Review of the National Nuclear Security Administration Report on the Los Alamos Contract Competition

Briefing for Congressional Committees

October 25, 2019

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Introduction

- The National Nuclear Security Administration (NNSA) is responsible for the management and security of the nation's nuclear weapons programs. To carry out this mission, NNSA relies heavily on contractors and awards management and operating (M&O) contracts for national laboratories and other nuclear-related sites. One of the national laboratories managed under an M&O contract is Los Alamos National Laboratory (LANL).
- The National Defense Authorization Act (NDAA) for Fiscal Year 2013, as amended, requires NNSA 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 or the resolution of a bid protest.
- NNSA awarded the contract to manage LANL to Triad National Security, LLC in June 2018. The transition to the new contractor occurred between July and October 2018, and the base period start date for the contract was November 1, 2018. NNSA submitted its cost-benefit report to Congress in April 2019.

Introduction

NNSA's cost-benefit reports must include:

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

Source of Work and Objectives

- The fiscal year 2013 NDAA, as amended, includes a provision for GAO to review each NNSA cost-benefit report within 180 days of NNSA's submission of that report to the congressional defense committees.
- Our work addresses the following objectives:
  1. Changes, if any, NNSA sought under the new LANL contract, and how, if at all, those changes are reflected in the new contract; and
  2. The extent to which NNSA's report addresses the required reporting elements.

Scope and Methodology

1. We compared the previous and current contracts and identified key differences. We analyzed acquisition documents regarding the contract competition, and we interviewed NNSA officials to identify the key changes they wanted and how they incorporated these changes into the new contract.
2. We reviewed the required reporting elements and compared them with the text of NNSA's report. We also interviewed NNSA officials about cost savings and competition costs, as well as other required reporting elements. We determined the extent to which NNSA's report addressed each reporting element as (1) addressed with detail; (2) addressed without detail; (3) partially addressed; or (4) not addressed.

We incorporated technical comments from NNSA as appropriate.

Background: Timeline of LANL M&O Contracts

- 1943-2005: University of California managed LANL.
- 2005-2018: Los Alamos National Security, LLC managed and operated LANL.
- October 2017: NNSA released its Request for Proposals for the LANL contract.
- May 2018: NNSA completed evaluation of four proposals based on past performance, laboratory organization and key personnel, small business participation, and cost.
- June 2018:
  - NNSA awarded the M&O contract for LANL to Triad National Security, LLC. None of the other competitors who bid on the contract protested the award.
  - The contract period is a base term of 5 years and includes five 1-year option terms. The total value of the 5-year base term is approximately $11.3 billion.

Objective 1: New LANL Contract Generally Includes Changes NNSA Sought

- NNSA sought changes to the LANL M&O contract
  - with the intended result of improving contractor performance,
  - to update contract terms, and
  - to incorporate advisory panel recommendations.
- NNSA officials said they believed competing the contract was the best means to achieve these changes.

Objective 1: New LANL Contract Generally Includes Changes NNSA Sought

- **Improve performance**. NNSA officials said they considered improving contractor performance very important because the previous contractor did not meet safety performance requirements from fiscal year 2012 through fiscal year 2015, preventing the contractor from earning further contract terms. NNSA reported that during that time frame, the laboratory experienced significant operational disruptions related to safety. Officials told us they sought to address these issues in the new contract by including a performance clause focused on improving contractor safety culture.
- **Update terms**. NNSA officials said they wanted to update terms to ensure consistency among contracts in the nuclear enterprise. The previous contract originally included a potential 20-year term and was in effect for 13 years; the new contract has a base term of 5 years and five 1-year options. NNSA officials said that they made the terms of the new contract consistent with terms of other recent contracts in the enterprise.
- **Incorporate advisory panel recommendations**. NNSA officials said they wanted to incorporate recommendations from various panels, such as the Secretary of Energy's Advisory Board (SEAB) and the Commission to Review the Effectiveness of the National Energy Laboratories. For example, SEAB recommended that DOE authorize laboratories to manage benefits below a preset cost threshold, and language to this effect was incorporated into the new contract.

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

NNSA's report addressed most of the reporting elements we reviewed.

Specifically, NNSA's report

- addressed with detail five reporting elements,
- partially addressed two reporting elements,
- did not address one reporting element, and
- had no instances of addressing elements without detail.

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

NNSA's report addressed with detail five reporting elements. Specifically, the report

- provided a clear and complete description of the $76.1 million cost savings the Administrator expects to result from the competition over the potential 10-year life of the contract (element 1);
- estimated the cost of competing the contract to be about $14.8 million (element 3);
- stated that no disruptions or delays in mission activities or deliverables resulted from the competition, based on NNSA's annual Performance Evaluation Report in fiscal year 2018 that measured contractor performance during the competition period (element 4);
- described how the competition for the contract complied with federal regulations regarding FFRDCs (element 6); and
- described the factors considered and processes used by the Administrator to determine whether to compete or extend the previous contract (element 7).

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

NNSA's report partially addressed two reporting elements.

- The report did not describe key limitations or uncertainties that could affect cost savings (element 2).
  - Specifically, the report did not provide details on assumptions used to estimate the $76.1 million cost savings.
  - However, the report described other areas that might lead to future cost savings, such as a streamlined management approach and increased efficiencies due to competitive pressures.
- The report described some, but not all, benefits expected in mission performance or operations as a result of the competition (element 5).
  - The report included information about some expected benefits, including workforce stability, cost savings, and increased small business participation.
  - The report did not include information on improving the safety culture, a key driver for competing the contract.

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

NNSA's report did not address one reporting element.

- The report stated that the Administrator decided to maintain all of LANL's work under a single M&O contract. However, the report made no mention of the factors considered and processes used to determine if another contract could cover any activities at the facility (element 8). NNSA officials told us that they did not consider awarding some activities at LANL to another contractor.

Recommendation Follow-Up

- GAO reviewed three previous NNSA cost-benefit reports:
  - GAO-15-331, for the contract with Consolidated Nuclear Security, LLC to manage the Y-12 National Security Complex and the Pantex Plant;
  - GAO-18-490R, for the contract with National Technology and Engineering Solutions of Sandia, LLC to manage Sandia National Laboratories; and
  - GAO-19-349R, for the contract with Mission Support and Test Services, LLC to manage the Nevada National Security Site.
- We recommended in GAO-15-331 that NNSA enhance the clarity and completeness of its future reports. The agency has made progress, but is still not providing clear and complete information on all required reporting elements.

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