



441 G St. N.W.
Washington, DC 20548

Accessible Version

August 1, 2018

Lisa E. Gordon-Hagerty

Administrator

National Nuclear Security Administration

**Management Report: Actions Needed to Improve National Nuclear Security
Administration Contract Document Management**

Dear Administrator Gordon-Hagerty:

In fiscal year 2016, the National Nuclear Security Administration (NNSA)—a semiautonomous agency within the Department of Energy (DOE)—spent more than \$11 billion on management and operating (M&O) contracts.¹ NNSA relies extensively on M&O contracts to manage and operate federally owned sites that perform the work necessary to fulfill DOE’s diverse missions, including conducting scientific research and maintaining the nation’s arsenal of nuclear weapons. In order to perform timely oversight of M&O contracts, agency officials need ready access to M&O contract documents. DOE’s Office of Inspector General has previously reported on contract document management issues at DOE and NNSA. For example, in 2014, the Inspector General issued a report that found that missing contract-related documentation resulted in NNSA accepting nuclear weapons components from a contractor that did not meet the agency’s technical specifications, resulting in a 1 year delay in nuclear weapons construction and additional costs of \$20 to \$25 million.²

The Federal Acquisition Regulation states that contract documents should be readily accessible to principal users during the life of a contract, from the pre-award period through at least 6 years after final payment is made to the contractor, even if contract document storage is decentralized to various organizational elements or to outside offices.³ Documentation is also an important aspect of federal standards for internal control. Under these standards, agencies should design control activities to achieve program objectives and respond to risks, including by clearly documenting internal controls and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.⁴

In November 2016, we notified DOE that, in response to a congressional request, we would be reviewing the department’s, including NNSA’s, performance management of its M&O contracts.⁵

¹M&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. See 48 C.F.R. § 17.601.

²Department of Energy Office of Inspector General, *National Nuclear Security Administration Nuclear Weapons Systems Configuration Management Audit Report*, DOE/IG-0902 (Washington, D.C.: March 2014).

³48 C.F.R. § 4.802, § 4.802(c)(2), § 4.805. Contract documentation includes documents required to manage a contract. Under the Federal Acquisition Regulation, if contract files or file segments are decentralized, agencies should establish a central control and, if needed, a locator system to ensure the ability to locate promptly any contract files. An example of a principal user is NNSA’s Office of Acquisition and Project Management.

⁴GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

⁵Our review was requested by the Ranking Member of the Committee on Homeland Security and Governmental Affairs, U.S. Senate. As part of that our review, we requested key contract documents for all DOE and NNSA M&O contracts active from fiscal years 2006 through 2016, such as contract management plans, performance evaluation reports, and fee determination letters.

As part of our work, we requested key contract documents for NNSA's M&O contracts, from NNSA's Office of Acquisition and Project Management (OAPM). OAPM provides oversight and guidance for NNSA M&O contracts, including guidance related to procurement, performance management, and contract document management. We prepared this report for NNSA management to provide information about the extent to which key M&O contract documents were readily accessible to OAPM and made available to us in a timely manner.

To conduct this work, we reviewed relevant regulations, agency requirements, and M&O contract documents, and we interviewed NNSA and DOE officials. We requested the following key M&O contract documents for fiscal years 2006 through 2016, the most recent decade at the start of our review: annual performance evaluation plans, annual performance evaluation reports, and fee determination letters.⁶ We requested these contract documents for review for all 22 of DOE's M&O contracts, including 7 NNSA M&O contracts for its Kansas City Plant, Lawrence Livermore National Laboratory in California, Los Alamos National Laboratory in New Mexico, Nevada National Security Site, NNSA Production Office (at the Y-12 National Security Complex in Tennessee and the Pantex Plant in Texas), the Sandia National Laboratories in California and New Mexico, and the Savannah River Site in South Carolina.⁷ We reviewed the contract documents provided by OAPM to determine if there were any gaps in documentation (e.g., instances where documentation was missing), and interviewed officials from OAPM headquarters to discuss the gaps we identified. Additionally, we interviewed DOE and NNSA officials about their policies and practices regarding M&O contract document management. Specifically, we interviewed officials from DOE's Office of Acquisition Management, OAPM, and NNSA's Office of the Chief Information Officer.

We conducted this performance audit from October 2016 to July 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.

Not All Key Documentation for M&O Contracts for Fiscal Years 2006 through 2016 Was Readily Accessible and the Process for Accessing Some Documents Was Not Effective

For our ongoing review of M&O contracts, we requested key contract documents from offices within DOE's seven major program offices—including NNSA's OAPM—that are principal users of contract management documents. All of the offices, except for NNSA's OAPM, were able to readily provide us with the requested documents and generally took 3 months or less to provide them to us. In contrast, NNSA's OAPM took 9 months to provide the complete set of documents we requested because OAPM did not have ready access to them.

On April 3, 2017, we asked OAPM to provide 160 key M&O contract documents for its 7 M&O contracts active from fiscal years 2006 through 2016. In particular, we identified and requested annual performance evaluation plans, annual performance evaluation reports, and fee determination letters.⁸ As of August of 2017—4 months after the request—OAPM had provided

⁶According to officials from NNSA's Office of the Chief Information Officer, our review pertains to contract document management, as opposed to records management, because the documents we reviewed were associated with contracts that had not been closed as of the time of our review.

⁷Though the Savannah River Site M&O contract is managed by another DOE office, NNSA manages a portion of the scope of work under the contract, which NNSA evaluates separately. For this reason, for the purposes of this review, we requested and considered the NNSA performance-related documents for the Savannah River Site as if they were an NNSA contract. We also requested documents for NNSA's Pantex Plant and Y-12 National Security Complex when they were managed and operated under separate contracts (prior to 2015), and when they were under a single contract for 2015 and 2016.

⁸NNSA posts public versions of some of these documents on the agency's website:

<https://nnsa.energy.gov/aboutus/ouroperations/apm/perfevals>. NNSA officials informed us that they maintain non-public "Official Use Only" versions for each of their performance evaluation reports. We did not assess the

52 of these 160 documents. In an effort to obtain all of the documents we requested, we followed up with OAPM seven times and provided four analyses identifying documentation gaps based on our cross-checks of what we had received from OAPM compared with the 160 key documents we requested. OAPM provided the remaining 108 documents in a series of submissions through January 2018—9 months after our original April 2017 request. We identified three primary reasons why OAPM could not respond to our request for these documents in a timely manner. These include the following:

- **OAPM does not have direct access to many M&O contract documents because they are located at and maintained by the field offices.** According to OAPM officials, contract document management has historically been decentralized to NNSA's field offices. These are the federal offices responsible for providing day-to-day oversight of M&O contractor activities and these offices maintain their own contract document management processes. According to OAPM officials, OAPM gained direct access to some performance-related M&O contract documents when the office was given ownership of the performance evaluation process in 2014. In particular, OAPM officials stated that because OAPM plays a central role in the performance evaluation of NNSA's M&O contracts, OAPM was able to gain direct access and now maintains the performance evaluation reports, plans, and fee determination documents for M&O contracts. However, according to agency officials, OAPM does not have direct access to other types of contract documents or to those that predate the office's establishment, and as a result it continues to rely on NNSA field offices for access to such documents. According to OAPM officials, obtaining and providing the contract documents we requested required significant effort on their part and involved frequent communication, multiple requests, and follow-up with field office officials. The Federal Acquisition Regulation and federal standards for internal control emphasize the need for agencies to have ready access to contract documents, though OAPM lacks ready access to M&O contract documents located in field offices, raising concerns about OAPM's ability to effectively fulfill its management and oversight responsibilities.
- **NNSA field offices have not consistently been using DOE's contract document management system.** DOE developed the Strategic Integrated Procurement Enterprise System (STRIPES)—a web-based information technology system—to streamline, standardize, and centralize contract document management for the entire department. The system includes a contract writing system and an electronic document filing system. Moreover, in an October 2017 policy statement, DOE stated that all component agencies, including NNSA, were required to store all pre- and post-award documentation in STRIPES as the official file.⁹ However, OAPM officials told us that NNSA field office staff have not been fully using STRIPES for contract document management as required by DOE policy. Specifically, they said that NNSA field offices have been using STRIPES' contract writing and modification capabilities, but the field offices have not been consistently using STRIPES' contract document management capabilities. They said this was happening for two primary reasons: (1) OAPM has not updated its 2016 guidance that allows NNSA field offices to gradually adopt the use of the system for contract document management over time; and (2) there are a number of perceived technical challenges with STRIPES—such as slow document uploading and downloading times, and the system's lack of search capabilities—that have resulted in limited use by the field offices. Until OAPM updates its

accessibility of these documents. Our request was for documents that were not publically available on NNSA's website.

⁹Department of Energy, *Acquisition/Financial Assistance Letter: STRIPES Mandatory Use Policy*, No. AL/FAL 2018-01 (Washington, D.C.: October 3, 2017). The policy statement was issued jointly by DOE and NNSA Senior Procurement Executives.

2016 guidance to reflect DOE's October 2017 policy requiring NNSA field offices to use STRIPES for contract document management in the future, OAPM cannot ensure that field offices will comply with DOE policy and it will have ready access to contract documents needed for timely oversight.

- **OAPM does not have an effective process to access older, existing M&O contract documentation and has not monitored field office document management processes.** Although STRIPES may provide better access to M&O contract documentation going forward, OAPM does not have an effective process that provides it with timely access to existing M&O contracts that are currently retained and managed at field offices. This is because OAPM neither has plans to require field offices to upload older contract documents into STRIPES nor has it developed an alternative approach to accessing these documents to avoid the lengthy delays and high level of resources needed to fulfill data requests such as the one we made. Moreover, OAPM has not monitored the processes that field offices use to manage their contract documents. According to OAPM officials, they have plans to perform such monitoring on an annual basis at various field offices through procurement management reviews. However, they also acknowledged that they had only performed one such review—in 2015—and had not finalized plans for future reviews due to budgetary constraints and competing priorities. In commenting on a draft of this report, NNSA indicated that it had initiated another such procurement management review at the Kansas City Plant field office in June 2018. Under federal standards for internal control, management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.¹⁰ Without monitoring how field offices currently manage older, existing M&O contract documents and taking steps to improve its process for accessing them, OAPM risks continuing to not have ready and timely access to existing contract documents needed for oversight.

Conclusions

By establishing OAPM and initiating the use of STRIPES as a contract document management tool, DOE and NNSA have begun to develop more ready access to important contract documents for oversight of NNSA's M&O contracts. However, OAPM does not have timely access to many key M&O contract documents because NNSA field offices have not been using STRIPES as required by DOE policy. Instead, field offices have been following outdated OAPM guidance that does not reflect DOE's current requirements on the use of STRIPES. Moreover, OAPM does not have an effective process for accessing existing documents that will not be entered into STRIPES nor has it been monitoring how field offices currently manage these documents to ensure that they are readily accessible in a timely manner. Without updating its guidance and improving its process, OAPM risks not having ready access to contract documents or expending significant time and resources in its efforts to collect these documents in order to fulfill its oversight function.

Recommendations for Executive Action

We are making the following two recommendations to NNSA:

- OAPM should update its guidance to reflect DOE's October 2017 policy requiring NNSA field offices to use STRIPES for Management and Operating contract document management. (Recommendation 1).
- OAPM should monitor how field offices currently manage older, existing Management and Operating contract documents and use the results to improve its process for accessing such documents. (Recommendation 2).

¹⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

Agency Comments

We provided a draft of this product to NNSA for review and comment. In its comments, reproduced in the enclosure, NNSA concurred with our recommendations. NNSA stated that it will update and clarify guidance requiring field offices to use STRIPES, and that it will complete procurement management reviews of all field offices over the course of the next two fiscal years. NNSA also provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the appropriate congressional committees and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you and your staff have any questions, please contact Allison Bawden 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. Major contributors to this report were Quindi Franco (Assistant Director), Diantha Garms (Analyst in Charge), Danny Baez, John Delicath, Cindy Gilbert, Ryan Gottschall, Richard Johnson, Sylvia Schatz, Vasiliki Theodoropoulos, and Tatiana Winger.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Allison Bawden". The signature is fluid and cursive, with the first name "Allison" written in a larger, more prominent script than the last name "Bawden".

Allison Bawden
Director, Natural Resources and Environment

Enclosure – I

cc: The Honorable Claire McCaskill
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

Enclosure I: Comments from the National Nuclear Security Administration



Department of Energy
Under Secretary for Nuclear Security
Administrator, National Nuclear Security Administration
Washington, DC 20585



July 13, 2018

Ms. Allison Bawden
Director, Natural Resources
and Environment
U.S. Government Accountability Office
Washington, DC 20548

Dear Ms. Bawden:

Thank you for the opportunity to review the Government Accountability Office (GAO) draft report "*Management Report: Actions Needed to Improve National Nuclear Security Administration Contract Document Management*" (GAO-18-246R). I appreciate your acknowledgement and agree with your conclusion regarding the improvement achieved by establishing NNSA Acquisition and Project Management (APM) in 2011 and initiating use of the Department's procurement system (STRIPES) as a contract document management tool. These improvements were evident in that the majority of documents from fiscal years 2012 to 2016 were readily provided once you identified the discrete set of 160 documents required. I also generally agree with your findings regarding the challenges accessing older contract documents. We will continue our efforts to improve these processes consistently across all of our field offices, particularly for access to legacy documents that were not entered into STRIPES. It is important to note, however, that at no time has access to contract documents limited our contract management and oversight functions.

Your report provides two specific recommendations for executive action: 1) that APM update its guidance requiring field offices to use STRIPES; and, 2) that APM monitor how field offices manage contract documents and improve its process for accessing older documents. We agree with and will implement both recommendations. NNSA will update and clarify the guidance requiring field offices to use the DOE procurement system, STRIPES, and provide specific milestones for full implementation. NNSA will also make critical recurring contract documents web accessible to improve access. The revised guidance is targeted for release by September 30, 2018, and the web updates are targeted for completion by December 31, 2018. NNSA has recently reinstituted its Procurement Management Review (PMR) process, will complete PMRs at all remaining field offices over the course of the next two fiscal years, and is working to strengthen the relationship and coordination between Procuring Contracting Officers and Administrative Contracting Officers within NNSA. We are confident that these actions will address GAO's recommendations and further enhance our contract documents management processes and access to both current and legacy contract data.



Technical comments have been provided by subject matter experts under separate cover to enhance the clarity and accuracy of the report. If you have any questions regarding this response, please contact Mr. Dean Childs, Director, Audits and Internal Affairs, at (301) 903-1341.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa E. Gordon-Hagerty", with a stylized flourish at the end.

Lisa E. Gordon-Hagerty



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Accessible Text for Enclosure I: Comments from the National Nuclear Security Administration

Page 1

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Director, Natural Resources and Environment

U.S. Government Accountability Office

Washington, DC 20548

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