

DEPARTMENT OF ENERGY

Additional Opportunities Exist to Streamline Support Functions at NNSA and Office of Science Sites

Why GAO Did This Study

The Department of Energy (DOE) spends 90 percent of its annual budget—which totaled \$27 billion in fiscal year 2011—on the contractors that carry out its diverse missions and manage its sites. These management and operating contractors also provide sites' support functions, such as procuring goods, managing human resources, and maintaining facilities. With a unique contractor at each site, support functions have traditionally been managed in a decentralized, or fragmented, manner. In light of today's pressures to trim budgets and find efficiencies, GAO was asked to review support functions at the 17 National Nuclear Security Administration (NNSA) and Office of Science sites and determine (1) the costs of providing support functions for fiscal years 2007 through 2011; (2) efforts undertaken during that period to streamline sites' support functions, as well as additional opportunities and challenges, if any; and (3) the extent to which cost savings from streamlining efforts can be quantified. GAO reviewed data and documents and spoke with DOE, NNSA, and Science officials and with contractors at eight sites—the four largest by budget from NNSA and Science.

What GAO Recommends

GAO recommends that DOE (1) fully implement a quality control system for cost data on sites' support functions, (2) ensure that all appropriate streamlining steps are being taken at the 17 sites and that challenges are addressed, and (3) clarify guidance on estimating cost savings from streamlining efforts. DOE agreed with the recommendations.

View [GAO-12-255](#). For more information, contact Gene Aloise at (202) 512-3841 or aloisee@gao.gov.

What GAO Found

Support function costs at NNSA and Science sites for fiscal years 2007 through 2011 are not fully known because DOE changed its data collection approach beginning in 2010 to improve its data and, as a result, does not have complete and comparable cost data for all years. In fiscal years 2007 through 2009, total support costs for NNSA and Science sites grew from \$5 billion to about \$5.5 billion (nominal dollars). Costs for fiscal year 2010 are unknown because DOE was pilot-testing its new reporting system and only collected data from some sites. For fiscal year 2011, the data are more complete, but changes to DOE's definitions for support functions make it difficult to compare costs across all years. DOE has taken some steps to ensure the quality of the data in its new system and plans to fully implement a quality control process, such as peer reviews, to ensure data can be compared across sites, but has not yet done so.

DOE and contractors have undertaken various efforts since 2007 to streamline and improve the efficiency of sites' support functions. Streamlining efforts reported by officials from DOE and the eight NNSA and Science sites GAO reviewed focused mainly on procurement; human resources, including employee benefits; and facilities and infrastructure. Some efforts were part of larger initiatives involving multiple sites, while others were initiated at the site level. To streamline procurement and leverage the buying power of multiple sites, for example, NNSA began operating a central Supply Chain Management Center to negotiate with vendors for lower prices on goods and services, such as laboratory supplies and equipment. To streamline human resources, contractor officials from the eight NNSA and Science sites reported automating various processes, such as for hiring and training employees. Furthermore, DOE and contractors identified opportunities to expand these efforts and undertake new ones but also identified challenges to further streamlining. In August 2010, for example, the Deputy Secretary of Energy cited further opportunities to leverage DOE and sites' buying power through a more centralized, and less fragmented, approach. Similarly, NNSA is considering centralizing certain human resource tasks at its sites, currently provided by individual contractors. DOE and contractor officials, however, said that centralizing functions can be challenging.

DOE and its contractors have estimated savings for some streamlining efforts, particularly in procurement, but it is difficult to compare or quantify total savings across sites because DOE's guidance for estimating savings is unclear and the methods used to estimate savings vary. For example, one laboratory estimated a \$9 million savings from a software purchase in 2010 using its preferred estimation method. By other methods used elsewhere in DOE, however, the site estimated that its savings could have been as high as \$35 million. DOE recently issued guidance on acceptable methods for estimating procurement cost savings, but the guidance is unclear and could lead to widely varying savings estimates. The guidance identifies some estimation methods that sites can use—such as comparing the price paid for goods or services with a previous price—but does not specify which methods are preferred when multiple options are available. Furthermore, the guidance allows sites to use any other methods approved by DOE officials. For support functions other than procurement, sites also have flexibility in cost savings estimation methods, potentially leading to widely varying estimates for similar efforts to streamline these functions.