

GAO Highlights

Highlights of [GAO-14-588](#), a report to the Committee on Armed Services, House of Representatives

Why GAO Did This Study

NNSA, a separately organized agency within DOE, has had long-standing problems managing its contracts and projects, which GAO has identified as being at high risk for fraud, waste, abuse, and mismanagement. Both DOE and, specifically, NNSA, undertook initiatives in 2002 and 2003 to improve contractor performance through revised federal oversight and greater contractor accountability. In 2006, concerned that efforts were moving too slowly, the NNSA Administrator tasked its KCP Field Office and contractor with implementing reforms at that site.

House Report 113-102, accompanying H.R. 1960, an early version of the National Defense Authorization Act for Fiscal Year 2014 mandated GAO to review the KCP reforms and issues with extending them to other NNSA sites. This report, among other things, (1) identifies key reforms implemented at KCP and reported benefits; (2) describes key factors NNSA and others identified as helping the site implement reforms; and (3) provides information on how NNSA has implemented and plans to implement similar reforms at other sites. GAO reviewed relevant documents prepared by NNSA, DOE, contractors, and others; visited KCP; and discussed the reforms with cognizant federal officials and contractor staff.

During GAO's review, Congress required NNSA to develop a study and plan for implementing the principles of the Kansas City reforms at its other sites. In light of the congressional requirement, GAO is not making additional recommendations at this time. NNSA generally agreed with the findings of this report.

View [GAO-14-588](#). For more information, contact David C. Trimble at (202) 512-3841 or trimbled@gao.gov.

July 2014

NATIONAL NUCLEAR SECURITY ADMINISTRATION

Agency Expanded Use of Some Federal Oversight Reforms, but Is Still Determining Future Plans

What GAO Found

Key reforms at the National Nuclear Security Administration's (NNSA) Kansas City Plant (KCP)—a site in Missouri that manufactures electronic and other nonnuclear components of nuclear weapons—included (1) streamlining operating requirements by replacing Department of Energy (DOE) requirements with industry standards, where appropriate; (2) refocusing federal oversight to rely on contractor performance data for lower-risk activities; and (3) establishing clear contractor goals and incentives. A 2008 review of the reforms reported nearly \$14 million in cost reductions were achieved at the site by implementing these reforms.

NNSA and KCP federal and contractor staff identified key factors that facilitated implementation of reforms at KCP, including the following:

- **High-level support from NNSA and field office leadership.** Gaining and maintaining the support of the NNSA Administrator and buy-in of some KCP Field Office staff for changes from the reforms was critical.
- **Unique site conditions and operations.** Conditions at KCP enabled implementation of the proposed reforms, including (1) the comparability of the site's activities and operations to those of commercial industry; (2) the site's relatively low-risk, nonnuclear activities generally did not involve or potentially affect nuclear safety and security; and (3) the site was managed by a contractor owned by a single corporate parent with a reputation for quality.
- **A cooperative federal-contractor partnership.** A cooperative relationship between the KCP Field Office and the contractor facilitated implementation of the reforms.

NNSA has extended to other sites some elements of the reforms, including (1) encouraging greater use of industry standards, where appropriate; (2) directing field office oversight staff to rely more on contractor self-assessment of performance for lower-risk activities; and (3) setting clearer contractor goals by revising how the agency evaluates annual contractor performance. However, NNSA and DOE are re-evaluating implementation of some of these reforms after a July 2012 security breach at an NNSA site, where overreliance on contractor self-assessments was identified by reviews of the event as a contributing factor. Moreover, NNSA officials and other studies noted that key factors enabling implementation of reforms at KCP may not exist at NNSA's other sites. For example, most NNSA sites conduct high-hazard activities, which may involve nuclear materials and require higher safety and security standards than KCP. NNSA is evaluating further implementation of such reforms and expects to report to Congress its findings later in 2014.