Why GAO Did This Study

NNSA is responsible for the management and security of the nation’s nuclear weapons programs and relies heavily on contractors to carry out this mission. In January 2013, NNSA awarded a $22 billion consolidated M&O contract for its Pantex and Y-12 sites, which NNSA stated will enhance mission performance and reduce costs.

The National Defense Authorization Act for fiscal year 2013, as amended, requires NNSA to report to Congress on the costs and benefits of the contract competition following the award of an M&O contract. NNSA’s report is to address the expected cost savings, competition costs, any disruption or delay in mission activities or deliverables, and any benefits to mission performance or operations resulting from the competition. The act also requires GAO to review and report on NNSA’s report.

This report assesses the extent to which NNSA’s report addressed each required topic and the clarity and completeness of the information provided. GAO interviewed NNSA officials and reviewed NNSA’s statutory reporting requirements, the agency’s report and supporting documentation, and federal guides and standards relevant to presenting benefits and costs.

What GAO Recommends

GAO recommends that NNSA enhance the clarity and completeness of its future reports. In commenting on a draft of this report, NNSA stated that it agreed with GAO’s recommendation.

What GAO Found

The National Nuclear Security Administration’s (NNSA) report to Congress on the competition of the consolidated management and operating (M&O) contract for its Pantex Plant in Texas and Y-12 National Security Complex (Y-12) in Tennessee includes information on all the statutorily required topics but does not clearly or completely describe expected benefits and costs. Specifically:

• **Key analyses and assumptions for cost savings estimates.** NNSA’s report cites the contractor’s 2012 estimate of $3.27 billion in cost savings. DOE’s guidelines relevant to disseminating information state that information should be clear and complete, but NNSA’s report does not clearly and completely describe the analysis and key assumptions of the contractor’s estimate, such as the feasibility of cost savings initiatives. As a result, NNSA’s report does not convey that significant uncertainties exist with the contractor’s ability to fully meet its estimated cost savings.

• **Estimate of competition costs.** NNSA’s report cites more than $3 million in contract competition costs. Federal cost accounting standards and the *GAO Cost Estimating and Assessment Guide* (Cost Guide) call for agencies’ cost estimates to be complete (i.e., to reflect the full cost of the resources used). The Cost Guide also calls for high-quality cost estimates to discuss any limitations related to assumptions. However, NNSA’s estimate of competition costs excludes significant costs, such as more than $20 million for work by the new contractor over the contract transition period, and it does not discuss all the key assumptions and limitations, such as NNSA’s uncertainty about future costs over the life of the contract. Without describing all costs, key assumptions, and limitations, the report does not clearly and completely convey to Congress the costs of the contract competition or the factors that may affect these costs.

• **Description of analysis of disruptions or delays.** NNSA’s report states that there was no disruption or delay in mission activities or deliverables due to the competition for the contract. DOE guidelines relevant to the quality of disseminated information call for describing information sources, but NNSA’s report does not describe the sources the agency used to conclude that no disruptions or delays occurred. NNSA officials told GAO that they relied largely on informal discussions with knowledgeable NNSA personnel to gather information. Without describing information sources, NNSA’s report is not clear about how NNSA determined that no disruptions or delays occurred.

• **Description of unquantified benefits.** NNSA’s report describes unquantified benefits the agency expects, such as enhancing mission performance. DOE’s guidelines relevant to disseminating information state that it should be clear and complete. However, NNSA’s report does not specify what constitutes enhanced mission performance or how the consolidated contract will facilitate its stated benefits. Further, the report does not describe a key data limitation—that cited benefits will not be clear until NNSA finishes negotiating cost saving initiatives with the contractor. Without clear descriptions of the benefits and any limitations, NNSA’s report does not clearly and completely convey to Congress the agency’s expected benefits, how they will be achieved, or the associated uncertainties.

View GAO-15-331. For more information, contact David C. Trimble at (202) 512-3841 or trimbled@gao.gov.