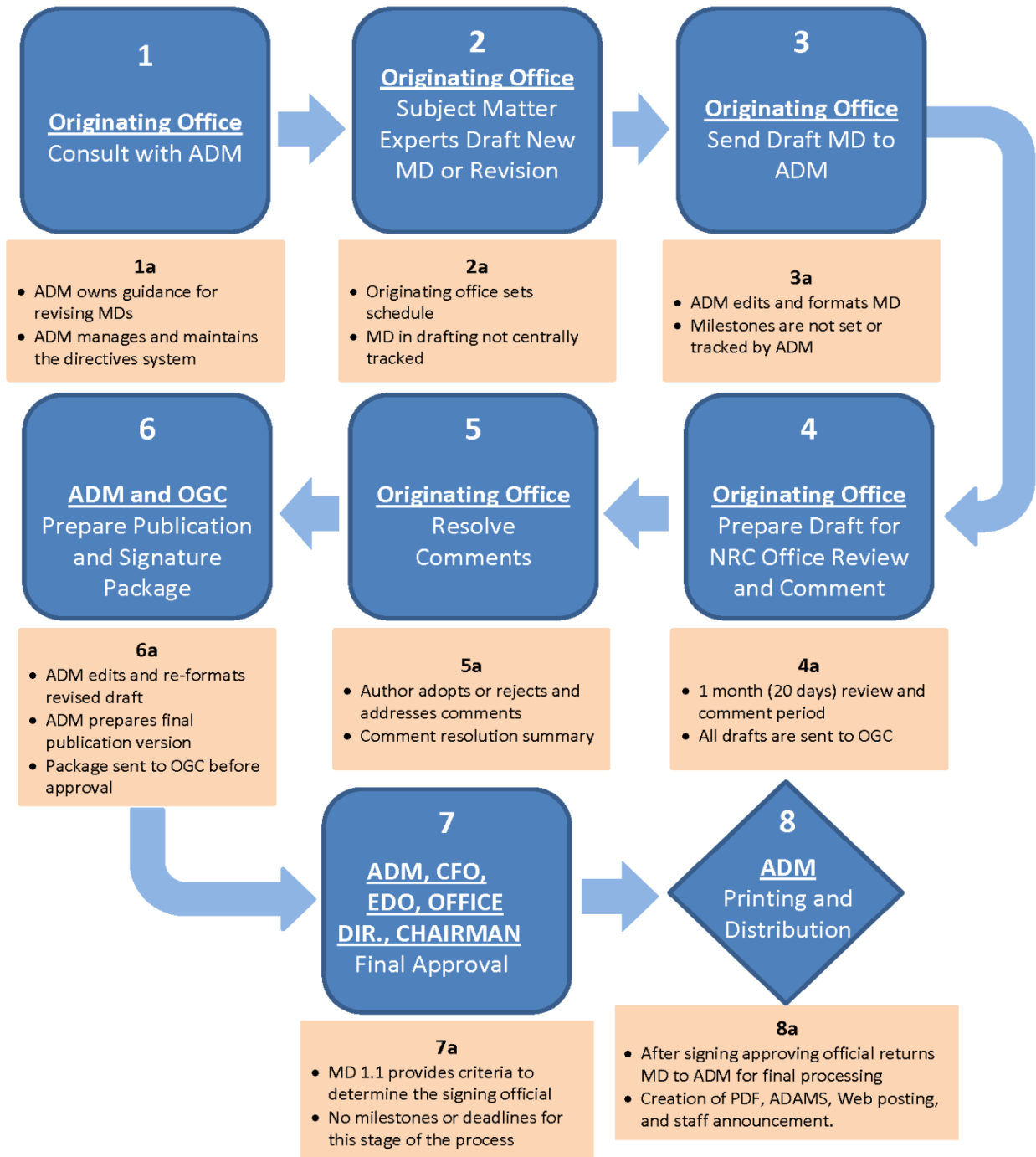
### NRC's Review and Publication Process for Management Directives

NRC MD 1.1, *NRC Management Directives System*, issued March 18, 2011, describes the process for issuing and revising directives. These directives are to be reviewed and reissued or certified as relevant at least every 5 years (the 5-Year Plan). The agency's current MD revision process is coordinated through several NRC offices, and usually involves eight steps (see Figure 1). Appendix C of this report contains the catalog of NRC's management directives as of November 5, 2013.

### Logistics

As of November 5, 2013, NRC maintained 164 MDs in its electronic catalog on NRC's Internal Web site (see Appendix C). The average age of these 164 MDs was 8.3 years. There are 2.75 full-time equivalents (FTE) for the Office of Administration's (ADM) management of the MD program. Included in the 2.75 FTE is 1 FTE responsible for administering the NRC announcement program and .25 FTE to update and maintain both the MD Signature Status Report and 5-Year Plan, located on NRC's Internal Web site. The remaining 1.5 FTE include the administrative staff's followup to manage each MD through the process, address assistance requests from authoring offices, and fulfill ADM's reviewer responsibilities under MD 1.1. The 2.75 FTE do not include time spent by other agency offices working on the revision of their MDs and supervisory review time.

**Figure 1: NRC's Revision Process for MDs**



**Source: OIG Generated**

Abbreviations and acronyms in Figure 1 are explained as follows: Agencywide Documents Access and Management System (ADAMS), Office of Administration (ADM), Chief Financial Officer (CFO), Executive Director for Operations (EDO), Office of the General Counsel (OGC), Portable Document Format (PDF), Office of the Secretary (SECY).

## **II. OBJECTIVES**

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The audit objectives were to evaluate the adequacy of NRC's compliance with MD 1.1, particularly in the areas of keeping management directives accurate and up-to-date, and whether opportunities exist to improve the process.

## **III. FINDINGS**

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Although the agency strives for compliance with MD 1.1, NRC generally is not in compliance with keeping MDs accurate and up-to-date. Therefore, opportunities exist to improve program efficiency and increase compliance with MD 1.1 by

- A) Issuing MDs timely.
- B) Centralizing authoritative guidance.

## **A. MDs Not Issued Timely**

The issuance of NRC's management directives is not always timely. Federal regulations require that agencies make every effort to document policies and procedures and provide access to them in a timely manner. Additionally, agency policy requires MDs to be revised or certified as relevant every 5 years (the 5-Year Plan). The revision of NRC MDs is not always timely because there are multiple internal control weaknesses. As a result, agency operations may not be optimally performed and knowledge management programs may not be effective.

### **Timeliness Requirements**

Federal regulations require agencies to document effective policies and procedures and provide staff access to them in a timely manner. Further, Federal standards provide that information should be communicated to management and staff who need it in a useful format and within a timeframe that enables them to carry out their internal control and other responsibilities.

MD 1.1 requires NRC to review, revise, and reissue MDs or certify them as relevant every 5 years in the absence of an extension to the expiration date. MD 1.1 also specifically requires the Office of the Executive Director for Operations to track MD revision compliance through its electronic tracking system.

The Office of the Inspector General (OIG) benchmarked NRC's MD revision process by interviewing staff from four Federal agencies about their directives programs. OIG found that all four agencies revise their MDs in less than a year, which is significantly shorter than NRC.

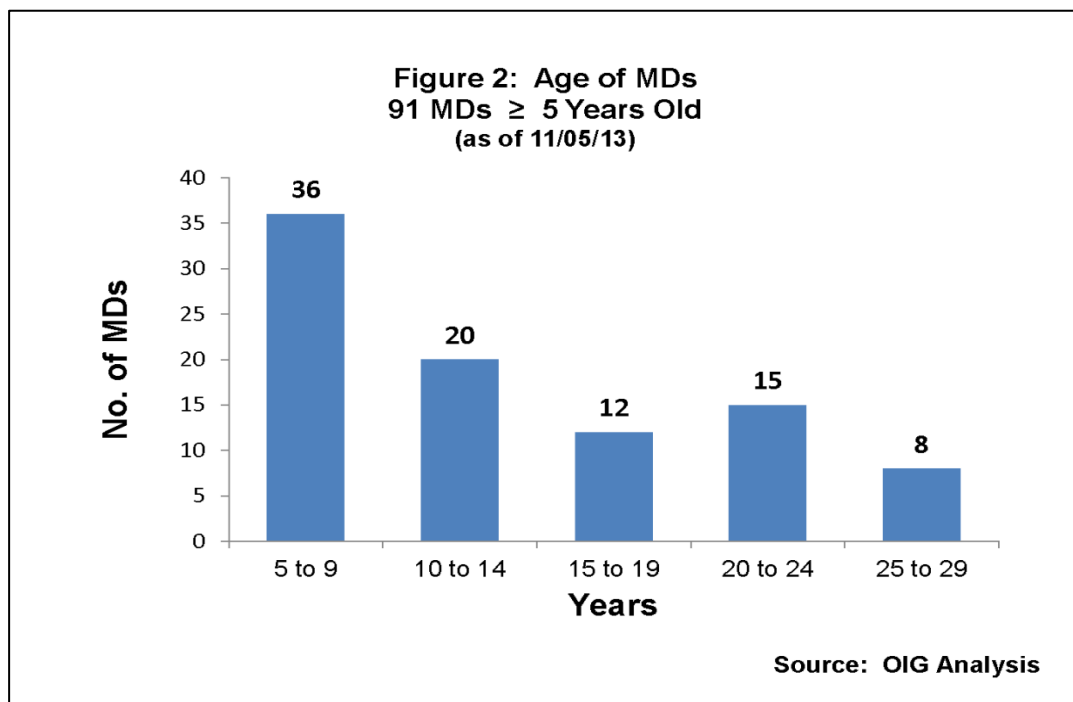
### **Issuance of NRC's MDs Is Not Always Timely**

The agency does not revise or certify most MDs as relevant every 5 years. As of November 5, 2013,<sup>6</sup> NRC had 164 MDs. More than half (91 of 164) of NRC's MDs had not been revised or certified in 5 or more years (see Figure 2). Agency officials explained that their up-to-date performance

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<sup>6</sup> November 5, 2013, was the day after the entrance conference for this audit.

calculation was much higher because it did not include 23 Volume 9 (v9) MDs, *NRC Organization and Functions*, or the Volume 10, Office of the Chief Human Capital Officer's 41 MDs (2 are v9 MDs) (see Appendix C). The Volume 9 MDs were excluded from the original 5-year plan by the Office of the Executive Director for Operations because they were going to be addressed in a separate initiative.<sup>7</sup> Office of the Chief Human Capital Officer MDs were excluded from the calculation because, after implementing the 5-year plan, the office's MD revision schedule was extended from 5 to 8 or more years.

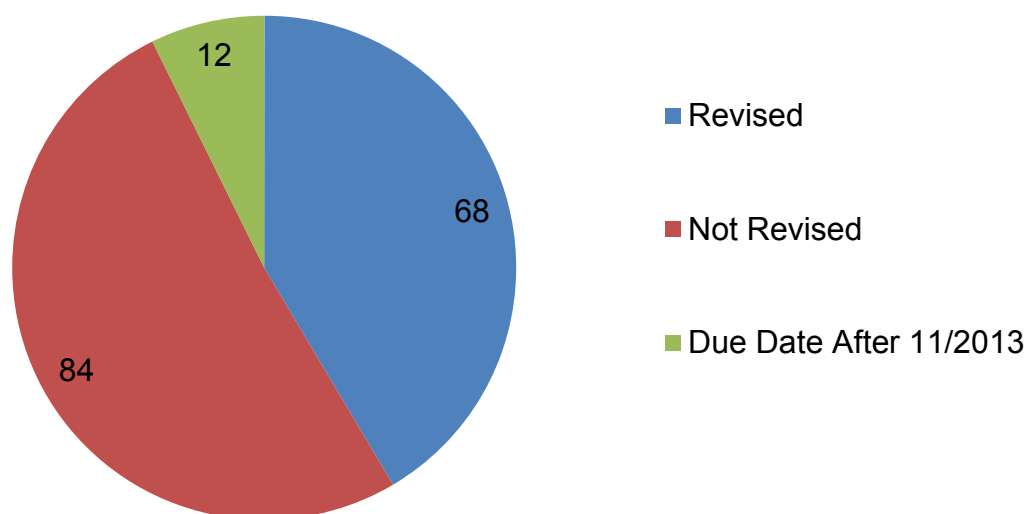


The timeliness problem is highlighted even more when reviewing the number of MDs that are still pending revision and issuance since implementation of the 5-year plan. Figure 3 illustrates that as of

<sup>7</sup> A May 19, 2014, memorandum from the Director of the Office of Administration to the Executive Director for Operations, "U.S. Nuclear Regulatory Commission Plan to Update the Management Directives in Volume 9," provided a schedule for Volume 9 MDs to be completed (ADAMS Accession No.# [ML14115A020](#)).

November 5, 2013, there were 84 MDs that had not been revised and issued.<sup>8</sup> There were also 68 MDs that had been revised and issued; however, 68 percent of those were issued after the 5-year plan due date. Further, 11 of 12 MDs with due dates after November 2013 were more than 5 years past their last revision date.

**Figure 3: Initial 5-Year Plan  
Status of 164 MDs as of 11/2013**



**Source: OIG Analysis**

### **Weak Internal Control and Low Management Priority**

NRC MDs are not issued<sup>9</sup> in a timely manner because internal controls for revising MDs are ineffective and NRC senior management does not consider keeping MDs up-to-date a priority.

<sup>8</sup> The 84 MDs were all past their due dates. They relate indirectly to the 91 MDs in Figure 2 because 7 of the 91 MDs had either been issued and not revised or recertified within the 5-year guideline required by MD 1.1, or had a due date after November 2013.

<sup>9</sup> An MDs "issue date" is the date it is signed and becomes effective.

### Weaknesses in Internal Control

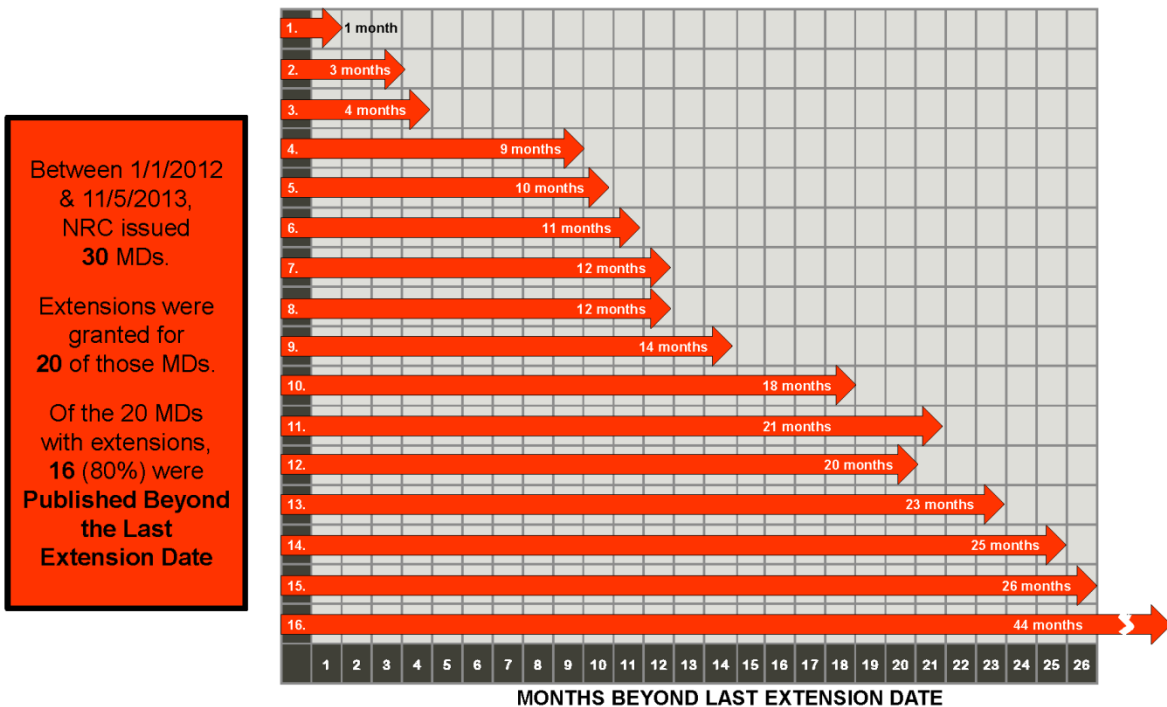
NRC management has the fundamental responsibility to develop and maintain effective internal control over the MD revision process. OIG identified several internal control weaknesses in the following areas:

- Excessive use of extensions.
- Inadequate extension guidance.
- Inadequate reporting.
- Ineffective corporate measure.

### *Excessive Use of Extensions*

The internal controls over extension requests are weak and oversight of granting extension requests is ineffective. OIG analysis of agency data revealed an excessive granting of extensions to MD expiration dates pursuant to extension requests by MD owners. For example, the agency published 30 MDs between January 1, 2012, and November 5, 2013; 20 of those 30 MDs had at least 1 extension granted, and some had multiple extensions granted. In spite of the liberal use of extensions, the agency published only 4 of those 20 MDs on or before the last extension date. The other 16 were published after the last extension date (see Figure 4). ADM officials stated that originating offices frequently request extensions just prior to the expiration date even though ADM's existing practice provides MD owners up to a year's advance notice before the MDs 5-year anniversary.



**Figure 4: MDs Published Beyond the Last Extension Date**

Source: OIG Analysis

*Inadequate Extension Guidance*

MD 1.1 has inadequate guidance for the extension process. MD 1.1 does provide that ADM has the administrative authority to grant an initial 1-year extension of the MD expiration date. Additional extensions require higher-level approval by the Chairman, Commission, Executive Director for Operations, or Chief Financial Officer, as appropriate. OIG requested guidelines for the process from ADM and there were none with clear criteria documenting a basis to approve or deny any request for an extension. In addition, no agency official interviewed by OIG with the authority to grant extensions could recall or provide any documentation of an extension request denial.

MD 1.1 further provides, "If an MD has not been revised or certified prior to its expiration date, then the MD remains effective after its expiration

date.” This statement presents no incentive for agency staff to revise MDs timely.

#### *Inadequate Reporting*

Internal controls for reporting actionable data to management are also weak. ADM routinely collects data and information for NRC's MD revision process and posts it to NRC's "Policy" Web page as the "Management Directives Signature Status Report." The purpose of the report is to assist MD owners by tracking the last action taken on an MD under revision. When OIG asked MD owners and other agency staff if they were familiar with the ADM report, no one outside ADM (the office responsible for creating and maintaining the report) knew of the report's existence. A significant weakness is that ADM does not send this or any regular report of actionable information to management for review.

#### *Ineffective Corporate Measure*

The agency developed a corporate measure<sup>10</sup> to track and monitor performance in completing the 5-year plan on a timely basis. NRC maintains MD data to track milestones completed in the plan over its 5-year life. This corporate measure marks office performance "red" for out of compliance and "green" for full compliance with the measure. This audit revealed that MDs are not issued timely; yet, OIG noted that all offices are "green." This is because when an extension of the expiration date is granted, ADM resets the original due date to the extended date and still considers the office "green." Therefore, OIG concludes that the corporate measure is weak and ineffective in holding offices accountable for their performance.

A further weakness of this measure involves how the agency compiles data. NRC does not know when agency offices actually initiate the revision process; subsequently, there is no valid start date to measure performance accurately. ADM ends the revision period on the date ADM accepts NRC Form 521, "Request for Publication or Elimination of an NRC Management Directive," rather than a more representative date such as when the MD is published.

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<sup>10</sup> The agencywide corporate measure is "Percent of fiscal year 2014 milestones completed in the office's plan to bring management directives up-to-date over a 5-year period."

### Low Management Priority

OIG interviewed several program managers and staff assigned responsibility for the MD revision process and found that, in general, NRC management does not consider it a priority to keep MDs current and up-to-date. ADM offers to hold “kickoff” meetings up to a year in advance of the revision due dates to provide expertise and assistance to make the process more efficient. However, because it is a low priority, offices often delegate attendance to inexperienced or new staff or they decline attendance.

Another indicator of low priority is that compliance with MD 1.1 is not monitored by senior management. The Office of the Executive Director for Operations does not track compliance through its tracking system. This is because ADM submits MD packages to the Office of the Executive Director for Operations for concurrence and approval without providing a proposed due date for completion. Information OIG obtained shows that Office of the Executive Director for Operations review and approval was required for most MDs. However, on average, MDs remained in that office for more than 3 months before being approved.

In addition, it appears that MD revision is not given proper priority in the Chairman's office. Of the 30 MDs issued in calendar years 2012-2013, 6 required approval by the Chairman. Those six took, on average, more than 14 months to be approved.

### **Agency Operations and Knowledge Transfer May Be Affected**

Because NRC's management assigns a low priority to MD revision activities, staff are not adequately focused on the process. As a result, agency operations may not be optimally performed because staff may not have the most current and up-to-date guidance. Moreover, knowledge transfer may be disrupted because of the lack of current and up-to-date directives.

**Recommendations:**

OIG recommends that the Executive Director for Operations

1. Revise MD 1.1 to
  - a. Elevate authority required for approving extensions. Extensions can only be granted by the Chairman, the Executive Director for Operations, the Chief Financial Officer, or their designees (no lower than Deputy Executive Directors for Operations, Assistant for Operations, or Deputy Chief Financial Officer), as appropriate.
  - b. Include guidelines for resetting MD initial due dates. Require Executive Director for Operations, or designee, approval to reset initial due dates. Clearly state the parameters for resetting due dates.
  - c. Clearly state the parameters and guidelines for granting extensions, and provide that even if an extension is granted, the authoring office will receive a "red" on the corporate measure scorecard unless they also meet the new MD 1.1 guidelines (recommendation 1.b) for having the initial due date reset.
2. Require a suspense due date for final concurrence/approval by the Executive Director for Operations and Chairman when submitting MD concurrence packages to those offices, so that the MD can be tracked in Office of the Executive Director for Operations' tracking system.
3. Require MD author participation in ADM's MD revision "kickoff" meetings.
4. Develop and implement a performance measure that effectively evaluates MD revision timeliness for MDs that begins with the kickoff meeting and ends with the issuance date of the MD. In addition, provide the reported results quarterly to the Office of the Executive Director for Operations and office directors.

## **B. Authoritative Guidance Is Fragmented**

Federal regulations and agency guidance require NRC to strive to provide staff with information needed in the right place, at the right time, and in a useful format to conduct agency business. However, NRC's MD system does not always contain up-to-date guidance. This is because the agency lacks sufficient internal controls over revisions made to MDs by yellow policy announcements.<sup>11</sup> As a result, staff may not have adequate, up-to-date guidance to conduct agency operations effectively, and staff could be confused or unsure about the correct guidance to follow.

### **Guidance Documentation and Availability Requirements**

The Federal Management Regulation (41 CFR § 102-193.25) requires Federal agencies to strive to provide staff with information needed in the right place, at the right time, and in a useful format. It further requires agencies to identify and retain permanent records, dispose of temporary records promptly, and organize agency files in a logical order so that records can be found rapidly to conduct agency business. This also ensures that records are complete and facilitates the identification of permanent records.

Agency guidance in MD 3.16, *NRC Announcement Program*, requires owners to notify ADM when a yellow policy announcement has been superseded. This action eliminates confusion as to what represents current policy, particularly when revising MDs. Likewise, Article 54.7 of the National Treasury Employees Union's Collective Bargaining Agreement requires NRC to establish direct links on the agency's intranet between updated MDs and any related yellow policy announcements.

### **Fragmented Guidance**

NRC does not consolidate its authoritative guidance in the MD system; rather, the agency documents this guidance in MDs, yellow policy announcements, and other interim policies. NRC's frequent use of yellow

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<sup>11</sup> For the purposes of this report, the term "yellow policy announcement" refers only to NRC's Policy Announcements that inform NRC employees of new or revised policy.

policy announcements is a disincentive to efforts to keep the agency's MDs up-to-date. In lieu of revising an MD on a timely basis, the agency routinely issues yellow policy announcements to convey new or revised policy. This practice has become generally accepted, resulting in the issuance of many yellow policy announcements and making revision of MDs a lower priority. For example, MD 10.62 has not been revised since 2001, and four yellow policy announcements provide general<sup>12</sup> links to this MD since then.

Between January 11, 2010, and November 25, 2013, NRC issued a total of 94 yellow policy announcements, revisions to policy, or policy reminder announcements. Of the 94, 50 were yellow policy announcements or revisions to policy (an average of 12.5 per calendar year) or 53 percent (50/94) of all released yellow announcements related to policy for the period. Staff expressed frustration about how difficult it is to locate current and up-to-date policies to conduct agency business effectively.

### **Lack of Agency Action To Comply With Guidance Requirements**

These conditions exist because the agency has not developed

- A process to link MDs to yellow policy announcements.
- An adequate tracking mechanism for yellow policy announcements.
- Controls to assure that staff does not use yellow policy announcements to avoid revising MDs.

### **No Process To Link MDs To Yellow Policy Announcements**

While there is a process for NRC yellow policy announcements to provide general links to the affected MDs, there is no process to provide specific<sup>13</sup> links in the MD to associated yellow policy announcements. OIG's analysis found that while yellow policy announcements generally specify

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<sup>12</sup> General links within yellow policy announcements, when selected, open NRC's Internal Web page listing for NRC's current MDs.

<sup>13</sup> Specific links from MDs to yellow policy announcements would be embedded within the section or paragraph on the pages of the MD updated and, when selected, would open the yellow policy announcement.

the MDs that contain policies they revise, the majority do not include references to the specific sections of the MD they revise. Placing a specific link within the MD reduces the chances that the yellow policy announcement will cause confusion or be misinterpreted.

### Inadequate Tracking Mechanism for Yellow Policy Announcements

NRC does not have an adequate mechanism to track yellow policy announcements. The agency maintains a comprehensive list of all yellow policy announcements since the inception of the yellow policy announcement process. ADM explained the purpose of the list was to maintain an "Index" of all yellow policy announcements as a historical reference for staff who may wish to know how a particular policy or procedure developed over time. However, tracking yellow policy announcements in this way makes it difficult to determine current policy. Yellow policy announcements are intended as temporary measures until offices revise their MDs and should be superseded after they are incorporated into MDs. OIG interviewed MD authors and learned that they routinely incorporate yellow policy announcements into MDs, often at the insistence of ADM staff. However, it is rare to find yellow policy announcements marked "Superseded" because staff are not aware of the required formal notification requirements. As a result, most yellow policy announcements are included on NRC's Internal Web page indefinitely.

ADM stated that marking yellow policy announcements as superseded is a "rare" occurrence and that the issued MD does not automatically supersede the announcements. OIG analysis of NRC's MDs with several linked yellow policy announcements or revisions to policy (see Table 1) found that ADM had not marked any of the announcements "Superseded."

Conversely, MD authors indicated they had incorporated yellow policy announcements associated with their revised MDs. As an

Table 1

#### **NRC's Most Linked MDs (1/11/2010 – 11/25/2013)**

<b>MD #</b>	<b># of YPA Links</b>	<b>Effective Date of Unrevised MD</b>
12.5	5	August 15, 2013
14.1	5	September 9, 2005
12.3	4	October 8, 2013
10.62	4	November 19, 2001
10.161	3	April 19, 2011
13.2	2	September 25, 2012
3.11	2	November 4, 1997
7.7	2	September 29, 2009
10.42	2	November 23, 2012
12.7	1	June 25, 2008

**Source: OIG Analysis**

example, one MD author acknowledged an awareness of the potential confusion with multiple yellow policy announcements listed for an unrevised MD. The MD author had taken the extra precaution of including language in one of the yellow policy announcements to supersede the previous one. In spite of this extra effort, the author did not provide the required "formal" notice to ADM. Therefore, ADM took no action and both yellow policy announcements remained posted on the Web page.

The agency maintains yellow policy announcements related to specific MDs in the "Related Policy Documents" section of the MD summary page posted on the agency's Internal Web site, which reflects similar information found in the comprehensive list. For staff to determine current policy, they must compare each yellow policy announcement from both lists to determine the most recent version of the policy. This results in an unnecessary, time-consuming process.

#### Inadequate Controls for Using Yellow Policy Announcements To Avoid Revising MDs

The agency has not developed controls to ensure that NRC staff do not routinely use yellow policy announcements as a means to avoid the MD revision process. As an example, Table 1 on page 15 illustrates that NRC has provided general links in two yellow policy announcements to MD 3.11 and has not revised the MD since 1997. The agency also provided general links in five yellow policy announcements to MD 14.1 and has not revised that MD since 2005. Additionally, MD 3.16 does not require an expiration date for yellow policy announcements so there is no incentive to incorporate them into MDs in a timely fashion.

NRC staff and management agreed that it is much easier to develop yellow policy announcements than to revise an MD. In addition, ADM staff acknowledged the popularity of using yellow policy announcements has much to do with the longer process to revise NRC's management directives.



### **Staff May Waste Resources and Not Know What Is Current Policy**

If NRC does not track yellow policy announcements and adequately link their respective MDs to associated yellow policy announcements, staff may waste valuable resources and effort searching files to determine current policies. Moreover, staff may become confused about what guidance to follow in a particular situation, which could result in conducting agency business based on incomplete or outdated policies.

### **Recommendations:**

OIG recommends that the Executive Director for Operations

5. Develop and implement an effective process to link MDs to yellow policy announcements at the time offices issue the yellow policy announcements.
6. Develop and implement an adequate mechanism to track yellow policy announcements.
7. Require yellow policy announcement owners to detail in the yellow policy announcement the MDs affected and the specific sections affected within these MDs.
8. Revise the list of "Related Policy Documents" for each MD to include only yellow policy announcements issued after the current MD version date.
9. Revise MD 3.16 to require an expiration date for yellow policy announcements.

## **IV. CONSOLIDATED LIST OF RECOMMENDATIONS**

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OIG recommends that the Executive Director for Operations

1. Revise MD 1.1 to
  - a. Elevate authority required for approving extensions. Extensions can only be granted by the Chairman, the Executive Director for Operations, the Chief Financial Officer, or their designees (no lower than Deputy Executive Directors for Operations, Assistant for Operations, or Deputy Chief Financial Officer), as appropriate.
  - b. Include guidelines for resetting MD initial due dates. Require Executive Director for Operations, or designee, approval to reset initial due dates. Clearly state the parameters for resetting due dates.
  - c. Clearly state the parameters and guidelines for granting extensions, and provide that even if an extension is granted, the authoring office will receive a “red” on the corporate measure scorecard unless they also meet the new MD 1.1 guidelines (recommendation 1.b) for having the initial due date reset.
2. Require a suspense due date for final concurrence/approval by the Executive Director for Operations and Chairman when submitting MD concurrence packages to those offices, so that the MD can be tracked in Office of the Executive Director for Operations’ tracking system.
3. Require MD author participation in ADM’s MD revision “kickoff” meetings.
4. Develop and implement a performance measure that effectively evaluates MD revision timeliness for MDs that begins with the kickoff meeting and ends with the issuance date of the MD. In addition, provide the reported results quarterly to the Office of the Executive Director for Operations and office directors.

5. Develop and implement an effective process to link MDs to yellow policy announcements at the time offices issue the yellow policy announcements.
6. Develop and implement an adequate mechanism to track yellow policy announcements.
7. Require yellow policy announcement owners to detail in the yellow policy announcement the MDs affected and the specific sections affected within these MDs.
8. Revise the list of "Related Policy Documents" for each MD to include only yellow policy announcements issued after the current MD version date.
9. Revise MD 3.16 to require an expiration date for yellow policy announcements.

## **V. AGENCY COMMENTS**

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An exit conference was held with the agency on August 25, 2014. Prior to this meeting, after reviewing a discussion draft, agency management provided comments that have been incorporated into this report, as appropriate. As a result, agency management stated their general agreement with the findings and recommendations in this report and opted not to provide formal comments for inclusion in this report.

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## OBJECTIVES, SCOPE, AND METHODOLOGY

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### OBJECTIVES

The audit objectives were to evaluate the adequacy of NRC's compliance with MD 1.1, particularly in the areas of keeping management directives accurate and up-to-date, and whether opportunities exist to improve the process.

### SCOPE

This audit focused on reviewing internal controls over the NRC Management Directives System, which is the official vehicle used by the agency to communicate agency policy, objectives, responsibilities, authorities, requirements, and guidance to NRC employees. OIG analyzed information and developed a universe based on a snapshot picture of the agency's electronic management directives catalog as of November 5, 2013. OIG requested information from the agency on all MDs issued between January 1, 2012, and November 5, 2013. OIG auditors performed various tests of compliance with the agency's 5-Year Plan to keep management directives accurate and up-to-date. As part of this audit, OIG reviewed the extent and use of extensions and NRC yellow announcements, but only those that convey new or revised policies.

We conducted this performance audit at NRC headquarters in Rockville, Maryland, from November 2013 through May 2014. Internal controls related to the audit objectives were reviewed and analyzed. Throughout the audit, auditors were aware of the possibility of fraud, waste, or abuse in the program under review.

### METHODOLOGY

To accomplish the audit objectives, OIG reviewed relevant laws, regulations, and guidance, including 41 Code of Federal Regulations (CFR) 102-193, *Creation, Maintenance, and Use of Records*; 10 CFR 1.3, *Sources of Additional Information*; and Public Law 90-620, *Public Printing and Documents*. We also reviewed Office of Management and Budget

Circular A-123, *Management's Responsibility for Internal Control*; the Government Accountability Office *Standards for Internal Control in the Federal Government*; *Management Directives*; Article 54.7 in the Collective Bargaining Agreement between NRC and the National Treasury Employees Union; and a July 2008 OIG report titled *Audit of NRC's Controls Over the Process for Eliminating Management Directives*, for relevance to this audit.

OIG also reviewed agency guidance and documents, including the *Final Report of the Management Directives Working Group Program Review Findings and Recommendations*, July 2006. We also reviewed the following ADM documents and system: (1) master schedule for updating all agency management directives over the 5-year period FY 2009-2013, (2) Management Directives Work Flow Core Review Process for All New/Revised Management Directives, and (3) electronic file system for capturing NRC management directive documentation. We also reviewed required agency forms to issue, publish, eliminate, or request an extension for management directives. OIG reviewed NRC's policy announcements on the Internal Web site and the electronic catalog of management directives including the following for specific review purposes:

Management

<u>Directive</u>	<u>Title</u>
1.1	NRC Management Directives System
3.16	NRC Announcement Program
Volume 9	NRC Organization and Functions

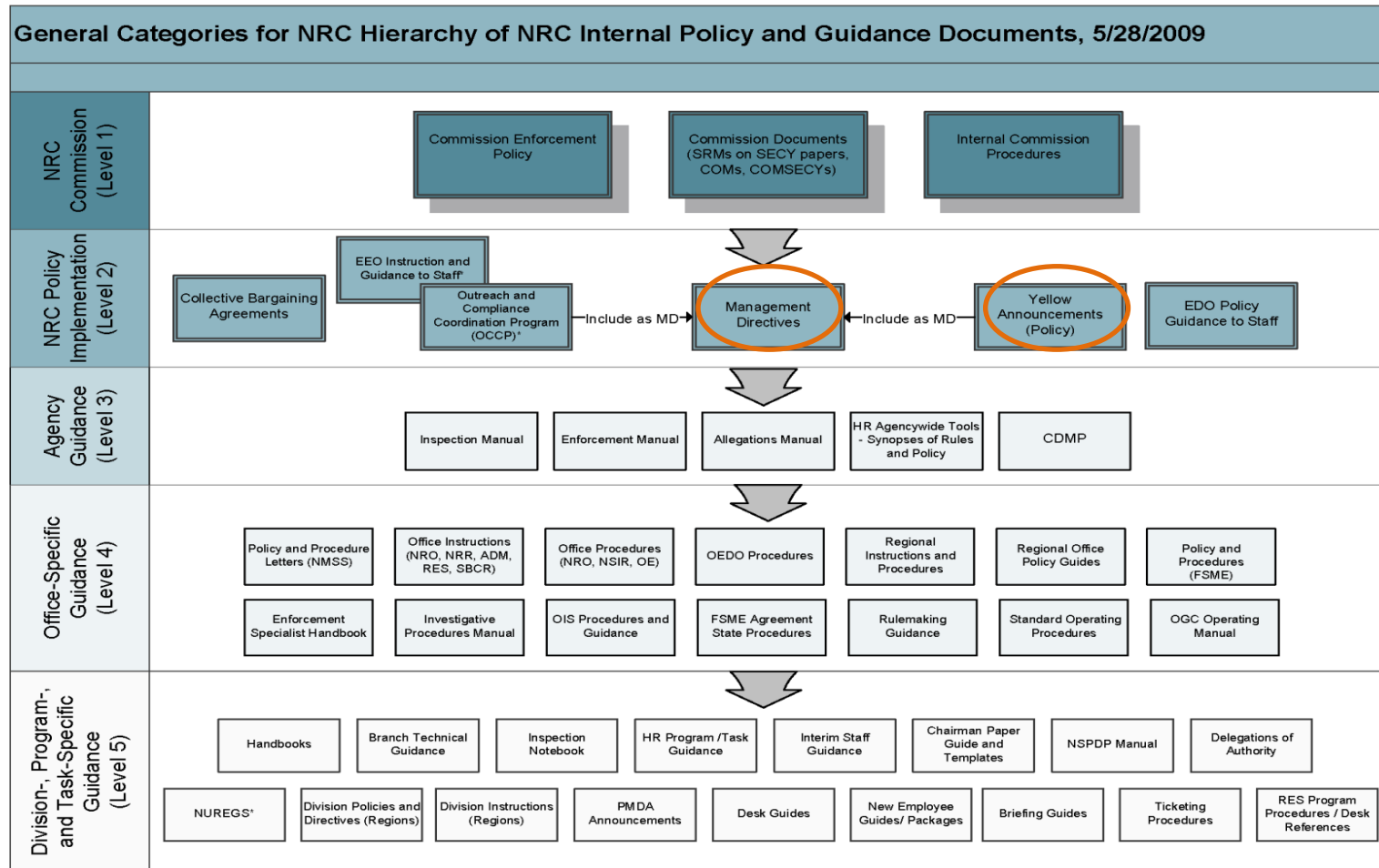
OIG interviewed NRC staff at headquarters to obtain insights on the agency's process for revising management directives. OIG interviewed staff from all four NRC regions to determine the usefulness of management directives and to determine the amount of input received by regions in the process. Finally, OIG interviewed staff from four Federal agencies to review best practices.

We conducted this performance 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.

This audit work was conducted by Eric Rivera, Team Leader; Terri Cooper, Audit Manager; Gail Butler, Senior Auditor; and Michael Steinberg, Senior Auditor.

# GENERAL CATEGORIES FOR HIERARCHY OF NRC POLICY AND GUIDANCE



Note: NUREGs can have a "range" of uses, often with outside stakeholders. For this hierarchy, the scope includes only internal staff policy and guidance. For example, there are NUREGs that are exceptions to this category (i.e., more than manuals or generic guidance to staff): the Standard Review Plan (NUREG-0800) is cited in the CFR, the Commissioner Assistant Handbook, and any internal NUREGs (occupant emergency plans, distribution lists, style guide, etc.). This outside stakeholder guidance is not addressed here.

Attachment 1  
Version 2.0

Source: NRC Intranet



**CATALOG OF MANAGEMENT DIRECTIVES**

APPENDIX C

**AS OF NOVEMBER 5, 2013**

	MD Number	MD Title	MD Effective Date	Office	Years Since Current Version
<b>NOTE:</b> MDs dated more than 5 years past their last revision date as of November 5, 2013, are designated by cells highlighted in pink.					
1.	1.1	NRC Management Directives System	03/18/2011	ADM	2
2.	2.3	Telecommunications	10/13/2011	OIS	2
3.	2.6	Information Technology Infrastructure	03/07/2005	OIS	8
4.	2.7	Personal Use of Information Technology	07/28/2006	OIS	7
5.	2.8	Project Management Methods	06/19/2007	OIS	6
6.	3.1	Freedom of Information Act	06/08/2011	OIS	2
7.	3.2	Privacy Act	06/27/2007	OIS	6
8.	3.4	Release of Information to the Public	02/06/2009	OIS	4
9.	3.5	Attendance at NRC Staff-Sponsored Meetings	12/23/2011	OEDO	1
10.	3.7	NUREG-Series Publications	08/17/2004	ADM	9
11.	3.9	NRC Staff and Contractor Speeches, Presentations, Papers, and Journal Articles on Regulatory and Technical Subjects	11/01/2011	ADM	2
12.	3.11	Conferences and Conference Proceedings	11/04/1997	ADM	16
13.	3.12	Handling and Disposition of Foreign Documents and Translations	07/12/2001	ADM	12
14.	3.13	Reproduction and Distribution	08/09/2011	ADM	2
15.	3.14	U.S. Nuclear Regulatory Commission Public Web Site	08/06/2008	OIS	5
16.	3.15	Multimedia Services	11/25/2011	ADM	1
17.	3.16	NRC Announcement Program	10/02/2013	ADM	0
18.	3.17	NRC Information Quality Programs	04/09/2009	OIS	4
19.	3.23	Mail Management	10/03/2002	ADM	11
20.	3.25	Graphic Design and Production Services	06/03/2010	ADM	3
21.	3.51	Library Services	02/25/2013	OIS	0
22.	3.52	Availability and Retention of Codes and Standards	10/19/2012	OIS	1
23.	3.53	NRC Records and Document Management Program	03/15/2007	OIS	6
24.	3.54	NRC Collections of Information and Report Management	05/22/2006	OIS	7
25.	3.55	Forms Management Program	03/30/2011	OIS	2
26.	3.57	Correspondence Management	11/08/2011	OEDO	1
27.	4.1	Accounting Policy and Practices	09/09/2005	OCFO	8
28.	4.2	Administrative Control of Funds	04/11/2008	OCFO	5
29.	4.3	Financial Management Systems	07/07/2005	OCFO	8

Source: OIG Generated

	MD Number	MD Title	MD Effective Date	Office	Years Since Current Version
<b>NOTE:</b> MDs dated more than 5 years past their last revision date as of November 5, 2013, are designated by cells highlighted in pink.					
30.	4.4	Internal Control	10/02/2012	OCFO	1
31.	4.5	Contingency Plan for Periods of Lapsed Appropriations	01/03/2012	OCFO	1
32.	4.6	License Fee Management Program	07/17/2010	OCFO	3
33.	4.7	Policies and Practices Governing NRC Long-Range Planning, Budget Formulation, and Resource Management	10/01/1989	OCFO	24
34.	5.1	Intergovernmental Consultation	04/05/1993	FSME	20
35.	5.2	Cooperation With States at Commercial Nuclear Power Plants and Other Nuclear Production or Utilization Facilities	10/29/2010	FSME	3
36.	5.3	Agreement State Participation in Working Groups	08/22/2007	FSME	6
37.	5.4	Official Representation Expenses	09/25/2007	OIP	6
38.	5.5	Public Affairs Program	04/26/2013	OPA	0
39.	5.6	Integrated Materials Performance Evaluation Program (IMPEP)	02/26/2004	FSME	9
40.	5.7	Technical Assistance to Agreement States	03/28/2013	FSME	0
41.	5.8	Proposed Section 274b Agreements with States	06/25/2013	FSME	0
42.	5.9	Adequacy and Compatibility of Agreement State Programs	02/27/1998	FSME	15
43.	5.10	Formal Qualifications for Integrated Materials Performance Evaluation Program (IMPEP) Team Members	01/05/1999	FSME	14
44.	5.12	International Nuclear and Radiological Event Scale (INES) Participation	01/30/2012	NSIR	1
45.	5.13	NRC International Activities Practices and Procedures	06/06/2008	OIP	5
46.	6.1	Resolution and Follow-up of Audit Recommendations	02/20/2006	OEDO	7
47.	6.2	Continuity of Operations Program	02/20/2013	NSIR	0
48.	6.3	The Rulemaking Process	07/22/2013	ADM	0
49.	6.4	Generic Issues Program	11/17/2009	RES	3
50.	6.5	NRC Participation in the Development and Use of Consensus Standards	12/20/2011	RES	1
51.	6.6	Regulatory Guides	04/12/2011	RES	2
52.	6.8	Lessons Learned Program	08/01/2006	RES	7
53.	7.1	Tort Claims Against the United States	05/21/2010	OGC	3
54.	7.2	Claims for Personal Property Loss or Damage	06/02/2010	OGC	3
55.	7.3	Participation in Professional Organizations	09/29/2009	OGC	4
56.	7.4	Reporting Suspected Wrongdoing and Processing OIG Referrals	04/28/2006	OIG	7
57.	7.5	Ethics Counseling and Training	07/01/2010	OGC	3
58.	7.6	Public and Confidential Financial Disclosure Reports	01/18/2010	OGC	3

	MD Number	MD Title	MD Effective Date	Office	Years Since Current Version
<b>NOTE:</b> MDs dated more than 5 years past their last revision date as of November 5, 2013, are designated by cells highlighted in pink.					
59.	7.7	Secutiry Ownership	09/29/2009	OGC	4
60.	7.8	Outside Employment	12/20/2010	OGC	2
61.	7.9	Ethics Approvals and Waivers	09/29/2009	OGC	4
62.	7.10	Political Activity	09/27/2010	OGC	3
63.	7.12	Enforcement of Post-Employment Restrictions	09/01/2009	OGC	4
64.	8.1	Abnormal Occurrence Reporting Procedure	09/09/2011	RES	2
65.	8.2	NRC Incident Response Program	06/16/2006	NSIR	7
66.	8.3	NRC Incident Investigation Program	03/27/2001	NSIR	12
67.	8.4	Management of Facility-specific Backfitting and Information Collection	10/09/2013	RES	0
68.	8.5	Operational Safety Data Review	07/08/2013	NMSS	0
69.	8.7	Reactor Operating Experience Program	09/27/2012	NRR	1
70.	8.8	Management of Allegations	11/15/2010	OE	2
71.	8.9	Accident Investigation	08/26/2005	NSIR	8
72.	8.10	NRC Medical Event Assessment Program	07/06/1994	FSME	19
73.	8.11	Review Process for 10 CFR 2.206 Petitions	10/25/2000	NRR	13
74.	8.12	Decommissioning Financial Assurance Instrument Security Program	04/03/1998	FSME	15
75.	8.13	Reactor Oversight Process	10/03/2010	NRR	3
76.	8.14	Agency Action Review Meeting	02/01/2013	NRR	0
77.	8.17	Licensee Complaints Against NRC Employees	05/05/2005	NRR	8
78.	8.18	NRC Generic Communications Program	03/05/2009	NRR	4
79.	9.1	Organizational Management	06/12/1987	OCHCO	26
80.	9.2	Organization and Functions, Office of the Inspector General	11/06/2013	OIG	0
81.	9.3	Organization and Functions, Advisory Committee on Reactor Safeguards	10/06/1985	ACRS	28
82.	9.5	Organization and Functions, Atomic Safety and Licensing Board Panel	05/10/1984	ASLBP	29
83.	9.6	Organization and Functions, Office of Commission Appellate Adjudication	07/30/1991	OCAA	22
84.	9.7	Organization and Functions, Office of the General Counsel	10/04/2010	OGC	3
85.	9.8	Organization and Functions, Office of Investigations	04/05/2010	OI	3
86.	9.10	Organization and Functions, Office of the Secretary	04/20/2009	SECY	4
87.	9.11	Organization and Functions, Office of Public Affairs	07/09/1993	OPA	20
88.	9.13	Organization and Functions, Office of Congressional Affairs	07/08/1993	OCA	20
89.	9.14	Organization and Functions, Office of International Programs	07/30/2001	OIP	12

	MD Number	MD Title	MD Effective Date	Office	Years Since Current Version
<b>NOTE:</b> MDs dated more than 5 years past their last revision date as of November 5, 2013, are designated by cells highlighted in pink.					
90.	9.15	Organization and Functions, Office of State and Tribal Programs	08/24/2004	FSME	9
91.	9.17	Organization and Functions, Office of the Executive Director for Operations	09/12/1991	OEDO	22
92.	9.19	Organization and Functions, Office of Enforcement	05/09/1989	OE	24
93.	9.20	Organization and Functions, Office of the Chief Financial Officer	03/07/2002	OCFO	11
94.	9.21	Organization and Functions, Office of Administration	05/26/1993	ADM	20
95.	9.22	Organization and Functions, Office of Administration and Resources Management	04/15/1987	OIS	26
96.	9.24	Organization and Functions, Office of Small and Disadvantaged Business Utilization/Civil Rights	11/05/1990	SBCR	23
97.	9.25	Organization and Functions, Office of Human Resources	07/13/2004	OCHCO	9
98.	9.26	Organization and Functions, Office of Nuclear Material Safety and Safeguards	10/27/1989	NMSS	24
99.	9.27	Organization and Functions, Office of Nuclear Reactor Regulation	07/13/1989	NRR	24
100.	9.28	Organization and Functions, Office of Nuclear Regulatory Research	05/26/1989	RES	24
101.	9.29	Organization and Functions, Regional Offices	04/15/2010	OEDO	3
102.	10.1	Appointments, General Employment Issues, Details, and Position Changes	10/10/1995	OCHCO	18
103.	10.2	Staffing Assistance for International Organizations	04/16/1999	OCHCO	14
104.	10.6	Use of Consultants and Experts	05/10/2002	OCHCO	11
105.	10.8	Clearances Before Separation or Reassignment	09/10/2002	OCHCO	11
106.	10.10	Recruitment	07/13/1992	OCHCO	21
107.	10.11	Visiting Fellows Program	08/12/2011	OCHCO	2
108.	10.12	Use of Advisory Committee Members	02/06/2013	OCHCO	0
109.	10.13	Special Employment Programs	04/14/2000	OCHCO	13
110.	10.14	Employee Trial Period	03/16/1998	OCHCO	15
111.	10.15	Merit Staffing Program	02/21/1996	OCHCO	17
112.	10.36	Position Evaluation and Pay Administration	06/05/1987	OCHCO	26
113.	10.37	Position Evaluation and Benchmarks	09/11/2007	OCHCO	6
114.	10.38	Position Management	07/19/2010	OCHCO	3
115.	10.41	Pay Administration	02/28/2013	OCHCO	0
116.	10.42	Work Schedules and Premium Pay	11/23/2012	OCHCO	0
117.	10.43	Time and Labor Reporting	09/29/2009	OCHCO	4
118.	10.45	Advances in Pay	03/25/2003	OCHCO	10

	MD Number	MD Title	MD Effective Date	Office	Years Since Current Version
<b>NOTE:</b> MDs dated more than 5 years past their last revision date as of November 5, 2013, are designated by cells highlighted in pink.					
119.	10.49	Student Loan Repayment Program	07/29/2004	OCHCO	9
120.	10.50	Pension Offset Waiver	07/08/2013	OCHCO	0
121.	10.51	Recruitment, Relocation and Retention Incentives	11/01/2011	OCHCO	2
122.	10.62	Leave Administration	11/19/2001	OCHCO	11
123.	10.67	General Grade Performance Management System	08/17/2012	OCHCO	1
124.	10.72	Awards and Recognition	09/03/2013	OCHCO	0
125.	10.77	Employee Training and Development	02/08/2005	OCHCO	8
126.	10.78	NRC Intern Program	11/15/1991	OCHCO	21
127.	10.99	Discipline, Adverse Actions, and Separations	06/05/1987	OCHCO	26
128.	10.100	Appeals from Adverse Actions	06/05/1987	OCHCO	26
129.	10.101	Employee Grievances	06/05/1987	OCHCO	26
130.	10.102	Labor-Management Relations Program for Federal Employees	06/15/2010	OCHCO	3
131.	10.103	Reduction in Force for non-SES Employees	11/04/2002	OCHCO	11
132.	10.122	Employee Assistance and Wellness Services Program	12/13/2002	OCHCO	10
133.	10.130	Safety and Health Program Under the Occupational Safety and Health Act	03/04/2002	ADM	11
134.	10.131	Protection of NRC Employees Against Ionizing Radiation	01/17/2003	FSME	10
135.	10.135	Senior Executive Service (SES) Employment and Staffing Programs	02/20/1996	OCHCO	17
136.	10.137	Senior Executive Service Performance Management System	02/15/2006	OCHCO	7
137.	10.138	Reduction in Force in the Senior Executive Service	06/07/2005	OCHCO	8
138.	10.145	Senior Level System	06/12/1996	OCHCO	17
139.	10.146	Distinguished Engineers and Scientists Program	02/04/1999	OCHCO	14
140.	10.148	Senior Level Performance Appraisal System	10/04/1993	OCHCO	20
141.	10.153	Administrative Judges - Compensation and Staffing	04/26/2013	OCHCO	0
142.	10.158	NRC Non-Concurrence Process - DRAFT - Interim Guidance	11/29/2006	OE	6
143.	10.159	The NRC Differing Professional Opinions Program	05/16/2004	OE	9
144.	10.160	Open Door Policy	08/28/1997	OE	16
145.	10.161	Civil Rights Program and Affirmative Employment and Diversity Management Program	04/19/2011	SBCR	2
146.	10.162	Disability Programs and Reasonable Accommodation	07/29/2005	OCHCO	8
147.	11.1	NRC Acquisition of Supplies and Services	03/29/2006	ADM	7
148.	11.4	NRC Small and Disadvantaged Business Program	07/07/1994	SBCR	19
149.	11.6	Financial Assistance Program	09/16/2011	ADM	2

Audit of NRC's Process for Revising Management Directives

	MD Number	MD Title	MD Effective Date	Office	Years Since Current Version
<b>NOTE:</b> MDs dated more than 5 years past their last revision date as of November 5, 2013, are designated by cells highlighted in pink.					
150.	11.7	NRC Procedures for Placement and Monitoring of Work With the U.S. Department of Energy (DOE)	01/19/2012	ADM	1
151.	11.8	NRC Procedures for Placement and Monitoring of Work With Federal Agencies Other Than the U.S. Department of Energy Laboratory Work	09/05/2012	ADM	1
152.	12.0	Glossary	07/15/1994	ADM	19
153.	12.1	NRC Facility Security Program	09/14/2011	ADM	2
154.	12.2	NRC Classified Information Security Program	08/02/2007	NSIR	6
155.	12.3	NRC Personnel Security Program	10/08/2013	ADM	0
156.	12.4	NRC Telecommunications Systems Security Program	12/08/1999	NSIR	13
157.	12.5	Cyber Security Program	08/15/2013	CSO	0
158.	12.6	NRC Sensitive Unclassified Information Security Program	12/20/1999	OIS	13
159.	12.7	NRC Safeguards Information Security Program	06/25/2008	NSIR	5
160.	13.1	Property Management	02/16/2011	ADM	2
161.	13.2	Facility Management	09/25/2012	ADM	1
162.	13.4	Transportation Management	02/19/2013	ADM	0
163.	14.1	Official Temporary Duty Travel	06/07/2005	OCFO	8
164.	14.2	Relocation Allowances	08/15/2006	OCFO	7