

Highlights of [GAO-11-848](#), a report to the Subcommittee on Energy and Water Development, Committee on Appropriations, House of Representatives

## Why GAO Did This Study

The National Nuclear Security Administration (NNSA)—a semiautonomous agency within the Department of Energy (DOE)—proposed in March 2010 a new acquisition strategy that includes consolidating the management and operating (M&O) contracts for two of its eight sites—the Y-12 National Security Complex (Y-12) in Tennessee and the Pantex Plant in Texas—and consolidating all construction projects for all of its sites under a single, enterprise-wide contract. NNSA anticipates that this strategy will reduce costs, enhance mission performance, and improve construction management. NNSA's sites are overseen by colocated federal site offices. GAO was asked to assess NNSA's preliminary proposals for (1) a consolidated M&O contract for Y-12 and Pantex and (2) an enterprise-wide construction contract. GAO reviewed analyses supporting NNSA's acquisition strategy; examined agency directives and guidance; and interviewed DOE, NNSA, and contractor officials.

## What GAO Recommends

GAO recommends, among other things, that NNSA develop a plan for implementing the improved management practices identified by its analysis and assess the costs, risks, and benefits of the consolidated construction contract to better define and inform its acquisition strategy and to take appropriate future actions. NNSA generally agreed with GAO's findings and recommendations.

View [GAO-11-848](#). For more information, contact Gene Aloise, (202) 512-3841, [aloise@gao.gov](mailto:aloise@gao.gov).

# MODERNIZING THE NUCLEAR SECURITY ENTERPRISE

## The National Nuclear Security Administration's Proposed Acquisition Strategy Needs Further Clarification and Assessment

### What GAO Found

Based on the analysis supporting its proposed acquisition strategy, NNSA expects that the proposed consolidation of the M&O work at its Y-12 and Pantex Plants will increase efficiencies and save \$895 million in nominal dollars, primarily through efficiency gains and other improvements in support services (i.e., integrated budget and finance systems, more uniform training and human resources practices), that could result in the potential elimination of about 1,000 support service jobs over the next 10 years. NNSA selected these sites because both have M&O contracts with terms that expire in 2012, as well as similar nuclear production operations. Anticipated savings from this proposed consolidation, however, are uncertain because of the assumptions NNSA used when calculating these savings, the limited details available about the actual work that will be consolidated, and the adequacy of historical data used in the analysis. NNSA officials said that savings will be more accurately determined as industry provides feedback on the recently released draft request for proposal. In addition to cost savings, a number of NNSA and contractor officials have raised other issues with a consolidated M&O contract proposal, including uncertainty about the number of actual staff reductions that can be achieved and the need for a federal oversight plan for the new consolidated contract. In addition, NNSA's analysis suggests that efficiencies may also be achieved under its existing contracts through improved management practices. However, NNSA has not developed a plan for implementing these improved management practices at all of its sites.

NNSA also anticipates several potential benefits, including cost savings, associated with awarding a single, enterprise-wide construction contract. It is uncertain, however, whether these benefits will be realized because of a number of issues. For example, NNSA's projected savings from a consolidated construction contract—approximately \$120 million in nominal dollars over a 5-year period—are uncertain because NNSA lacks an accurate total cost baseline of its ongoing and planned construction projects and because it is likely that the construction contract will exclude major projects, such as the Uranium Processing Facility and Chemistry and Metallurgy Research Replacement facility, out of concern that this consolidated contract would disrupt ongoing design and construction efforts. Collectively, these two facilities represent about 85 percent of NNSA's total planned construction projects through fiscal year 2016. In addition, NNSA has not conducted, consistent with federal standards of internal control and cost-estimating best practices, an assessment of risks associated with awarding an enterprise-wide construction contract, such as costs and benefits expected enterprise-wide and at each site for both proposed consolidated contracts. NNSA officials and contractors said that NNSA may need increased federal oversight to integrate the work of existing M&O and consolidated construction contractors.