

Highlights of [GAO-12-806](#), a report to the Subcommittee on Energy and Water Development, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

NNSA, a semiautonomous agency within DOE, is responsible for the nation's nuclear weapons, nonproliferation, and naval reactors programs. Since its inception in 2000, the agency has faced challenges in its ability to accurately identify the costs of major projects. In addition, both the DOE Inspector General, in 2003, and GAO, in 2007, reported concerns with NNSA's PPBE process, specifically in how NNSA validates budget estimates and decides on resource allocations or trade-offs.

GAO was asked to review how NNSA manages programming and budgeting through its PPBE process. GAO examined (1) the current structure of NNSA's PPBE process, (2) the extent to which NNSA reviews its budget estimates, and (3) how NNSA decides on resource trade-offs in its PPBE process. To carry out its work, GAO reviewed NNSA policies, instructions, guidance, and internal reports documenting the agency's PPBE process and interviewed NNSA, DOE, and M&O contractor officials.

What GAO Recommends

GAO recommends that, among other things, DOE update the departmental order for budget reviews, improve the formal process for reviewing budget estimates, and reinstitute an independent analytical capability. The agency agreed in principle with six recommendations but not with one to consolidate various integrated priority lists. GAO continues to believe this recommendation has merit as discussed in the report.

View [GAO-12-806](#). For more information, contact Gene Aloise at (202) 512-3841 or aloise@gao.gov.

July 2012

MODERNIZING THE NUCLEAR SECURITY ENTERPRISE

NNSA's Reviews of Budget Estimates and Decisions on Resource Trade-offs Need Strengthening

What GAO Found

The National Nuclear Security Administration's (NNSA) planning, programming, budgeting, and evaluation (PPBE) process provides a framework for the agency to plan, prioritize, fund, and evaluate its program activities. Formal policies guide NNSA and management and operating (M&O) contractors through each of four phases of the agency's PPBE cycle—planning, programming, budgeting, and evaluation. These phases appear to be sequential, but the process is continuous and concurrent because of the amount of time required to develop priorities and review resource requirements, with at least two phases ongoing at any time.

NNSA does not thoroughly review budget estimates before it incorporates them into its proposed annual budget. Instead, NNSA relies on informal, undocumented reviews of such estimates and its own budget validation review process—the formal process for assessing budget estimates. Neither of these processes adheres to Department of Energy (DOE) Order 130.1, which defines departmental provisions for the thoroughness, timing, and documentation of budget reviews. NNSA officials said the agency does not follow the order because it expired in 2003. Nevertheless, the order is listed as current on DOE's website, and a senior DOE budget official confirmed that it remains in effect, although it is outdated in terminology and organizational structure. Additionally, according to NNSA officials, the agency's trust in its contractors minimizes the need for formal review of its budget estimates. GAO identified three key problems in NNSA's budget validation review process. First, this process does not inform NNSA, DOE, Office of Management and Budget, or congressional budget development decisions because it occurs too late in the budget cycle—after the submission of the President's budget to Congress. Second, this process is not sufficiently thorough to ensure the credibility and reliability of NNSA's budget because it is limited to assessing the processes used to develop budget estimates rather than the accuracy of the resulting estimates and is conducted for a small portion of NNSA's budget—approximately 1.5 percent of which received such review in 2011. Third, other weaknesses in this process, such as no formal evaluative mechanism to determine if corrective actions were taken in response to previous findings, limit the process's effectiveness in assessing NNSA's budget estimates.

NNSA uses a variety of management tools to decide on resource trade-offs during the programming phase of the PPBE process. One of these tools, integrated priority lists—which rank program activities according to their importance for meeting mission requirements—is to provide senior managers with an understanding of how various funding scenarios would affect program activities. However, NNSA has weakened its ability to gauge the effects of resource trade-offs. For example, in 2010, NNSA disbanded its Office of Integration and Assessments, created in response to DOE Inspector General and GAO recommendations that NNSA establish an independent analysis unit to perform such functions as reviewing proposals for program activities and verifying cost estimates. NNSA agreed with these recommendations and, in 2009, instituted the office to identify, analyze, and assess options for deciding on resource trade-offs. Without an independent analytical capability, NNSA may have difficulty making the best decisions about what activities to fund and whether they are affordable.