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Washington, DC 20548

August 14, 2018

Congressional Committees

National Nuclear Security Administration Contracting: Review of the NNSA Report on the Sandia Contract Competition

The National Nuclear Security Administration (NNSA) is responsible for the management and security of the nation's nuclear weapons programs, among other missions.¹ To carry out this mission, NNSA relies heavily on contractors and management and operating (M&O) contracts for its national laboratories and nuclear production facilities.² One of the national laboratories managed under an M&O contract is Sandia National Laboratories (Sandia). Sandia is a Federally Funded Research and Development Center (FFRDC)³ that has facilities in Albuquerque, New Mexico; Livermore, California; Amarillo, Texas; and Kauai, Hawaii; and near Tonopah, Nevada.

Sandia began operations in 1945 as a branch of Los Alamos National Laboratory; the Atomic Energy Commission issued the first contract to manage Sandia in 1949. In 1993, the contract was competitively awarded to Sandia Corporation, a wholly-owned subsidiary of Martin Marietta (and in 1995, Martin Marietta merged with Lockheed Corporation to form Lockheed Martin). The contract with Sandia Corporation was non-competitively extended multiple times and expired in April 2017.

NNSA initially decided to compete the Sandia contract in 2015. NNSA released the request for proposals for the new Sandia M&O contract in May 2016 and received four offers, including one from the incumbent, Sandia Corporation. NNSA evaluated these offers according to four criteria: (1) past performance, (2) laboratory organization and qualifications of key personnel, (3) small business participation, and (4) proposed cost for best value determination, including reimbursable management team costs and proposed fixed fee and award fee. On the basis of these criteria, NNSA awarded the contract to manage Sandia to National Technology and

¹NNSA is a separately organized agency within the U.S. Department of Energy (DOE) that is responsible for the management and security of DOE's nuclear weapons, nuclear nonproliferation, and naval reactor programs.

²M&O contracts are agreements under which the government contracts for the operation, maintenance, or support, on its behalf, of a government-owned or -controlled research, development, special production, or testing establishment wholly or principally devoted to one or more of the major programs of the contracting agency. Federal Acquisition Regulation (FAR), 48 C.F.R. § 17.601.

³FFRDCs are government-funded entities that have long-term relationships with one or more federal agencies to perform research and development and related tasks. FFRDCs are typically entirely federally funded, or nearly so, but they are operated by contractors or other nongovernmental organizations. FFRDCs are operated, for example, by universities, other not-for-profit or nonprofit organizations, or industrial firms, as autonomous organizations or separate operating units of their parent organizations. FAR, 48 C.F.R. §§ 2.101, 35.017.

Engineering Solutions of Sandia, LLC (NTESS). None of the other offerors protested the award, and the transition from Sandia Corporation to NTESS took place from January 2017 through April 2017. The contract start date was May 1, 2017. NTESS's contract with NNSA for Sandia is for a base term of 5 years and also includes five 1-year option terms. The total value of the base term is approximately \$12.7 billion dollars, according to the agency.

Under the National Defense Authorization Act (NDAA) for Fiscal Year 2013, as amended by subsequent NDAA's, NNSA is required to submit a cost-benefit report addressing a range of issues to the congressional defense committees within 30 days of the later date of either the award of a new M&O contract or resolution of a protest with respect to such a contract.⁴ NNSA submitted its cost-benefit report to the congressional defense committees in September 2017. The NDAA for fiscal year 2016 requires this report to include, among other things, five reporting elements pertaining to costs, benefits, and delays or disruptions:

- a clear and complete description of the expected cost savings expected to result from the competition over the life of the contract,
- a description of any key limitations or uncertainties that could affect such cost savings,
- the costs of the competition and over the life of contract,
- other benefits expected to result from the competition of the contract, and
- a description of any disruptions or delays in mission activities or deliverables resulting from the competition.

In addition, the NDAA requires NNSA to address three reporting elements pertaining to NNSA's contracting decisions, including:

- how the competition complied with federal regulations on whether to continue sponsorship of the laboratory as an FFRDC,
- the factors considered and processes used to determine whether to compete or noncompetitively extend the existing M&O contract, and
- which activities at Sandia should be covered under the M&O contract rather than a different contract.

The NDAA for fiscal year 2016 includes a provision for us to review each NNSA report and brief congressional defense committees within 180 days of NNSA's submission of the report to congressional defense committees.⁵ This report summarizes our briefing to you on March 14 and 15, which is also reproduced in the enclosure, and addresses (1) changes, if any, NNSA sought under the new Sandia contract, and how those changes are incorporated in the new contract; (2) the extent to which NNSA's report addresses the five reporting requirements with respect to costs and benefits and potential disruptions or delays; and (3) the extent to which NNSA's report addresses the three reporting requirements pertaining to its decision to extend or

⁴Pub. L. No. 112-239, § 3121 (2013), as amended by the NDAA for Fiscal Year 2014, Pub. L. No. 113-66, § 3124 (2013) and the NDAA for Fiscal Year 2016, Pub. L. No. 114-92, § 3135 (2015).

⁵Pub. L. No. 114-92, § 3135(a)(2)(d).

compete the contract, sponsorship of Sandia to continue to operate as an FFRDC, and the scope of activities to be covered under the M&O contract.

To address our objectives, we interviewed NNSA officials involved in the Sandia contract award process and in the preparation of the report. We compared the reporting requirements with the information NNSA provided in its cost-benefit report on the Sandia contract. We reviewed the extent to which NNSA's report addressed each reporting requirement and the clarity and completeness of the information provided.⁶ To assess the reliability of the data that NNSA provided, we interviewed NNSA officials about their methods for calculating costs of the competition and transition, and requested data underlying the amounts used in the report to congressional defense committees. We also interviewed NNSA officials about their methods for calculating estimated cost savings, and requested data underlying those figures used in the report. Based on the results of these steps, we determined that the data were reliable for purposes of calculating costs. We also reviewed federal regulations and guidelines relevant to the reporting requirements, such as the Federal Acquisition Regulation, the Department of Energy's DOE *Information Dissemination Quality Guidelines*, and GAO's *Cost Estimating and Assessment Guide*, and compared them with the presentation of information in NNSA's report.⁷ We reviewed key NNSA documents pertaining to the contracting process and award, the approval to continue sponsorship of Sandia as an FFRDC, and the authorization to continue the operation of Sandia under an M&O contract.

We conducted this performance audit from July 2017 to August 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In summary, we found the following:

- **The new Sandia contract generally included the changes NNSA sought.** NNSA sought changes in the Sandia M&O contract in three main areas: (1) improving cost, leadership, and performance; (2) bringing the provisions of the contract more into line with other, newer national laboratory contracts; and (3) incorporating recommendations pertaining to M&O contracts made by several panels and commissions.⁸

⁶Information in the NNSA cost-benefit reports on new M&O contracts is required to be in accordance with DOE's information quality guidelines that are relevant to the clear and complete presentation of information required to be included in the reports. Pub. L. No. 114-92, § 3135(a)(2)(c).

⁷FAR. 48 C.F.R. Parts 1-53, DOE *Final Report Implementing Office of Management and Budget Information Dissemination Quality Guidelines*. 67 Fed. Reg. 62,446 (Oct. 7, 2002). Also see GAO, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs*, GAO-09-3SP (Washington, D.C.: March 2009).

⁸These panels and commissions included the Augustine-Mies Panel, the Secretary of Energy's Advisory Board, and the Commission to Review the Effectiveness of the National Energy Laboratories. See Commission to Review the Effectiveness of the National Energy Laboratories, *Securing America's Future: Realizing the Potential of the Department of Energy's National Laboratories, Volume 1: Executive Report*. (Washington, D.C.: October 2015). Also see Congressional Advisory Panel on the Governance of the Nuclear Security Enterprise, *A New Foundation for the Nuclear Enterprise*. (Washington, D.C.: November 2014), and Department of Energy, Secretary of Energy Advisory Board, *Report of the Secretary of Energy Task Force on DOE National Laboratories*. (Washington, D.C.: June 2015).

- Cost improvements that NNSA found in NTESS's offer included (1) the lowest proposed cost for management and operations of Sandia over the life of the contract;⁹ (2) a management fee lower than the incumbent; and (3) a variety of metrics to measure the contractor's leadership performance, including operating the laboratory safely and securely and achieving site mission deliverables. At the time of our review, since the contract had been in effect for less than 1 year, NNSA had not yet formally assessed NTESS's performance based on these metrics. However, NNSA officials told us that predecisional interim feedback reports were conducted and that performance would be formally assessed to determine award fee at the end of the performance period (September 30, 2018).
- NNSA's new contract with NTESS is similar to M&O contracts for others of its national laboratories. For example, under the new contract, the variable pay pool (i.e., bonuses) and executive pension benefits were in line with those of other national laboratories. For example, the variable pay pool at Sandia would start at the same percentage as the prior contract but be reduced to 2.5 percent of payroll within 3 years, making the percentage similar to those at Lawrence Livermore and Los Alamos National Laboratories.
- NNSA incorporated several task force and panel recommendations pertaining to M&O contracts into the new Sandia contract language. These included provisions for a total compensation ceiling, for variable/incentive pay reimbursed under the contract, and for lowering the amount of the contractor fee that is awarded for performance with the inclusion of a fixed fee set at competitive rates.
- **NNSA's report addressed three and partially addressed two of the five required reporting elements pertaining to costs, benefits, and delays or disruptions related to the competition.** The five required reporting elements are (1) expected cost savings, (2) key limitations or uncertainties about cost savings, (3) immediate costs of the competition and over the life of the contract, (4) other benefits, and (5) any disruptions or delays to mission activities.
 - **Cost savings.** The NNSA report addressed this reporting element. The report provided an estimate of the expected cost savings with the new contract of approximately \$16 million over the life of the contract. In a written response to questions, NNSA officials stated that the savings were due to the reduction in the size of the variable pay pool available for bonuses to 2.5 percent of total payroll. Based on data NNSA provided, the estimated total savings over the life of the contract could be considerably larger resulting from the pay pool reduction because the cost savings would recur annually once the variable pay pool is reduced. NNSA officials provided two reasons for this difference: They did not want to (1) assume cost savings that the agency may ultimately be unable to deliver and (2) emphasize that savings would be achieved by limiting the size of the variable pay pool.
 - **Limitations or uncertainties about cost savings.** The NNSA report partially addressed this reporting element. The report did not describe specific limitations or uncertainties that could affect cost savings based on the change in the

⁹Costs and savings estimates are in nominal, undiscounted dollars.

variable pay pool, but it generally stated that there were uncertainties about cost savings that may result from implementing strategic and governance initiatives and other efficiencies.

- **Costs of competition and over the life of the contract.** The report partially addressed this reporting element. The report provided detailed, clear, and complete information on the federal costs of the competition (\$1.625 million), including all federal employee labor costs for the procurement and transition phases of the competition, plus travel expenses. In addition, the report contained an estimated cost of \$9.7 million for the contractor's transition costs, along with examples of what those costs entailed. In response to written questions, NNSA provided more detailed data, which showed \$9.8 million in contractor transition costs, based on invoices submitted by the contractor. However, the NNSA report only partially addressed this reporting element because it did not clearly state whether there could be any increased costs over the life of the contract.
- **Other benefits.** The NNSA report addressed this reporting element. The report stated that competing the contract instead of extending the prior contract would create workforce stability because a new contract with a 5-year base contract term with five 1-year options could have a 10-year maximum term (assuming all 1-year options are exercised), while an extension would not have exceeded 5 years. The NNSA report also stated that the new contract would advance DOE and NNSA goals for small business participation by committing to increase small business use at the laboratory by an estimated 10 percent over the 5-year base term (i.e., 2 percent increase per year).
- **Disruptions or delays.** The NNSA report addressed this reporting element. According to the NNSA report and NNSA officials, there were no disruptions or delays to mission activities as a result of the Sandia contract competition. NNSA officials cited the analysis of three metrics in place before and during the competition: (1) safety statistics, (2) safeguards and security performance, and (3) delivery performance. NNSA officials said that they chose safety and security as measures because they are important to Sandia's operation in general and because changes in the number of safety or security incidents could indicate a problem during the competition or transition. According to the NNSA report, the number of safety and security incidents did not increase during the competition. In addition, the report stated that delivery performance to other NNSA sites and the military remained high, and there was no significant decrease in the delivery rate during the competition.
- **NNSA's report addressed two of the three required elements pertaining to its decisions to extend the contract, to continue to sponsor Sandia as an FFRDC, and the activities that should be covered under the M&O contract.** NNSA's report addressed the two reporting requirements related to the Federal Acquisition Regulation (FAR) provisions for M&O contracts and FFRDCs. The NNSA report outlined several factors considered and processes used to determine whether to extend or compete the contract and found that all the criteria for the use of an M&O contract applied and were met with respect to the operation of Sandia, supporting the need for an M&O type of contract.¹⁰ In addition, the report stated that NNSA complied with the FAR concerning

¹⁰48 C.F.R. §§ 17.604, 17.605(c).

the continued sponsorship of Sandia as an FFRDC, and supporting agency documentation indicated that NNSA conducted a review of the applicable FAR criteria to make this determination.¹¹ For example, NNSA found that the special level of technical needs and mission requirements performed by the FFRDC continued to exist at Sandia and that alternative sources did not exist that met NNSA's unique needs in the nuclear weapons research development arena. On the third required element the NNSA report did not, however, discuss which activities at Sandia covered under the M&O contract should be covered under a different contract. While conducting this assessment is a required reporting element, there are no requirements to do so for M&O contracts under the FAR or DOE Acquisition Regulation.

Recommendations for Executive Action

We are not making any recommendations because NNSA has awarded the Sandia contract, has issued the cost benefit report, and is not required to issue a revised report based on our review.

Agency Comments

We provided a draft of this report to NNSA for review and comment and for sensitivity review. NNSA provided technical comments which we incorporated as appropriate. This report does not contain certain information initially included in the draft that NNSA regarded as procurement sensitive but unclassified.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Energy, and the Administrator of the National Nuclear Security Administration, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions concerning this report, please contact me at (202) 512-3841 or bawdena@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were William Hoehn (Assistant Director), Kevin Tarmann (Analyst-in-Charge), Alisa Carrigan, Cindy Gilbert, Tim Guinane, Sheryl Stein, Tatiana Winger, and Marie Ahearn.



Allison Bawden
Director, Natural Resources and Environment

Enclosure 1

¹¹48 C.F.R. §§ 35.017, 35.017-4.

List of Committees

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The Honorable Jack Reed
Ranking Member
Committee on Armed Services
United States Senate

The Honorable Lamar Alexander
Chairman
The Honorable Dianne Feinstein
Ranking Member
Subcommittee on Energy and Water Development
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The Honorable Mike Simpson
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Committee on Appropriations
House of Representatives



NNSA Contracting: Review of the NNSA Report on the Sandia Contract Competition

**Briefing for Congressional Committees
March 2018**



Introduction

- The National Nuclear Security Administration (NNSA) is responsible for the management and security of the nation's nuclear weapons programs. NNSA relies heavily on contractors to carry out this mission through the use of management and operating (M&O) contracts for national laboratories and nuclear production facilities. One of the national labs managed under an M&O contract is Sandia National Laboratories.
- Under the National Defense Authorization Act (NDAA) for fiscal year 2013, as amended by subsequent NDAA's, NNSA is required to submit a cost benefit report addressing a range of issues to the congressional defense committees within 30 days of the award of a new M&O contract. The fiscal year 2016 NDAA includes a provision for GAO to review each NNSA report within 180 days of NNSA's submission of that report to the congressional committees.
- NNSA awarded the contract to manage Sandia to National Technology and Engineering Solutions of Sandia, LLC (NTESS) in December 2016. The transition occurred between January and April 2017, the contract start date was May 1, 2017 and NNSA submitted its cost-benefit report to Congress in September 2017.



Introduction

The fiscal year 2016 NDAA requires NNSA's reports to include, among other things:

- a clear and complete description of the cost savings and other non-financial benefits expected to result from the competition over the life of the contract;
- a description of any key limitations or uncertainties that could affect such costs savings;
- the costs of the competition for the contract;
- a description of any disruptions or delays in mission activities or deliverables resulting from the competition;
- how the competition complied with federal regulations on whether to continue sponsorship of the laboratory as a federally funded research and development center (FFRDC), and the factors considered and processes used to determine (1) whether to compete or noncompetitively extend the existing M&O contract, and (2) which activities at Sandia should be covered under the M&O contract rather than a different contract.



Objectives

Our work addresses the following objectives:

1. Changes, if any, NNSA sought under the new Sandia contract, and how those changes are incorporated in the new contract;
2. The extent to which NNSA's report addresses the reporting requirements, especially regarding estimated cost savings and costs of the competition and transition and uncertainties about those estimates; other benefits such as increased small business usage; and potential disruptions and delays resulting from the competition;
3. The extent to which NNSA's report addresses the reporting requirements pertaining to its decision to extend or compete the contract, sponsorship of Sandia to continue to operate as an FFRDC, and the scope of activities to be covered under the M&O contract.

This interim briefing provides you with our preliminary observations. We will submit a report when the work is complete.



Scope and Methodology

- We compared the reporting requirements with the information NNSA provided in its cost benefit report on the Sandia contract. We reviewed the extent to which NNSA's report addressed each reporting requirement and the clarity and completeness of the information provided.
- We interviewed NNSA officials involved in the Sandia contract award process and in the preparation of the report. We reviewed key NNSA documents pertaining to the contracting process and award, the approval to continue sponsorship of Sandia as an FFRDC, and the authorization to continue the operation of Sandia under an M&O contract. We reviewed NNSA data on estimated cost savings and costs of the transition to a new contract.
- We reviewed federal regulations and guidelines relevant to the reporting requirements and compared them with the presentation of information in NNSA's report, such as the Federal Acquisition Regulation, Department of Energy's (DOE) *Information Dissemination Quality Guidelines*, and GAO's *Cost Estimating and Assessment Guide (GAO-09-3SP)*.



Scope and Methodology

We are not making any recommendations because NNSA has awarded the Sandia contract and issued the cost benefit report, and is not required to issue a revised report based on our recommendations.

We are providing our observations on the content of the report and the extent to which it addressed the reporting requirements.



Background

- The M&O contract for Sandia was awarded to Lockheed Martin Corporation (then Martin Marietta) in 1993. It was non-competitively extended multiple times, and expired in April 2017.
- NNSA released its request for proposals for the Sandia M&O contract in May 2016, and received four offers. NNSA evaluated these offers according to four criteria: past performance, laboratory organization and qualifications of key personnel, small business participation, and proposed cost for best value determination, including reimbursable management team costs and proposed fixed fee and award fee.
- NTESS's offer was selected, and the contract was awarded on December 16, 2016. None of the other offerors protested the award.
- NTESS's contract with NNSA for Sandia is for a base term of 5 years, and includes five 1-year option terms. The total value of the base term is approximately \$12.7 billion dollars.



Summary

- **Objective 1:** NNSA sought to award an M&O contract that would, among other things, improve cost and performance and bring the contract into line with those of other national laboratories. For those areas where data were available, NNSA achieved these objectives. Limited data is available for some areas because the contract has been in effect for less than 1 year.
- **Objective 2:** NNSA's cost benefit report addressed most of the reporting requirements.
- **Objective 3:** The report included information on the decision to compete the contract and some information on the decision to continue sponsorship of Sandia operating as an FFRDC, but did not discuss plans to consider which activities at Sandia should be covered under the M&O contract rather than under different contracts.



Objective 1: The New Sandia Contract Generally Includes the Changes NNSA Sought

- NNSA sought to make changes in the Sandia M&O contract in three main areas:
 - Improving cost, leadership, and performance;
 - Using contract language and content that was similar to other national laboratory contracts; and
 - Incorporating recommendations for managing M&O contracts made by several panels and commissions, including the Augustine-Mies Panel, the Secretary of Energy's Advisory Board, and the Commission to Review the Effectiveness of the National Energy Laboratories.
- NNSA officials said they believed competing the contract was the best way to achieve these changes.



Objective 1: The New Sandia Contract Generally Includes the Changes NNSA Sought

Most of the changes NNSA sought in the Sandia M&O contract are reflected in the NTESS offer and contract.

- NTESS's contract includes improvements in cost that NNSA sought:
 - NTESS's offer was the lowest proposed cost for the management team running Sandia. NTESS's fee was also lower than other offerors.
- The contract includes a variety of metrics to measure the contractor's leadership performance, including operating the laboratory safely and securely, and achieving site mission deliverables. Since the contract has been in effect for less than 1 year at present, NNSA has not yet formally assessed NTESS's performance based on these metrics. However, NNSA officials told us that pre-decisional interim feedback reports were conducted and that performance would be formally assessed to determine award fee at the end of the performance period (September 30, 2018).



Objective 1: The New Sandia Contract Generally Includes the Changes NNSA Sought

- The new contract with NTESS is similar to M&O contracts for other NNSA laboratories. For example, under the new contract, the variable pay pool (i.e., bonuses) and executive pension benefits are in line with other national laboratories. For example, the variable pay pool at Sandia will start at the same percentage as the prior contract but be reduced to 2.5% of payroll within 3 years, making the percentage similar to those at Lawrence Livermore and Los Alamos National Laboratories.



Objective 1: The New Sandia Contract Generally Includes the Changes NNSA Sought

- Several task force and panel recommendations for managing M&O contracts were incorporated into the new Sandia contract language, including providing for a total compensation ceiling, for variable/incentive pay reimbursed under the contract, and lowering the amount of contractor fee that is awarded for performance with the inclusion of a fixed fee, in the total available fee, set at competitive rates.



Objective 2: NNSA's Report Addressed Most of the Required Reporting Elements

NNSA's report addressed most of the reporting requirements. Reporting elements included:

- expected cost savings and key limitations or uncertainties about cost savings;
- immediate costs of the competition contract;
- other benefits; and
- any disruptions or delays to mission activities.



Objective 2: NNSA's Report Addressed Most of the Required Reporting Elements

On cost savings and key limitations and uncertainties about cost savings:

- The report estimates likely cost savings of approximately \$16 million over the life of the contract.
- However, based on data NNSA provided, the estimated total savings over the life of the contract could be considerably larger because the cost savings will recur annually once the variable pay pool is reduced.
 - NNSA provided two reasons for this difference: It did not want to (1) assume cost savings that it may ultimately be unable to deliver; and (2) emphasize that savings would be achieved by limiting the size of the variable pay pool.
- The report does not describe any limitations or uncertainties that could affect cost savings regarding the change in the variable pay pool, but does state that there are uncertainties about cost savings that may result from implementing strategic and governance initiatives and other efficiencies.



Objective 2: NNSA's Report Addressed Most of the Required Reporting Elements

On immediate costs of the competition as well as any increased costs over the life of the contract:

- The report provides detailed, clear and complete information on the federal costs of the competition (\$1.625 million), including fully loaded federal employee labor costs for the procurement and transition phases of the competition, plus travel expenses.
- The report contains an estimated cost of \$9.7 million for the contractor's transition costs, along with examples of what those costs entailed. In response to written questions, NNSA provided more detailed data, which show \$9.8 million in contractor transition costs, based on invoices submitted by the contractor.
- The report provides information on immediate costs of the competition and transition phases of the competition but does not clearly state whether there could be any increased costs over the life of the contract.



Objective 2: NNSA's Report Addressed Most of the Required Reporting Elements

On other benefits:

- The report stated that the contract will create workforce stability for up to 10 years, with a 10-year maximum contract term, in contrast to contract extensions, typically not exceeding 5 years, which would have required new contract negotiations or a contract competition at Sandia.
- The report states the new contract will advance DOE/NNSA goals for small business participation by committing to increase small business use at the site by an estimated 10 percent (2 percent increase per year) over the 5-year base term.



Objective 2: NNSA's Report Addressed Most of the Required Reporting Elements

On disruptions or delays to mission activities:

- The report cited analysis of three metrics in place before and during the competition: (1) safety statistics; (2) safeguards and security performance; and (3) delivery performance.
- According to the NNSA report, the number of safety and security incidents did not increase during the competition. NNSA officials said that they chose safety and security as measures because they are important to Sandia's operation in general and because changes in the number of safety or security incidents could indicate a problem during the competition or transition.
- According to the NNSA report, delivery performance to other NNSA sites and the military remained high, and no significant decrease in the delivery rate occurred during the competition.



Objective 3: NNSA's Report Addressed Most of the Required Elements Pertaining to Federal Acquisition Regulation and Scope of Activities To Be Covered Under the M&O Contract

NNSA's report addressed two of the three reporting requirements:

- The report states that NNSA complied with the Federal Acquisition Regulation concerning continued sponsorship of Sandia as an FFRDC, and supporting agency documentation indicates NNSA conducted a review in order to make this determination.
- The report outlines several factors that NNSA considered and the processes used to determine whether to compete or extend the contract.
- The report does not discuss which activities at Sandia covered under the M&O contract should be covered under a different contract.

Enclosure I: Briefing Slides



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