

ONE HUNDRED TWELFTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
2125 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6115

Majority (202) 225-2927
Minority (202) 225-3641

June 26, 2012

The Honorable Gene L. Dodaro
Comptroller General
Government Accountability Office
441 G Street, N.W.
Washington, D.C. 20548

Dear Mr. Dodaro:

The Department of Energy's National Nuclear Security Administration (NNSA) oversees the nation's nuclear security enterprise, the primary mission of which is to ensure the long-term sustainment of the country's nuclear deterrent. This enterprise consists of eight sites that are managed and operated by contractors. At the end of each fiscal year, NNSA evaluates contractors' success in managing and operating their sites by measuring their performance against negotiated performance evaluation plans (PEP). These PEPs codify NNSA's expectations for its management and operating (M&O) contractors across all areas of performance, including the achievement of programmatic missions and milestones, business operations, and safety and security. In addition to being reimbursed for all allowable costs of operating and managing NNSA's sites, M&O contractors collectively have the ability to earn annual fixed and performance incentive fees of hundreds of millions of dollars as well as additional years on their contract terms for good performance.

In June 2004, the Government Accountability Office (GAO) first reported on an NNSA effort to establish contractor assurance systems (CAS) as a means of relying less on direct Federal oversight and more on contractors' self-assessments to provide input into overall performance evaluation.¹ As GAO reported, the CAS effort was born out of a Federal downsizing and NNSA reorganization that significantly reduced oversight staff and eliminated several Federal offices that had been collocated with sites. Like M&O contracts themselves, the concept of CAS has continued to evolve. The idea of "managing the contract and not the contractor" has matured, and NNSA's Kansas City Plant was the first to pilot a CAS. Sandia

¹ GAO, *National Nuclear Security Administration: Key Management Structure and Workforce Planning Issues Remain As NNSA Conducts Downsizing*. GAO-04-545. (Washington, D.C.: June 25, 2004).

National Laboratories is now piloting its CAS, and other sites are in various stages of system build-out and implementation.

In June 2010, the NNSA Administrator approved a new NNSA Governance Model of which CAS is a significant part. As part of this effort, NNSA is working to define what it means to be “Hands Off, Eyes On” in its approach to oversight and is developing a *Transformational Governance and Oversight* policy framework to guide transition from a direct oversight model to a more risk- and performance-based model.

The Committee on Energy and Commerce has focused significant time and attention overseeing the correction of significant safety and security problems experienced in recent years at several of NNSA’s nuclear sites. In reports requested by this Committee on safety and security problems at Los Alamos and Lawrence Livermore National Laboratories, for example, GAO has repeatedly documented weaknesses in those sites’ performance self-assessment programs.² These GAO findings call into question the basis for CAS implementation: that contractors conduct self-assessments that provide the objective performance information on which the government should rely to make performance determinations worth hundreds of millions of dollars annually.

NNSA’s Office of the Administrator is currently conducting a review of NNSA’s Federal workforce—planned for completion in December 2013—that may recommend further reduction of its Federal workforce. It is the Committee’s perspective that any planned reduction in force must be supported by thorough analysis of oversight needs and capabilities to ensure that even with a smaller workforce NNSA can adequately assure the performance of its contractors.

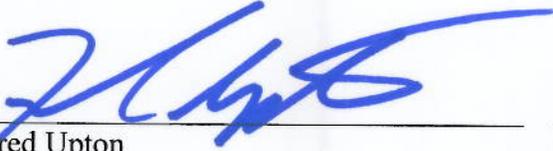
For these reasons, we request that GAO undertake a review of CAS as part of NNSA’s new Governance Model. In particular, we ask that GAO:

1. Describe NNSA’s CAS effort and how NNSA is directing its implementation. Please include in this description how the effort is organized, how much money has been spent on CAS development, and whether NNSA anticipates cost savings once CAS is fully implemented.
2. Evaluate the similarities and differences among the various CAS being implemented at sites, particularly with respect to the consistency of program management information that will be provided to NNSA through these systems.
3. Evaluate the extent to which Federal oversight officials have the capacity to use CAS to evaluate site performance and to improve the effectiveness of Federal oversight. Please include in this evaluation whether Federal employees will be trained on the use of CAS and how Federal oversight officials will determine whether information received through CAS is valid and reliable.

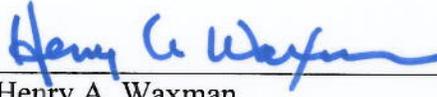
² GAO, *Los Alamos National Laboratory: Long-Term Strategies Needed to Improve Security and Management Oversight*. GAO-08-694. (Washington, D.C.: Jun. 13, 2008); and GAO, *Nuclear Security: Better Oversight Needed to Ensure That Security Improvements at Lawrence Livermore National Laboratory Are Fully Implemented And Sustained*. GAO-09-321. (Washington, D.C.: Mar. 16, 2009).

Thank you for your prompt attention to this request. Please work with Mr. Peter Spencer of the Majority Committee staff and Ms. Tiffany Benjamin of the Minority Committee staff on the specifics of your study. Committee requests that GAO begin this work as soon as possible.

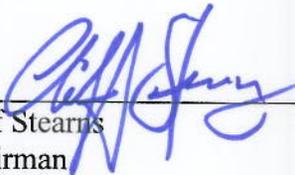
Sincerely,



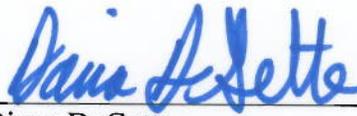
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