National Nuclear Security Administration

Model for Improving Management and Performance

March 2004

This Report was prepared by National Nuclear Security Administration (NNSA) staff members for NNSA Management consideration. This Report does not represent NNSA policy but is presented for consideration by the NNSA Senior Procurement Executive and Senior NNSA Management in the formulation of NNSA policy.

The Challenge …

> ***"Government likes to begin things - to declare brand new programs and causes and national objectives. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results."***
>
> ***George W. Bush***
> ***President***

The Opportunity …

> ***NNSA MODEL for IMPROVING MANAGEMENT and PERFORMANCE***
>
> ***"Based on these principles, NNSA will develop and implement a simpler, less adversarial contracting model that capitalizes on the private-sector expertise and experience of its contractors while simultaneously increasing contractor accountability for high performance and responsiveness. NNSA has adopted a two-phased approach to this effort. The first phase involves reducing requirements in excess of those mandated by law and regulation within the context of the existing contract for the management and operation of Sandia National Laboratories (SNL). The second phase will develop a "Model for Improving Management and Performance" that can ultimately be implemented across the complex."***
>
> ***NNSA February 2002 Report To Congress***

NNSA MODEL for
IMPROVING MANAGEMENT and PERFORMANCE

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NNSA MODEL for IMPROVING MANAGEMENT and PERFORMANCE

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Introduction

In line with the President's Government reform initiatives, the Administrator of the U.S. Department of Energy (DOE) National Nuclear Security Administration (NNSA) is committed to develop a more efficient and agile nuclear security enterprise recognized for world-class technical leadership and program management. This initiative is described in the Administrator's Report to Congress on the Organization and Operations of the National Nuclear Security Administration, February 25, 2002, (the Report to Congress), which provides, in part:

> ***NNSA will redesign the federal-contractor relationship to improve accountability***
>
> ***Trust**, **teamwork**, and **verify** will be the watchwords in program management. Federal employees, with contractor input, will establish broad program objectives and goals. Contractors, in consultation with federal employees, will be given the flexibility to execute programs efficiently and will be held accountable for meeting those objectives and goals.*
>
> *This new relationship will create greater accountability by eliminating the blurred responsibility for "management" that has developed over the past decade. With taskings coming from a variety of directions, often involving specific transactions, the blurred line between day-to-day management and program direction has made it difficult to assign clear responsibility.*
>
> *In the future, federal officials will provide coordinated direction regarding **what** the government wants and administer contracts and programs. NNSA's contractors will manage **how** the program is executed. The laboratories, production plants, and test site will be judged predominantly on **what** they deliver, rather than **how** it is accomplished:*
>
> ***New governance approach.** With these principles in mind, NNSA will develop and implement a simpler, less adversarial contracting model that capitalizes on the private-sector*

expertise and experience of the management and operating contractors while simultaneously increasing contractor accountability for high performance and responsiveness to NNSA program and stewardship requirements. NNSA will begin this new approach immediately by developing a contractor governance strategy based predominantly on commercial standards and the best industrial practices.

The governance strategy will be accompanied by an assurance model that will rely as much as practicable on third-party, private-sector assurance systems such as comprehensive internal auditing, oversight by boards and external panels, third-party certification, and direct engagement between oversight bodies and NNSA's leadership.

The Administrator established the NNSA Model Development Team to develop a "Model for Improving Management and Performance" that can be implemented in future contracts. This model will be piloted at SNL, with the possibility of implementing it at the other NNSA laboratories, plants, and the test site. In this tasking, the Administrator directed that Federal oversight of nuclear operations safety, safeguards & security, and bio-surety remain the same. This report addresses the effort to develop the Model. To assist with this task, the NNSA Model Development Team utilized a February 2002 FedBizOpps public announcement that sought the following information from industry, academia, and NNSA's Weapons Complex contractors:

> *NNSA is specifically interested in receiving from organizations that manage industrial and/or research and development facilities, including non-profit and educational institutions, written comments which address the following: (1) identify broad ranging ideas: (a) which have demonstrated proven results in improving the management, cost, or performance of comparable scientific/technical organizations (public or private), together with examples where the suggested approach has been implemented and assessed or (b) which hold promise of such improvements, even if not demonstrated in similar organizational settings (these ideas should focus on improvements in management and performance of the NNSA and its Management and Operating (M&O) contractors, particularly with respect to the business arrangement, e.g., contract, cooperative agreement, etc., defining the relationships of the parties and approaches to oversight and accountability); (2) identify the SNL contract requirements (DOE Directives/Orders, etc.) that are more stringent than those requirements utilized at government-owned-contractor-operated (GOCO) type facilities by other Federal agencies (for example, are there other GOCO type contracts or industrial-type facility contracts that contain terms or conditions that more effectively meet the agencies' needs); and (3) identify which clauses in the SNL Clause Summary columns 1 and 2 should be changed or removed to bring industrial or commercial approaches to NNSA and address how those changes or removal would lead to the desired outcomes identified in the strategy paper.*

In response, written comments were received on February 26, 2002 from thirteen organizations. The NNSA Model Development Team considered the responding organizations' input in the context of the direction provided by the Administrator in the Report to Congress and NNSA contractor input submitted in response to the October 26, 2001 "workload reduction"

memorandum of Robert W. Kuckuck, Acting Principal Deputy Administrator, NNSA. The NNSA Model Development Team also reviewed the April 30, 2002 memorandum "Principles for Office of Science Laboratory Contracts" from Robert G. Card, Under Secretary of Energy, DOE, and the DOE February 2002 Best Practices Pilot Study, which was the basis, in part, for the Under Secretary's memorandum. The NNSA Model Development Team also benchmarked its proposals against initiatives that the National Aeronautics and Space Administration (NASA), the Nuclear Regulatory Commission (NRC), Department of Defense (DoD), and a leader in the commercial nuclear power industry. In addition, the NNSA Model Development Team considered the May 12, 2003 DOE Secretary's memorandum on Performance Based Management, and the September 9, 2003 Report of the External Members Best Practices Working Group's "Management Best Practices for the National Laboratories." Central to all of the data reviewed and received were the following key concepts:

Strengthening of Performance Based Management – The Model should redefine the Federal-contractor relationship by requiring the NNSA to determine what is needed from its contractors, and then allowing the contractor leadership to decide how to best accomplish that work. NNSA employees, with contractor input, should establish objectives, targets, and measures. Contractors should then be given the flexibility to execute programs efficiently and should be held accountable for meeting those objectives, targets, and measures.

Attainment of Fiscal Efficiency – The Model should propose as a key element of successful contractor performance the aggressive management and control of indirect and administrative expenses in order to reduce overall costs. It should incentivize NNSA contractors to pursue appropriate quality management methodologies to achieve a higher level of cost efficiency, accountability and responsiveness to NNSA program needs.

Restructuring of Federal and Contractor Oversight – The Model should propose implementing project management programs, processes and best business practices to restructure current Federal and contractor oversight. The application of best business practices, commercial standards and accredited third party oversight could be expected to meet or exceed the intent of current DOE requirements (i.e., Orders and Clauses) while reducing the overall implementation and administrative costs. While the Model should provide for more contractor independence in operational decisions, NNSA should continue to maintain its overall control of the mission, scope, schedule and budget.

Restructuring of Federal and Contractor Functions – To be successful in restructuring the Federal-contractor relationship, both the NNSA and its M&O contractors must commit to simultaneously realign their workforces as necessary. In implementing the Model, both Federal and contractor functions should be evaluated to assess their contribution to mission requirements. This evaluation and assessment should consider how workforce realignment, if necessary, and retraining could be accomplished while minimizing disruptions to productivity.

The Model assimilates these concepts. Each of the first four major sections of the Model is organized around a key principle of the Report to Congress. The subsections propose mechanisms for implementing these key principles. A synopsis in presentation form heads each

subsection. Pertinent direction from the Report to Congress and representative input from commentors preface the discussion in each subsection. Finally, specific recommendations conclude the subsection.

The recommendations are grouped in two categories- those specific to implementing new Model Contract clauses and those specific to changes within NNSA to implement the Model Contract. Figure 1 below depicts the Model concepts that if implemented are anticipated to result in improved management and performance. On June 17, 2002, an update to the draft Model was posted on the NNSA Service Center (formerly Albuquerque Operations Office) web page and comments were requested from industry, academia and the NNSA M&O contractors. The NNSA Model Development Team then had discussions with the entities that provided comments to assure understanding of the comments received. A revised draft Model reflecting the comments and discussions was then provided to all the NNSA Site Offices and NNSA M&O contractors. On August 20, 2002, the NNSA Model Development Team met with representatives from the NNSA Site Offices and NNSA M&O contractors to discuss the draft Model. The Model was subsequently revised to reflect those discussions. The Model was subsequently revised to incorporate comments received from NNSA senior management and DOE Program Offices.

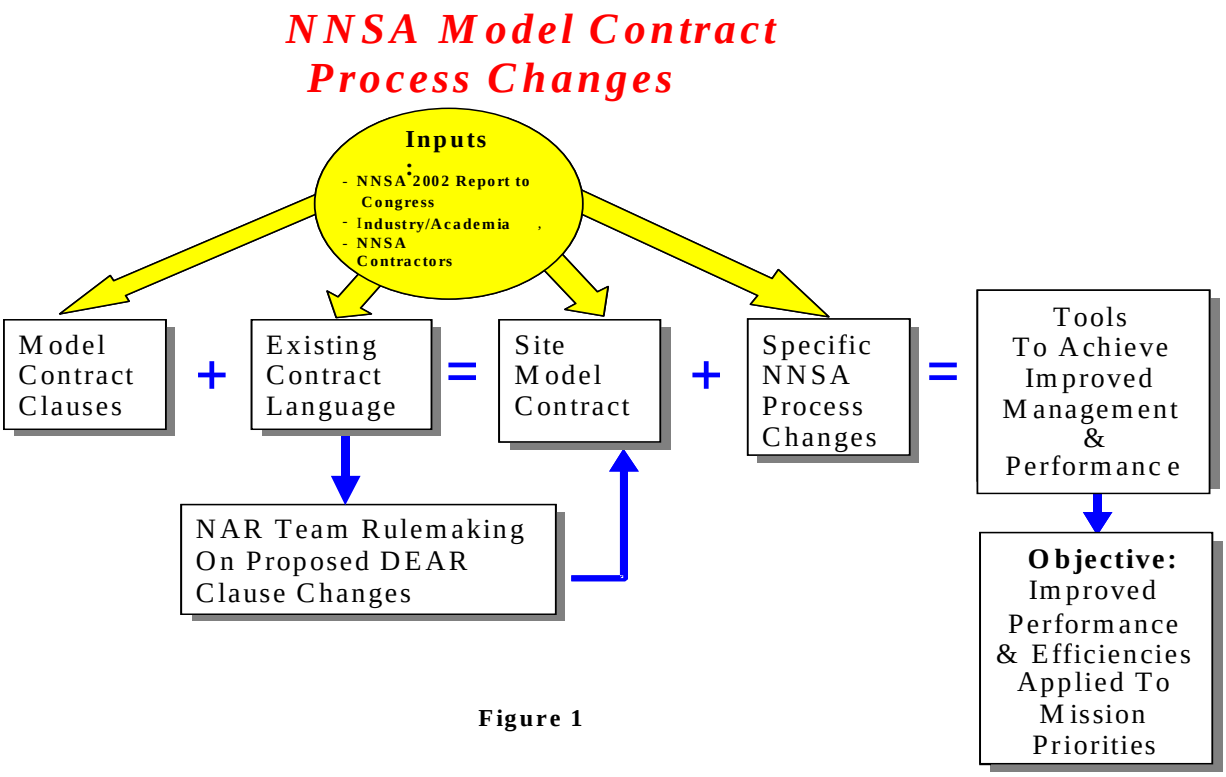

Figure 1

In December 2002, the Secretary of Energy authorized the NNSA Administrator to enter into negotiations with Sandia Corporation for an extension of the contract to manage and operate SNL. The Secretary also permitted the NNSA Administrator to incorporate the NNSA Model into the SNL contract. NNSA subsequently established its Contract Negotiation Team, which included members from the NNSA Model Development Team. In early 2003, the NNSA Contract Negotiations Team briefed and received approval from the NNSA Administrator to negotiate with Sandia Corporation the inclusion of the relevant NNSA Model recommendations into the SNL contract. Negotiations with Sandia Corporation were successfully completed and resulted in the execution of a new contract with Sandia Corporation, effective October 1, 2003. The Model Report was finalized to reflect the final discussions with NNSA Senior Management and final negotiations with the Sandia Corporation. The new SNL contract generally contains all of the contract clauses identified below in the Model Report, except for the clause entitled "H-9 NNSA Policy Letters."

Since 2002, based on the Report to Congress, NNSA has been undergoing a functional reorganization and reengineering efforts. NNSA established many strategies, teams and milestones for completing reengineering of key functions and processes. Some of the recommendations in this Model Report have already been utilized or adopted within NNSA as part of these reengineering efforts.

I.

“Redesign the Federal-Contractor Relationship”

I. "Redesign the Federal-Contractor Relationship"

A. Foster A New Relationship and Culture Change

- **Communicate The Desired Culture Change – Administrator to Staff and Contractors**
- **Evaluate Performance Of Contractor And NNSA Management Leadership In Driving Changes**
- **Recognize Top NNSA And Contractor Change Agents**
- **Implement Culture Change Principles Through Contract Clauses**
- **Implement A Formal Performance Direction Process**
- **Supplement CO/COR Training To Assure That Performance/Program Direction Is Based On:**
  - Clear Understanding of NNSA Programmatic Requirements
  - Consideration of Benefits Gained vs Cost To Implement
  - *What* Not *How*
  - Clearly Defined Performance Metrics

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"In the future, federal officials will provide coordinated direction regarding ***what*** the Government wants and administer contracts and programs. NNSA's contractors will manage ***how*** the program is executed. The laboratories, production plants, and test site will be judged predominantly on ***what*** they deliver, rather than ***how*** it is accomplished."

"NNSA will demand discipline in the tasking process by establishing two rules: (1) Direction within the federal family will only be delivered through a program direction channel created by formal delegations of authority from the Administrator, and (2) federal program direction to the laboratories, production plants, and the test site will be delivered only by a warranted contracting officer (CO) or by a designated contracting officer's representative (COR). ***These rules formally preclude staff or oversight components from tasking contractor personnel***." [Emphasis added]

"NNSA's organizational structure will be revised to reinforce these protocols by establishing an NNSA Site Office at each of the eight primary management and operations (M&O) contractor sites. ***These federal managers will be delegated sufficient responsibility to provide NNSA contractors the authority necessary to manage day-to-day activities without external intervention***." [Emphasis added]

Summary of Comments Received From Industry, Academia and NNSA Contractors

Several comments were provided regarding improvements that could be made to foster a new relationship. These comments included: re-defining the relationship with the contractors to focus on outcomes, or the "*what*," rather than the process of "*how*" a task is accomplished; clarifying roles and responsibilities within NNSA and contractor organizations; and lastly, formalizing directions to contractors to assure that taskings are provided through the CO.

One of the commentors made the following observation: "M&O contracts routinely include a performance direction clause that purports to limit performance direction provided to contractors to technical matters. The performance direction clause also purports to limit individuals who can give performance direction to the contracting officer and his or her representatives. If performance direction were narrowly tailored to technical matters by a limited number of people in practice, the contractor could spend significantly less time and effort on administrative functions. ***In fact, however, performance direction is provided to the contractor in a number of ways outside the scope of the performance direction clause, reducing this M&O contract language to a practical nullity."*** [Emphasis added]

Several comments were also received regarding the work authorization process and providing direction to the contractors. "As set out in the M&O contracts, the Work Authorization System is designed to specifically set out work requirements for the contractor that conform to the Scope of Work. Because the existing system is cumbersome, however, it does not function properly. A redesigned system that provides timely directions to the contractor could play a major role in performance direction." A second commentor stated: "An area of confusion in the report involves the interplay of the Work Authorization system, the contract Statement of Work, and the Changes clause. We recommend that it be made clear that program direction is to be done only through the Work Authorization system. Further, the Work Authorization system should be acknowledged as driving any changes in the contract Statement of Work related to research programs. Similarly, it should be understood that Work Authorization is the implementing mechanism of the Changes clause with respect to all programmatic effort."

DISCUSSION

As a Federal steward, NNSA is responsible for control of mission, scope, schedule and budget to address changing requirements. Within the parameters of this federal responsibility, NNSA's reengineering effort is based on a policy that focuses the work authorization process - on the *what* and not the *how* - to meet Statement of Work (SOW) requirements. It recognizes that performance/program direction must be provided to the contractor only by a single CO or designated CORs. The CO is "responsible" for "ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships." (Federal Acquisition Regulation (FAR) 1.602-2)

The Report to Congress makes clear that federal program planning and management for activities related to production and facilities will be predominantly located in field elements. In contrast to field element direction for production and facilities, Headquarter (HQ) CORs designated by the Administrator will direct contractor execution of science and technology and nonproliferation programs. The NNSA Model Development Team recommended, and the Administrator has, established controls to allow the Site CO effective oversight of those activities directed by CORs, including HQ CORs, so that direction provided is consistent with both the contract SOW and the authority delegated to the CORs by the Administrator and the Site Office Manager CO. Processes should be established to assure that NA-2 would assist the Site Office Manager CO to resolve any issues that might result from utilizing HQ CORs.

The finalizing of roles and responsibilities within NNSA should facilitate preparation of guidelines for COs and HQs and Site Office CORs. NNSA has strengthened its performance direction clause and included it in all of its M&O contracts. (See below *Section H-2 Performance Direction Clause*.) This revised clause adds rigor to the process of tasking NNSA contractors and gives the contractor the tools necessary to "push back" against improper direction. It also makes NNSA employees aware that they must conduct their business within existing formal direction to the contractor and that any new direction should be prepared for formal transmittal by the CO or COR. In addition, COs and CORs will be trained to assure that the performance/program direction they provide is based on the contract's SOW or Work Authorization; a clear understanding of NNSA programmatic requirements; a consideration of benefits gained versus cost to implement; provision of the *what* and not the *how*; and clearly defined performance metrics. In addition, NNSA should assure that COR performance direction provides the minimum level of guidance necessary to the contractors and avoids a "zero risk management culture" identified by one commentor as prevalent today.

Several commentors expressed the need to assure that the Work Authorization process serve as the mechanism to provide direction; however, they indicated that the Work Authorization process in its current form is cumbersome and slow and needs improvement. The current process/system under DOE Order 412.1 (for example, as used in the SNL Contract) establishes a work authorization and control process for work performed by designated M&O contractors and connects authorized work from the program office with funding allocations provided in financial plans within the current fiscal year. Improvement efforts are underway to better identify the NNSA/DOE official responsible for creation of Work Authorizations, however, currently several hurdles exist to make it a viable method for controlling work within NNSA sites. In addition, Work Authorizations take many months to process and are not timely enough to allow work to proceed. Work Authorizations are processed for each funding authorization change; therefore, multiple work authorizations on the same work are processed during the year. NNSA currently processes thousands of Work Authorizations for each contract site to match partial funding transfers.

Federal and contractor staff, at all levels, need to understand that NNSA has committed to Congress that NNSA tasking will be based on formal, clear reporting relationships. The Administrator's decision to flow authority and responsibility directly through a CO (may be the Site Office Manager or a direct report to the Site Office Manager) – to the laboratories, production plants, and test site contractors will necessitate a culture change from the current way of doing business. This, in the long run, will improve the NNSA management and performance.

NNSA has committed to redefining the federal/contractor relationship to improve management and performance within the Nuclear Weapons Complex. A cultural change in both senior NNSA management and contractor management is necessary to improve management and performance above current performance levels. In order to drive this cultural change, NNSA should commit in its Site M&O contracts to provide the Contractor the flexibility to improve its management and performance.

NNSA Senior Management requested that the contractor establish a framework and describe its planned efforts, including the contributions of its parent organization (if any), to materially improve management and performance at the site. Accordingly, a clause was developed by the NNSA Model Development Team to require the contractor to develop a multi-year vision for change and continuous improvement, including outlining its commitments and contributions of its parent organization, to accomplish this vision.

RECOMMENDATIONS

Proposed NNSA System Changes

1. **Communicate Change.** Communicate the desired culture change from the Administrator to each NNSA Senior HQ and Site Manager and the Management of each M&O Contractor at sites to where the Model will be applied. Management, in turn, must select appropriate deployment techniques to drive this change throughout all levels of their organizations.

2. **Hold Management Accountable for Performance**. Success in implementing the desired culture change should be made part of performance evaluations through the Federal Managers' performance evaluations and the contractors' annual performance evaluations.

3. **Recognize Performance**. Two awards should be given annually by the Administrator to recognize both the top NNSA and top contractor change agents. This will emphasize the importance and level of commitment the Administrator places upon this culture change.

4. **Supplement CO and COR Training.** Supplement CO and COR training programs to incorporate the culture change proposed in the Model and to assure CO/CORs have a clear understanding of NNSA Programmatic requirements. The training should also

include segments on how to develop performance direction to the contractor that provides a consideration of risk versus cost benefit; the *what*, not the *how*; and clearly defined contractor performance metrics tied to strategic goals and objectives, and performance targets tied to end products. In addition, it is essential to conduct general training for Federal and contractor staff on the redesign of the federal/contractor relationship.

5. **Establish NA-2 as Resolution Authority**. Processes should be established to assure that NA-2 would assist the Site Office Manager CO to resolve any issues that might result from utilizing HQ CORs.

6. **Reengineer the Work Authorization System.** NNSA should direct a team to reengineer the work authorization process so that it becomes a real time process. In addition, since the Administrator has identified the Site Office Manager to serve as the single CO responsible for an M&O contract, it is imperative that the CO sign the Work Authorizations.

Proposed Model Contract Elements

7. **Include a New Clause in the M&O Contracts to Incorporate the Model Elements.** Revise the contracts to include the clause below which sets forth key elements of the Model:

H-1 REDEFINING THE FEDERAL/CONTRACTOR RELATIONSHIP TO IMPROVE MANAGEMENT AND PERFORMANCE

(a) General

The NNSA is committed to improving the effectiveness and efficiency of the Nuclear Weapons Complex. This Clause sets forth an overview of NNSA's approach to achieve this commitment. Contract Clauses H-2 through H-13 [H-2 through H-11 for Production/Test Site Contracts] set forth the specific Contract requirements that will provide the Contractor the flexibility to improve its management and performance.

(b) Clarifying the Contract Relationship

To clarify the contractual relationship, NNSA will provide program and performance direction regarding ***what*** *NNSA wants in each of its programs. The Contractor shall determine* ***how*** *the program is executed and shall be accountable for performance in accordance with the terms and conditions of this Contract. The Contractor will have the flexibility to use its expertise and ingenuity to determine how the work is to be accomplished in the most effective and efficient manner. NNSA will issue performance direction to the Contractor only through a*

warranted Contracting Officer or a designated COR. All other Federal staff and oversight components are therefore precluded from tasking contractor personnel.

(c) Approach to Oversight

NNSA will rely on increased Contractor accountability as a result of implementation of the Contractor's Assurance System. In certain areas, NNSA oversight will focus on evaluating systems and performance rather than transactions. NNSA will transition its oversight of programs, projects, business systems and ongoing operations from a transactional to a performance and systems based approach.

(d) Empowering Contractor Expertise

NNSA will allow the Contractor to identify and evaluate, for NNSA approval, best commercial standards and best business practices and to continuously pursue improvements in aspects of Contract performance where cost effective and efficient improvements can be achieved. The Contractor is also encouraged to use the private-sector expertise of its parent organization to improve Contract performance as appropriate.

(e) Results-Oriented, Streamlined Performance Appraisal

A results-oriented, streamlined performance appraisal process will be established with critical performance objectives, measures, and targets that focus on those areas of greatest strategic value to NNSA using systems-based metrics.

(f) Reward for Achieving Cost Efficiencies

The Contractor will be rewarded for the achievement of cost efficiencies through onsite investment of cost savings and the potential to earn additional contract term.

(g) Transition

The Contractor's management systems that exist on the date of award will continue until the Contractor addresses the applicable Contract requirements. For changes that do require NNSA approval, the Contractor will not implement a change until it is formally approved by the Contracting Officer.

7. **Include a new Performance Direction Clause**. Every NNSA management and operating contract has been modified to include a Performance Direction clause to reflect the direction in the Report to Congress and to clarify that the CO and CORs are the only individuals authorized to provide direction to the contractor. The Performance Direction clause, developed by the NNSA Model Development Team

and the NNSA Office of Procurement and Assistance Management (NA-63), is as follows:

H-2 PERFORMANCE DIRECTION

(a) The Contractor is responsible for the management, integration, and operation of the site in accordance with the Terms and Conditions of the Contract, duly issued Work Authorizations (WAs), and written direction and guidance provided by the Contracting Officer and the COR. NNSA is responsible for establishing the work to be accomplished, the applicable standards and requirements to be met, and overseeing the work of the Contractor. The Contractor will use its expertise and ingenuity in contract performance and in making choices among acceptable alternatives to most effectively and efficiently accomplish the work called for by this Contract.

(b) Only the Contracting Officer may assign, modify, and priority rank WAs.

(c) (1) The Contracting Officer and the NNSA Administrator will appoint, in writing, specific NNSA employees as CORs with the authority to issue Performance Direction to the Contractor. CORs are authorized to act within the limits of their delegation letter. A copy of each letter will be provided to the Contractor. COR functions include technical monitoring, inspection, and other functions of a technical nature not involving a change in the scope, cost, or Terms and Conditions of the Contract.

(2) The Contractor must comply with written Performance Directions that are signed by the COR and:

(i) Redirect the Contract effort, shift work emphasis within a work area or a WA, require pursuit of certain lines of inquiry, further define or otherwise serve to accomplish the Statement of Work (SOW), or

(ii) Provide information that assists in the interpretation of drawings, specifications, or technical portions of the work description.

(3) Performance Direction does not:

(i) authorize the Contractor to exceed the funds obligated on the Contract;

(ii) authorize any increased cost or delay in delivery in a WA;

(iii) entitle the Contractor to an increase in fee; or

(iv) change any of the terms or conditions of the Contract.

(d) (1) The Contractor shall accept only Performance Direction that is provided in writing by a COR and that is within the SOW and a WA.

(2) The COR is authorized to review and approve technical reports, drawings, specifications, and technical information delivered by the Contractor.

(e) (1) The Contractor shall promptly comply with each duly issued Performance Direction unless the Contractor reasonably believes that the Performance Direction violates this clause. If the Contractor believes the Performance Direction violates this clause, the Contractor shall suspend implementation of the Performance Direction and promptly notify the Contracting Officer of its reasons for believing that the Performance Direction violates this clause. The Contractor shall confirm these reasons in writing to the Contracting Officer within ten days.

(2) The Contracting Officer will determine if the Performance Direction is within the SOW and WA. This determination will be issued in writing and the Contractor shall promptly comply with the Contracting Officer's direction. If it is not within the SOW or WA, the Contracting Officer may issue a change order pursuant to the Changes clause.

(f) The Parties agree to maintain full and open communication at all times, and on all issues affecting contract performance, during the term of this Contract.

8. **Include the following New Clause in the M&O Contracts to Incorporate Requirement for Contractor Multi-Year Vision For Continuous Improvement.** Revise the contracts to include the following clause:

H-3 CONTRACTOR MULTI-YEAR VISION FOR CONTINUOUS IMPROVEMENT

The Contractor shall prepare a multi-year [Laboratory/Production Plant/Test Site] Vision detailing its planned efforts, and anticipated results in improving its management and performance. The Contractor shall also include a description of contributions of the parent organization to improving site management and performance and a description of the Contractor's approach to participation within and coordination with the NNSA Weapon Complex. The [Laboratory/Production Plant/Test Site] Vision shall be submitted to the Contracting Officer within 3-months of the contract's effective date, and then annually thereafter.

"NNSA will begin this new [governance] approach immediately by developing a contractor governance strategy based predominantly on commercial standards and the best industrial practices. The governance strategy will be accompanied by an assurance model that will rely as much as practicable on third-party, private-sector assurance systems such as comprehensive internal auditing, oversight by boards and external panels, third-party certification, and direct engagement between oversight bodies and NNSA's leadership."- NNSA February 2002 Report To Congress

B. Reengineer Federal Oversight of Contractor

- **Nuclear Facilities, Safeguards & Security and Other Functions As Identified by the CO**
  - Oversight At Transaction Level
- **Non-Nuclear Facilities**
  - Contractor Will Develop An Assurance System
  - Contractor Demonstrates That Its Assurance System Is Operating Effectively
  - NNSA Transactional Oversight Will Transition To:
    - System Level Oversight
    - Use Of Performance Metrics and Targets
- **For Programs, Projects, and Business Systems**
  - Oversight Through The Performance Evaluation Plan And The Contractor's Assurance System Performance Metrics And Targets
- **Approach Consistent With:**
  - Revised NRC Oversight Process
  - Nuclear Power Industry
- **NNSA Benchmarks With Other Federal Agencies and Industry**
- **Incorporate new Contract Clauses**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"NNSA is seeking to enhance its overall ***effectiveness*** and ***efficiency*** by:

- Clarifying and simplifying requirements.
- Streamlining and reducing oversight with minimal workload impact.

NNSA will ***streamline oversight*** by clarifying NNSA authorities and responsibilities, coordinating with DOE and other external overseers, evaluating systems—not transactions, and redefining federal jobs."

"NNSA will begin this new [governance] approach immediately by developing a contractor governance strategy based predominantly on commercial standards and the best industrial practices. The governance strategy will be accompanied by an assurance

model that will rely as much as practicable on third-party, private-sector assurance systems such as comprehensive internal auditing, oversight by boards and external panels, third-party certification, and direct engagement between oversight bodies and NNSA's leadership."

"NNSA will scrub policies, procedures, guidance, orders, and directives, thereby eliminating unnecessary transactional requirements, overlap, and duplication."

"Oversight will focus on evaluating systems and performance, rather than on transactions—again the objective is to streamline, and to clarify accountability for, accomplishing the mission."

Summary of Comments Received From Industry, Academia, and NNSA Contractors

Commentors identified the need to "integrate and streamline DOE and NNSA oversight of ES&H … at all levels of the department" to avoid "multiple and uncoordinated external oversight layers that result in redundant looks at the same operations and unnecessary numbers of audit personnel." Commentors also suggested that use of accredited third-party assessments would be more effective than those performed by DOE; for example, one commentor indicated:

> "Stewardship of DOE-NNSA's assets, including facilities, equipment, human resources, etc., should be (1) assured by the contractor's use of best industry practices and management systems that are developed and implemented by the contactor; (2) verified by independent, third-party processes; (3) continuously monitored by a comprehensive, credible and open contractor self-assessment program; (4) reviewed periodically by DOE-OA and EH-10; (5) observed periodically by field-deployed DOE-NNSA personnel; and (6) improved, when necessary, by inclusion in the performance-based management process."

DISCUSSION

Several years ago, NNSA began to redefine the Federal-contractor relationship through the Business Management Oversight Program (BMOP). The BMOP model is predicated on providing the contractor the flexibility to determine the most effective and efficient manner to accomplish business support functions, within a broad set of guiding principles, and focusing Federal oversight on outcome measurements rather than transactional compliance. The BMOP model has resulted in business system improvements in federal and contractor operational efficiencies. NNSA's desire to reengineer the current Federal and contractor oversight approach through a new model for improving management and performance efficiencies represents a logical next step.

The new oversight process is based upon the Contractor developing a Contractor Assurance System (CAS) based upon comprehensive self-assessment, independent oversight, and industry-recognized third party inspection. Although not required, the

CAS may also include system certification (such as VPP and ISO 9001 or ISO 14001). The contractor must assure the NNSA that the contractor, through CAS operations, is assessing its work processes; meeting applicable laws, regulations and contract requirements; and taking any necessary corrective actions. NNSA will consider the contractor's performance under the CAS to determine the level of NNSA oversight.

For nuclear facility operations, safeguards and security, and other functions that may be identified by the CO based on considerations of risk, NNSA oversight will continue to be performed at the transaction level. For non-nuclear facilities, programs, projects and business systems, NNSA oversight should focus on evaluating systems and performance rather than transactions once NNSA determines that the CAS is operating effectively.

Under the Model, NNSA and its contractors will also benchmark with other Federal Agencies, industry, research institutions, and NNSA/DOE contractors as part of its effort to improve management and performance. For example, the NRC recently re-engineered its oversight process as a result of complaints from the nuclear power industry that their oversight had become overly burdensome and non-value added. The new streamlined NRC oversight process relies on performance indicators (i.e., performance targets) to monitor reactor operator performance. For areas of reactor operation where a performance indicator was missed, the NRC increased its oversight. Where performance indicators are being achieved by the operator, the NRC relies on periodic plant reviews. The result has been a streamlining of the overall oversight process and improved performance of both the NRC and the nuclear power industry. The results of the NRC reengineered oversight process are summarized in SECY 2000-0049 at the following website: http://www.nrc.gov/reading-rm/doc-collections/commission/secys/2000.

A NNSA Model Development Team member visited one of the leading companies in the nuclear power industry who, beginning in 1997 dramatically turned around the performance of its operations. One plant, previously on the NRC watch list, is now one of the nuclear power industry's top performers. The company's turnaround was predominately driven through the use of performance metrics and performance indicators to manage reactor operations and drive improved performance. The NNSA should benchmark with the nuclear power industry, NRC, and other industries to improve on its oversight and contractor performance. The NNSA should also rely more on performance targets as a means of driving improved performance.

RECOMMENDATIONS

Proposed NNSA System Changes

1. **Transition Federal Staff.** Continue existing level of transactional oversight and transition Federal staff to systems oversight when the Contractor has demonstrated to the Contracting Officer's satisfaction that the Contractor Assurance System or components of the system are operating effectively.

2. **NNSA Benchmarking.** NNSA should benchmark with other Federal Agencies, industry, research institutions, and NNSA/DOE contractors as part of its effort to improve management and performance.

Proposed Model Contract Element

3. **Incorporate Clauses Addressing Contractor Assurance System, NNSA Oversight, and Accountability into Contract.** The following clauses serve as the basis for streamlining the oversight process and improving performance.

H-4 CONTRACTOR ASSURANCE SYSTEM

(a) The Contractor shall develop a Contractor Assurance System that is approved and monitored by the Contractor's Board of Directors [or equivalent management authority for non-profit or educational institutions]. The Contractor's Assurance System, at a minimum, shall have the following key attributes:

(1) *A comprehensive description of the Contractor Assurance System with risks, key activities and accountabilities clearly identified.*
(2) *A process for notifying the Contracting Officer of significant assurance system changes.*
(3) *Rigorous, risk based credible self-assessments, feedback and improvement activities, including utilization of nationally recognized experts, and other independent reviews to assess and improve its work process and to carry out independent risk and vulnerability studies. The Contractor is encouraged to seek third party certifications (such as VPP and ISO 9001 or ISO 14001), audits, peer reviews and independent assessments with external certification or validation.*
(4) *Identification and correction of negative performance/compliance trends before they become significant issues.*
(5) *A method for validating assurance processes.*
(6) *Integration of the assurance system with Contractor management systems including Integrated Safety Management.*
(7) *A process for defining performance metrics and performance targets to assess performance, including benchmarking of key functional areas with other NNSA/DOE contractors and industry and research institutions to enhance processes and to assure development of*

performance metrics and performance targets that will result in achievement of best in class/industry performance where efficient and cost effective.

(8) *Continuous feedback and performance improvement.*

(9) *An implementation plan that defines a transition period for the implementation to the Contractor Assurance System.*

(10) *A process for timely and appropriate communication to the Contracting Officer, including electronic access, of assurance related information.*

(b) The Contracting Officer will utilize internal and external reviews required by this clause as a significant factor in determining the adequacy of the Contractor's management systems. If the Contracting Officer determines that the Contractor is not fully complying with applicable laws or regulations or that performance has degraded and that the Contractor is not taking appropriate and timely corrective action, the Contracting Officer may take any action deemed necessary and reasonable under this Contract, including increasing oversight of the Contractor.

(c) NNSA will revise its oversight in accordance with the Contract Clause entitled "NNSA Oversight" when the Contractor has demonstrated to the Contracting Officer's satisfaction that the Contractor Assurance System or components of the system are operating effectively.

H-5 NNSA OVERSIGHT

(a) Oversight of Nuclear Facility Operations, Safeguards & Security, and Other High Hazard Activities - For nuclear facility operations, safeguards & security, and other high hazard activities identified by the Contracting Officer, NNSA oversight shall be performed at the transaction level. The Contractor shall cooperate with NNSA oversight personnel, NNSA Facility Representatives, and subject matter experts in the performance of their assigned functions.

(b) Oversight of Non-Nuclear Facilities - Once the Contracting Officer is satisfied that the Contractor Assurance System is operating effectively, NNSA will conduct oversight of the Contractor's Non-Nuclear Facilities operations at the systems level. NNSA, with Contractor input, shall develop performance metrics and performance targets as the means of defining NNSA's performance level expectations of the Contractor.

(c) Oversight of Programs, Projects, and Business Systems – In accordance with the Contract Clause entitled "Performance Based Management" the Parties will identify key end products and services that the Contractor provides to the Nuclear Weapons Complex. Oversight of the Contractor shall focus on whether the

Contractor meets the performance objectives, measures and targets in the Performance Evaluation Plan and the performance metrics and targets in the Contractor Assurance System.

(d) If the Contractor fails to achieve a performance measure or target, the Contractor shall develop a recovery plan and NNSA may increase its oversight of these areas until performance is corrected.

H-6 ACCOUNTABILITY

The Contractor is responsible for the quality of its products and for assessing its operations, programs, projects and business systems and identifying deficiencies and implementing needed improvements in accordance with the terms and conditions of this Contract, regardless of whether NNSA has evaluated the Contractor's performance in any area of the Contract. The purpose of NNSA oversight is for assessing the Contractor's performance in meeting its obligations under this Contract. NNSA oversight shall not be relied upon by the Contractor in assessing its performance.

II.

“Capitalize on Private Sector Expertise”

II. "Capitalize on Private Sector Expertise"

*"NNSA will **simplify requirements** by eliminating unnecessary details regarding **how** a task is to be accomplished from policy, guidance, orders, and other directions and by implementing contract reform that relies on commercial standards and external regulations, rather than self-generated burdens."* - *NNSA February 2002 Report To Congress*

A. Transition to Industrial Standards and Best Business Practices

- **Apply NNSA Policy Letter NAP-5 "Standards Management"**
  - **Provides Ability To Implement Industrial Standards & Best Business Practices**
- **Use Benchmarking Tools To Pursue Best-In-Class Performance in Key Areas**
- **Incorporate new Contract Clause**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"New governance approach. With these principles in mind, NNSA will develop and implement a simpler, less adversarial contracting model that capitalizes on the private-sector expertise and experience of the management and operating contractors while simultaneously increasing contractor accountability for high performance and responsiveness to NNSA program and stewardship requirements. NNSA will begin this new approach immediately by developing a contractor governance strategy based predominantly on commercial standards and the best industrial practices."

"NNSA will ***simplify requirements*** by eliminating unnecessary details regarding ***how*** a task is to be accomplished from policy, guidance, orders, and other directions and by implementing contract reform that relies on commercial standards and external regulations, rather than self-generated burdens."

Summary of Comments Received From Industry, Academia and NNSA Contractors

Commentors suggested that transitioning to use of industrial standards and best business practices, instead of agency-specific requirements, would result in increased efficiencies and reduced overall costs to the Government. One commentor suggested, "[o]ur approach to adopting industrial standards … can be implemented as a standard throughout the complex. This can be facilitated by revising contract requirements relating to DOE orders to give the contractor and local contracting officers more autonomy over

requirements applicable to their particular facilities …. The NNSA Model for Improving Management and Performance at SNL should allow for and promote the use of industrial standards. A methodology to record and update the requirements SNL sites are held to should be established …. In addition, an efficient negotiation system between NNSA and the contractor should be established to address costly new DOE or NNSA orders and procedures."

The commentors also suggested that by utilizing accredited third-party oversight, including achieving ISO certification, NNSA would have an added level of assurance that operations were effective and responsive without the agency needing to devise its own standards or verify compliance with its own independent means, resulting in agency savings. For example, one commentor indicated, "Certification to this international standard ensures that our research, design, manufacturing, and business processes are scrutinized by independent experts and that they stand up to the best businesses in the world. This assures our customers that we are meeting and exceeding their quality expectations. Accredited third-party assessments, such as ISO 9001:2000 and ISO 14001 for ES&H, save audit costs because ISO standards are consistent and understood across the world."

DOE Best Practices Pilot Study (February 2002)

"Nationally accepted industrial standards bring proven efficiencies, innovative methods, experienced personnel, shared innovations, tested technologies, and opportunities for professional skills advancement to the laboratory workplace. Laboratories working to mandated agency-specific criteria cannot improve at the pace of the nation's professions and commercial enterprises."

DISCUSSION

Current NNSA policy requires its contractors to comply with specific agency-mandated standards contained in DOE Orders. However, in 1996 at the Kansas City Plant, the contractor began a transition from DOE Orders to industrial standards that has resulted in greater efficiencies and cost savings while maintaining or reducing operational risk. The Kansas City Plant contractor is successfully utilizing nationally recognized experts (accredited third party oversight) and certification of its management systems in lieu of compliance with certain DOE Orders. For example, the contractor was permitted to substitute ISO 9001 for DOE's Quality Assurance and Information Technology requirements.

NNSA expects that giving the contractors more flexibility with respect to selecting the most cost effective and efficient means to accomplish the work will result in a higher level of performance. It should be anticipated that there will be some up-front transition costs, but in the end it is anticipated that there will be significant long-term performance improvements and cost savings to NNSA.

RECOMMENDATIONS

Proposed NNSA System Changes

- **Apply NNSA Policy Letter NAP-5 "Standards Management."** This will enable NNSA M&O contractors to bring industrial standards and best business practices to the site. (See II C.)

- **Benchmark to Improve NNSA & M&O Contractor Performance.** NNSA and its M&O contractors should benchmark across NNSA/DOE contractors, industry and other Federal agencies to achieve best-in-class/best-in-industry performance.

- **Monitor Performance**. NNSA and the M&O contractor will measure the effectiveness of the new standards and practices through performance metrics.

Proposed Model Contract Elements

- **Add Enabling Contract Language.** Utilize contract language, which encourages the contractor to continuously benchmark with industry to identify best commercial standards and best business practices that will improve site operations with the goal of achieving "best in class" in all performance areas. (See I.B.)

"Lift administrative burdens through streamlining policies, procedures, and staffing. ... will reengineer its business processes, with the objective of reducing by half the administrative workload imposed by policies, procedures, and guidance." - *NNSA February 2002 Report To Congress*

B. Streamline Administrative Systems to Achieve Efficiencies

- **Incentivize Contractors to Streamline Their Management and Administrative Systems**
- **Consider Utilization of Parent Systems**
  - Must Demonstrate Cost Effectiveness
  - Data Must be Transferable to Successor Contractor
- **Apply Savings at Site Toward Unfunded Priorities**
- **Incorporate new Contract Clause**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"Lift administrative burdens through streamlining policies, procedures, and staffing. NNSA (1) has tasked its senior contractor managers to identify the most nettlesome administrative burdens; (2) has benchmarked best business practices in other federal laboratories; (3) will reengineer its business processes, with the objective of reducing by half the administrative workload imposed by policies, procedures, and guidance; and (4) will rightsize and reinvigorate federal staff."

"NNSA will simplify requirements by eliminating unnecessary details regarding how a task is to be accomplished from policy, guidance, orders, and other directions and by implementing contract reform that relies on commercial standards and external regulations, rather than self-generated burdens."

Summary of Comments Received From Industry, Academia and NNSA Contractors

Several commentors stated that requirements in DOE Orders significantly increase the cost of contractor management systems. One commentor indicated that, "NNSA contract clauses and requirements, oversight, and assessments have created a 'zero risk management culture' in all areas of contractor operations. While this may be appropriate for matters of nuclear safety and national security, zero risk in other areas, including administrative support functions, adds costs and burden to the contractor and detracts financial and personnel resources from core mission work."

One Commentor indicated, "The contractors' ability to implement world class business processes is impeded by these overly prescriptive requirements. Moreover, these provisions, taken collectively, can have a profound impact on the vendor base of the Laboratories. Small and large businesses alike are sometimes reluctant to do business under the constraints of duplicative federal requirements. Adding requirements that are unique to DOE creates further compliance uncertainty to a vendor that has systems that already meet FAR requirements as determined by DoD or NASA. In addition to the cost impact to the DOE mission, the increased requirements create the risk of losing sources of some of the products and services that are critical to the mission."

Several commentors also suggested that expanding corporate support to allow the use of the contractor's existing corporate administrative business systems versus use of on-site administrative systems in low-risk type systems, such as property, procurement, human resources (Appendix A) and financial management, would result in significant cost savings to NNSA. For example, one commentor indicated that "NNSA policies limiting the allowability of branch and home office expenses should be considered to allow M&O contractors to transition support functions out of the M&O site, save expenses and facilitate the introduction of world-class business practices."

Several commentors indicated that the uses of parent organization practices are constrained by the current procurement regulations. One said: "The encouragement to use third party oversight, industry standards, and parent organization practices can have a higher likelihood of success, as you recognize, through a relaxation in the allowability of home office expenses. In several aspects of your proposed model, you encourage parent entity involvement and the use of parent entity best practices. Relaxation in the current allowability practices for home office expenses should be an important step to achieving greater parent entity involvement."

DOE Best Practices Pilot Study (February 2002)

"The procured entity has been viewed as an extension of the "owning" agency. Therefore, the procured research organization has been subject to agency directives and additional general governmental rules and standards. The procured organizations have developed a set of administrative requirements with funding agencies that are complex and expensive. **Program funding is spent on layers of administrative operations in an attempt to ensure zero risk**." [Emphasis added.]

DISCUSSION

The administrative systems that the contractors are responsible for at each site have a significant impact on the costs to the Government. Many of these administrative systems have been created, in part, because of DOE Orders that contained agency-directed processes and systems. In fact, many contractor systems may go beyond the requirements imposed by NNSA. Commentors' input and the successful record at the Kansas City Plant make a credible case that relaxation or replacement of DOE Orders and contract requirements and reliance instead on industry best business practices would lead to administrative efficiencies and reduced contract costs.

NNSA anticipates that this is an area where the expertise of the parent organization will prove valuable as they bring their knowledge of their systems to site operations. This approach would be in lieu of existing DOE/NNSA-directed processes and systems. NNSA will require that any parent system must be cost effective, and must allow for data transfer to any successor contractor before giving approval for such a system. To encourage parent involvement in bringing streamlined best business practices to the site, NNSA should review any current procurement practice that effectively discourages parent involvement.

This idea represents a new way of doing business at the sites and will require a commitment by NNSA and its contractors to change. NNSA should revise its requirements and only identify the minimum expectations that the contractor would need to meet (the *what*, not the *how*) for all administrative areas. Likewise, NNSA expects that giving the contractors more flexibility with respect to selecting the most cost effective and efficient means to accomplish the work will result in a higher level of performance.

Under the Model, the contractor would submit its proposals for transition to its parent systems to the CO for review and approval, if required by the contract. Once approved, the contractor would be allowed to transition to the new system.

To incentivize the contractor to implement more efficient processes, it is prudent to allow them to apply the savings resulting from increased efficiencies towards the site's unfunded priority list. Although cost savings achieved through more efficient systems and processes may not be directly reflected as an element in the contractor's annual appraisal, those cost savings contribute to the contractor's over-all ability to meet NNSA mission requirements.

RECOMMENDATIONS

Proposed NNSA System Changes

1. **Apply NNSA Policy Letter NAP-5 "Standards Management."** Allows site to develop administrative standards. (See II C.)

2. **Monitor Performance And Incentivize Contractor.** NNSA and the contractor should assess performance of the new administrative systems. Incentivize the contractor's best efforts to streamline administrative systems through allowance of contractor on-site reinvestment of cost savings and streamline performance assessment criteria through the annual appraisal (See III. A. and B.).

Proposed Model Contract Elements

3. **Add Enabling Contract Language**. Utilize contract language that encourages the contractor to streamline its administrative business systems and to apply parent organization systems. To encourage the application of parent corporate systems, add

a new proposed clause allowing corporate system expenses when cost effective and data readily transferable to a successor contractor as follows:

H-7 UTILIZATION OF PARENT ORGANIZATION SYSTEMS

(a) *The Parties agree that applying parent systems to site operations for the purpose of streamlining the Contractor's administrative, business or other systems, and parent services provided for that purpose, are allowable costs. The use of parent systems is encouraged provided that such systems are more efficient and represent an overall cost savings to the Government versus existing site systems, and data is readily transferable to a successor contractor. The Contracting Officer must approve the Contractor's plan to use its parent systems, where required by the Contract. Such system and related support services are not considered procurements as contemplated by the contract clause entitled "Subcontracts."*

(b) *The Contractor shall charge to the account of the Government as provided in the contract clause entitled "Payments and Advances," or as otherwise directed by the Contracting Officer, the amounts incurred for the above systems and related support services. Such amounts will be charged and accounted for as follows; however, in no event shall they be inconsistent with the cost principles in FAR Part 31. Costs may include travel, per diem, and other out-of-pocket costs, plus the actual salaries of the persons performing such services plus a percentage factor of salaries to cover fringe benefits and payroll taxes. The percentage factor will be applied in accordance with the Contractor's Cost Accounting Standards Disclosure Statement.*

(c) *The Contractor shall provide periodic reports of activities and costs incurred as required by the Contracting Officer. The amount reimbursable under this Contract shall be subject to NNSA/DOE audit.*

(d) *The total FY [TBD] estimated budget for these systems and related support services is $[TBD]. Budget limitations shall not be exceeded without prior Contracting Officer approval. The Parties agree that the budgeted amounts for costs may be reviewed further for appropriateness and scope. In addition, the Parties agree that a tracking process, acceptable to the Contracting Officer, providing sufficient detail for reasonable accountability, shall be implemented. The Parties agree to negotiate in good faith any adjustments to these budgeted amounts as a result of empirical information from any such tracking system or reviews.*

"NNSA will scrub policies, procedures, guidance, orders, and directives, thereby eliminating unnecessary transactional requirements, overlap, and duplication." - *NNSA February 2002 Report To Congress*

C. Develop NNSA Requirements

- **Step 1 -Apply NNSA Policy Letter NAP-5 "Standards Management"**
  - Allows Development Of Tailored Site Specific Standards
  - Policy Letter Also Enables Development Of NNSA-Wide Standards
  - Task NNSA And Contractor Team(s) To Develop NNSA-Wide Standards
- **Step 2 -Clarify NNSA Policy Letter Process To Specifically Allow Removal of DOE Orders From Contracts**
- **Leaving DOE Orders In Place Leaves Requirements In Place On the Federal Side**
- **Incorporate New Contract Clauses**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"NNSA will scrub policies, procedures, guidance, orders, and directives, thereby eliminating unnecessary transactional requirements, overlap, and duplication."

"NNSA will ***simplify requirements*** by eliminating unnecessary details regarding ***how*** a task is to be accomplished from policy, guidance, orders, and other directions and by implementing contract reform that relies on commercial standards and external regulations, rather than self-generated burdens."

Summary of Comments Received From Industry, Academia and NNSA Contractors

Commentors suggested that NNSA should establish a process to justify the establishment of or revision to an order, giving contractors more leverage to challenge a new order and Contracting Officers' additional authority to waive or modify DOE orders and requirements. In particular, contractors have virtually no ability to challenge one-size-fits-all orders and assess their benefit to a particular facility. For example, one commentor indicated, "A new governance model should consider eliminating the DOE order system and substituting a different form of directive implementation that streamlines requirements, establishes a teamwork relationship between NNSA and the contractor in determining when and how to apply new requirements to a particular

facility, and provides more autonomy for the contractor and contracting officers to challenge new requirements from field or headquarters offices. More cost effective operations would result."

Another commentor indicated that, "… an efficient negotiation system between NNSA and the contractor should be established to address costly new DOE or NNSA orders and procedures." A commentor indicated, "Perhaps a separate review process and ongoing policy control function could be established to police the new Policy Letters to assure that they do not drift in the prescriptive direction."

DOE Best Practices Pilot Study (February 2002)

"Federal policy authors usually do not have the field knowledge or site operational experience to reflect laboratory-specific characteristics when designing unique departmental work requirements. Consequently, new directives may be difficult and costly to implement, especially if they are prescriptive about how they should be implemented, as opposed to being prescriptive about the result they are designed to achieve. In addition, a steady stream of new agency directives leads to a continually changing set of [Administrative and Operational] requirements. The resulting instability and uncertainty lead to an inefficient use of resources and increase operating costs. Moreover, verbatim compliance often is costly, may be inappropriate for a specific site, and can be counterproductive to the mission. This impasse is overcome when a mission-responsible agency representative and the contractor work as partners in designing approaches to compliance issues and solutions to site-specific problems. Policy should be focused on expectations and outcomes instead of processes."

"Both NCAR and JPL have significant input into when, whether, and how directives are implemented…The contract then lays out a process whereby the contracting officer and the contractor agree to evaluate the applicability of new NASA Issuances and bilaterally modify the contract to reflect these new operating requirements, if mutually agreed upon."

DISCUSSION

After NNSA was created, its strategy was to adopt the DOE Directives System. DOE Orders and Directives have been criticized as being overly prescriptive, containing both the *what*, and the *how*. NNSA committed in its Report to Congress to *simplify requirements* by eliminating unnecessary details regarding *how* a task is to be accomplished from policy, guidance, orders, and other directions and by implementing contract reform that relies on commercial standards and external regulations, rather than self-generated burdens. NNSA has recently established an NNSA Policy Letter system. Through NNSA Policy Letters, NNSA should systematically replace DOE Orders with NNSA requirements.

Existing DOE policies are developed with broad-based application to federal staff and contractors through the Directives system and the Directives clause. For those DOE

Directives that have a contractor component to them, the contractor requirement is stipulated in a prescriptive Contractor Requirements Document, which is attached to the Directive and, in general, is unilaterally incorporated into the contract. The Directives clause does allow site-specific tailoring of the ES&H requirements (e.g., the Work Smart Standards) through partnering between the agency and the contractor experts.

The NNSA Policy Letter NAP-5 "Standards Management" allows the sites to tailor DOE and NNSA requirements and Directives to implement industrial standards and best business practices. This is consistent with the DOE work smart standards process that applies to ES&H Directives. The expansion of the work smart standards process to cover all technical and administrative areas is a logical next step.

The NNSA Policy Letter NAP-1 "Establishment of a Policy Letter System for Managing Policy, Directives, and Business Practices Within the National Nuclear Security Administration" provides guidance with respect to application of the NNSA Policy Letter Process as follows:

> Directives Policy Letters are utilized, in addition to the Department's Directives System, to:
>
> 1. Indicate how the Administration will implement a Department Directive;
> 2. Implement Departmental directives in a cost efficient manner;
> 3. Impart new policy and/or directives that are unique to the Administration; and/or
> 4. Provide short-term notices until more formal direction can be provided.

The NNSA Model Development Team believes that this policy is unclear with respect to removal or replacement of DOE Directives and recommends that number 3. be modified as follows to provide clarification:

> 3. Impart new policy and/or directives that are unique to the Administration **or that replace existing Department Directives;** and/or

The NNSA Policy Letter NAP-1 process also allows a Field Element Manager to "establish a local system of Policy Letters to provide local guidance to Administration Directives and Business and Operating Policy Letters." This provision should be deleted so that the establishment of a second tier of additional site requirements on the contractors does not occur. The establishment of a second tier system may result in a gradual increase in contract requirements versus streamlining NNSA requirements.

RECOMMENDATIONS

Proposed NNSA System Changes

1. **Clarify NNSA Policy Letter NAP-1.** Revise Policy Letter NAP-1 "Establishment of A Policy Letter System for Managing Policy, Directives, and Business Practices

Within the NNSA" to clarify NNSA's ability to replace a Department Directive with an NNSA Policy or Directive. Revise paragraph III .A.3 to read as follows:

3. Impart new policy and/or directives that are unique to the Administration ***or that replace existing Department Directives;*** *and/or*

2. **Apply NNSA Policy Letter NAP-5 "Standards Management."** Allows site to develop site-specific standards.

3. **Develop NNSA Requirements (Orders).** Assign a HQ Champion to task a team(s) comprised of NNSA and contractor employees to systematically streamline all DOE Orders and Directives applicable to NNSA by eliminating the *how* (as discussed in NNSA's 2002 Report to Congress) and replace the DOE Orders and Directives with new NNSA requirements through NNSA Policy Letters. In developing the NNSA requirements, an analysis of the benefit versus the cost of the order must be performed to assure that only those requirements that are necessary are finalized into a directive. If NNSA elects to proceed with creation of NNSA requirements in areas associated with Nuclear Facilities, the Defense Nuclear Facilities Safety Board (DNFSB) should be asked to be an active observer in areas specifically related to their statutory authority.

Proposed Model Contract Element

4. **Utilize Proposed NNSA Standards Management and Policy Letter Contract Clauses.** This Standards Management contract clause requires benchmarking to identify best commercial standards and best commercial practices. This Policy Letter contract clause would allow for the use and contractual recognition of NNSA Policy Letters. The clauses are as follows:

H-8 STANDARDS MANAGEMENT

The Contractor shall regularly benchmark with industry to identify and incorporate best commercial standards and best business practices into the Contractor's internal processes that will improve site operations with the goal of improving performance where cost effective. Where best commercial standards and best business practices are identified that conflict with a DOE Directive or DOE/NNSA requirement, the Contractor will submit a proposal to NNSA in accordance with the NNSA Policy Letter for Standards Management (NAP-5) or a successor policy letter. The parties shall use a jointly agreed upon process to tailor standards to be used across all applicable requirements. The Contracting Officer will provide final approval of those standards accepted by NNSA.

H-9 NNSA POLICY LETTERS

(a) The National Nuclear Security Administration (NNSA) may establish Administration-specific policies, unless disapproved by the Secretary of Energy. The NNSA will normally carry out this function by issuing NNSA Policy Letters that provide guidance or direction to NNSA and its contractors.

(b) If an NNSA Policy Letter is issued that replaces a DOE Order or Directive, or effects the work performed by the Contractor, and if the Secretary does not disapprove such an action, then the Contract's Part III, Section J, Appendix [TBD], List of Applicable Directives will be revised in accordance with the Contract Clause entitled "Laws, Regulations, and DOE Directives."

III.

“Increase Contractor Accountability for High Performance and Responsiveness”

III. "Increase Contractor Accountability for High Performance and Responsiveness"

A. On-site Investment Of Cost Efficiencies – Tool To Measure Success

- **Allow Contractor To Apply Cost Savings From Efficiencies At Their Site**
  - NNSA and Contractor Develop Unfunded Priority List for Each B&R at the Beginning of FY
  - NNSA Facilitation of Cross-Site Exchange of Funds Within B&R
- **Utilize As A Tool To Incentivize Contractor Efficiency**
- **Utilize As A Tool To Measure Contractor's Success In Streamlining Systems**
- **Add To PPBES And Contractor Appraisal Process**
- **Incorporate New Contract Clause**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"NNSA has begun to adopt and implement new or redesigned systems and processes. These include a disciplined program planning and budgeting process that allows its decision makers to make choices about the best use of resources so that its programs are cost-effective and achieve enterprise-wide integration."

Summary of Comments Received From Industry, Academia and NNSA Contractors

Commentors suggest that cost savings can be incentivized and that cost savings should be allowed to remain at the site to support other priority requirements that are unfunded. For example, one representative comment indicated, "DOE can base a portion of the contractor's fee on specific efficiencies, e.g., cost reduction, paperwork reduction, or DOE Order elimination efficiencies. In industry, for example, cost efficiency is the basis for determining performance efficiency, because bottom-line performance equates to net return on corporate investment. In this instance, the current 'integrated direct cost' model is incrementally eliminated and the contractor is required to identify overhead/indirect rate and fee targets annually, along with their necessary rationale and associated benefits. The Government then pays a portion of the contractor's fee based on cost savings actually achieved."

Another commentor indicated, "Allow contractors to retain savings from reductions in administrative burden for infrastructure investments, and not simply reduce their budgets with 'unallocated' cuts for efficiency."

DISCUSSION

NNSA's current system for incentivizing its contractors to increase cost efficiencies has been the Cost Reduction Proposal (CRP) process, which has been in place for many years. Among the NNSA sites, Savannah River (SR) has been the only site to effectively utilize this process. It is a difficult process to validate cost savings and is especially hard to determine whether cost savings is cost avoidance or whether a programmatic change caused the savings. The CRP process, as a result, has triggered numerous U.S. General Accounting Office (GAO) audits. SR is no longer using the CRP process and has replaced it with "stretch and superstretch" incentives that measure doing more work with the money that is available.

The contractors have stated there would be a greater incentive to increase cost efficiencies if NNSA allows sites to apply savings to their unfunded priority requirements. They recommend that NNSA should develop a policy to that effect. The contractor and NNSA should identify and agree to the annual unfunded priority list for each Budget & Reporting (B&R) category to ensure agreement on work the contractor can proceed with as efficiencies are identified. By incentivizing each NNSA site to streamline and apply its savings to its site unfunded priority list, NNSA should be able to realize significant progress towards NNSA's single integrated unfunded priority list. Current appropriation law precludes contractors from shifting appropriated funds across B&R codes; however, NNSA could appropriately facilitate cross-site exchange of funds in like B&R Codes when on-site investment is not feasible.

To further incentivize contractors to achieve additional NNSA priority mission work, NNSA could recognize them through the annual performance appraisal as a performance incentive (fee) as well as Award Term incentive for the extent of unfunded program activities achieved.

RECOMMENDATIONS

Proposed Model Contract Elements

1. **Utilize the following Contractor Reinvestment of Cost Efficiencies Clause, which incorporates the following elements:**

    a. Development of pre-approved annual unfunded priority list
    b. On-site investment of cost savings
    c. NNSA facilitation of cross-site exchange of funds within B&R codes when on-site investment is not possible
    d. Recognition of contractor performance in achieving cost-effective site improvements through the annual performance appraisal. (See III. B.)

H-10 CONTRACTOR REINVESTMENT OF COST EFFICIENCIES

Prior to the beginning of each fiscal year, or as soon as practical after the budget is determined, the NNSA and the Contractor will identify and agree upon listings of un-funded priority direct mission work identified by specific appropriation and budget and reporting category. Throughout the fiscal year, the Contractor shall apply cost efficiencies achieved through streamlining systems and operations only to un-funded priority direct mission work within the same appropriation and budget and reporting category (ECOR Control Level) unless a formal reprogramming action is approved by NNSA. Indirect cost efficiencies shall be returned to the mission work in the form of reduced indirect rates or applied only to un-funded priority indirect work, which has been approved and documented by the Contractor. The extent of un-funded priority work accomplished in each fiscal year shall serve as a key performance target when measuring the Contractor's success in improving performance and achieving cost efficiencies. Although it is the intent of the NNSA that the Contractor shall apply cost efficiencies at the site, the NNSA reserves the right to reallocate direct mission work cost efficiencies to other programmatic mission critical needs.

2. **Remove Cost Reduction Clause**. Remove DOE Acquisition Regulation (DEAR) 970.5215-4 Cost Reduction (DEC 2000) from NNSA contracts, as the process is difficult to validate and has been generally ineffective.

"Implement a streamlined, disciplined process for contractor performance evaluation. …This will help ensure that we provide appropriate reward or penalty in terms of fee paid or documented performance results that can directly impact a contractor's potential for contract extension or competitive award." - *NNSA February 2002 Report To Congress*

B. Implement Streamlined Administrative Performance Assessment Criteria

- **For Contractor Performance Evaluation Criteria, Incorporate The Following Principles:**
  - Minimize Use of Administrative Subcriteria to Avoid Inadvertently Expanding the Evaluation Criteria
  - Focus Fee on Mission Critical Functions and Do not have a Comprehensive Incentive
- **Add Evaluation Of Contractor's Demonstrated Success In Improving Performance And Achieving Cost Efficiencies**
  - Extent of Savings Applied to Unfunded Program Activities
  - Refocus FTE's Into Mission Critical Functions

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"The lack of accountability is the most consistent concern raised by both external and internal critics of the Department. NNSA's reforms will succeed by requiring its leadership to employ incentives and consequences, applying them consistently and fairly."

"Implement a streamlined, disciplined process for contractor performance evaluation. NNSA will be able to comprehensively assess our contractors' performance each year through use of a streamlined, disciplined process for contractor performance evaluation that is developed and maintained by a team representing all NNSA participants. This will help ensure that we provide appropriate reward or penalty in terms of fee paid or documented performance results that can directly impact a contractor's potential for contract extension or competitive award."

Summary of Comments Received From Industry, Academia and NNSA Contractors

Several commentors recommended that NNSA reduce the number of elements at a site that are assessed and incentivized. For example, one commentor stated: *"Establish results-oriented, streamlined performance evaluation process.* Streamline the performance appraisal … process to (a) focus on a major outcome and results ("the

critical few"); (b) have a single evaluation process that is part of an integrated PIFBES [PPBES] approach and directly engages the senior leadership at NNSA and the contractor; and (c) require realignment among performance evaluation standards and measures, NNSA objectives, and Laboratory (contractor) objectives."

Another commentor stated, "Our proposed model for governance of DOE-NNSA laboratories, and the associated contract vehicles for managing the relationships between the contractor and DOE, contains the following … elements: … Use performance-based management processes to drive improvement initiatives and sustain long-term performance excellence in those areas of greatest strategic value to DOE."

In addition, commentors suggested that NNSA should significantly reduce administrative functions that are incentivized. For example, one commentor stated: "CHANGE THE INCENTIVE FEE APPROACH TO FOCUS ON THE "RIGHT" WHATS -- While performance-based management concepts in award and incentive fee processes have successfully driven M&O contract performance improvement in recent years, and could drive performance improvement at SNL, award and incentive fees need to be streamlined and focused around core mission requirements. Often the *hows*, as well as administrative support functions are incentivized by the NNSA. Incentive and award fee reform would require: … Drastically reducing the number of incentivized areas to focus on just those measures directly linked to core mission requirements; and eliminating open-ended language in Performance Evaluation and Management Plans that requires contractors to dwell on errors occurring in aspects of the operations not directly linked to core mission requirements."

Another commentor stated: **"Large portions of the award fee and incentives are devoted to administrative and support activities in M&O contracts.** …administrative functions (those not considered "primary mission") have been incentivized at the [site] at a rate between 28% and 57% of the total fee over the past five years. In most operations, administrative functions merely support the primary objective of an organization. For M&O contractors, support functions are profit centers. **Naturally, this leads to an emphasis on these functions that otherwise would not exist. As emphasis in the award fee is reduced, the level of effort for the operation is reduced."** (Emphasis added)

Another commentor strongly recommended that the Administrator, NA-1, be personally involved in the formation of the critical performance objectives and that critical top-level NNSA Management create focus areas. "It is critical that the Administrator of the NNSA be directly involved with the highest levels of contractor management in setting forth the strategic direction of the weapons laboratories and production plants, the key areas of performance and in determining the levels of performance in those key areas."

DISCUSSION

The current NNSA practice in performance evaluation of its M&O contractors is to focus on major areas, each of which includes a significant number of subcriteria. The

evaluation of administrative functions should be eliminated from the performance criteria since the desire to achieve high ratings drives the contractor to create costly systems, which have low mission value. Instead, administrative systems are necessary to support mission requirements, but should not become "missions" in and of themselves. This reduction in the number of administrative subcriteria from the evaluation process would allow NNSA and its contractors to focus on mission critical elements.

In executing the Model Contract, the contractor is expected to evaluate its entire operations and to implement changes where efficient and cost effective that will result in performance improvements. Although there are several ways that NNSA could measure contractor success in improving performance and achieving cost efficiencies, the most direct, outcome based measure is the extent of un-funded priority mission work accomplished as a result of cost efficiencies. NNSA and the contractor should develop a list of unfunded priority mission work at the beginning of each FY that the contractor would achieve. The extent of accomplishment would constitute the measure of contractor success.

RECOMMENDATIONS

Proposed NNSA System Changes

1. **Implement Streamlined Performance Assessment Criteria**. For contractor performance evaluation criteria under this Model, incorporate the following principles:

    a. Minimize the use of subcriteria for administrative functions to avoid inadvertently expanding the evaluation criteria,
    b. Do not use a comprehensive incentive fee - focus fee on mission critical functions, and
    c. Measure Contractor success in improving performance and achieving cost efficiencies by evaluating the extent of cost efficiencies applied to unfunded priority mission work. (See III.A.)

C. Contract Award Term – Additional Performance Incentive Tool

- **A Tool To Maintain Long-Term Relationships With High Performing Contractors**
  - 5-Year Term with 1-Year Extensions Based Upon Outstanding Performance
  - 10 to 20 Year Limit for Continuous Outstanding Performance
- **Establish NNSA Award Term Policy And Utilize In Lieu Of Current DOE "5 + 5" Extend/Compete Policy**
- **Incorporate New Contract Clause**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"Implement a streamlined, disciplined process for contractor performance evaluation. NNSA will be able to comprehensively assess our contractors' performance each year through use of a streamlined, disciplined process for contractor performance evaluation that is developed and maintained by a team representing all NNSA participants. **This will help ensure that we provide appropriate reward or penalty in terms of fee paid or documented performance results that can directly impact a contractor's potential for contract extension or competitive award**." [Emphasis added]

Summary of Comments Received From Industry, Academia and NNSA Contractors

One commentor suggested that NNSA consider using a concept called award term as a means of extending or reducing contract term based upon contractor performance. One commentor stated that, "DOE should define what it wants to accomplish for the nation and rely on the contractor to define how it is done (within agreed to standards). Incentives (monetary, extensions of term, etc.) should be provided for cost savings in overhead areas in order to accomplish more high quality mission work."

Another also suggested that "Performance-Based Management Processes to Drive and Sustain Excellent Performance can be used to establish…contract extension decisions that are based on DOE's determination of whether it is in the best interest of DOE to compete a contract, not some arbitrary schedule."

DOE Best Practices Pilot Study (February 2002)

"Moreover, DOE should consider the practice of routinely adding one year to existing LBNL contract terms for each year with "outstanding" overall laboratory performance (up to a maximum of five extensions, or ten years total). DOE should also consider the loss of a year from the contract's term for unsatisfactory performance. Such an incentive/disincentive approach would provide many benefits for laboratory science programs, DOE administrative and program offices, and contractor management."

DISCUSSION

Private business sectors have a general philosophy of maintaining a continuous or long-term business relationship with those suppliers that provide outstanding products and/or services. Government typically competes its contracts regardless of contractor high performance. Award Term is a government method of applying a commercial process to government contractors.

The concept of providing a non-financial incentive (Term Options or, as referred to in the original Air Force contracts, "Award Term") began with the Air Force and was first used in October 1997 when the Air Force awarded its Aeronautical Systems Center contract to McDonnell Douglas Corporation for simulation services for the F-15C aircraft. Below is a list of Air Force and NASA contracts that have been utilizing Award Term:

1. *San Antonio Air Logistics Center (ALC), Firm-Fixed Price*, Contract Value is $10.164B, Contract Term is 5 to 15 years, initial ordering period is 7 years – can be reduced to 5 years or increased to 15 years
2. *Sacramento ALC, Firm-Fixed Price*, Contract Value is $1.58B, Contract Term is 5 to 8 years, initial ordering period is 5 years – cannot be reduced but can be increased to 8 years
3. *ASC Mission Training Center*, IDIQ Contract, Contract Value is $574M, Contract Term is 5 to 15 years, initial ordering period is 7 years – can be reduced to 5 years or increased to 15 years
4. *HQ Air Intelligence Agency*, Multiple Pricing Arrangement (FFP, CPFF, CR), Contract Value is $125M, Contract Term is 5 to 10 years, initial ordering period is a base year plus four option years with opportunity to earn 5 additional option years
5. *Subsurface Engineering and Logistics Support*, Award Fee/Award Term
6. *Base Operating Support (BOS) and Aircraft Maintenance for Randolph AFB*, TX, Award Fee/Award Term
7. *Glenn Research Center at Plum Brook* (NASA's first)

NNSA employed this concept when it recently awarded its small business set-aside contract for information technology support services. Other government organizations also utilizing or planning to use this approach include Naval Facilities Engineering Command, Naval Sea Systems Command Army's Ft. Drum in New York, U.S. General Services Administration, and U.S. Department of Health and Human Services. Also, an April 30, 2002 memorandum, signed by the DOE Under Secretary, indicated that DOE

also intends to consider contract extensions based on continuous outstanding performance in Office of Science laboratory contracts.

The November 24, 2003 draft Report of the Blue Ribbon Commission on the Use of Competitive Procedures for the Department of Energy Labs recommended [*t*]*he annual contract extensions for "outstanding" performers could accumulate to 20 years (from the basic 5 years) before an evaluation of "contract renewal vs. compete" takes place.*

> The key to the successful implementation of the Award Term concept is development of clear scoring methodology and evaluation criteria. The scoring methodology should be included in the Performance Evaluation Plan (PEP). The evaluation criteria and the metrics for measuring those criteria would be mutually agreed to by the parties annually and set out in an Award Term Incentives section of the PEP. The Award Term Incentives section should be of sufficient clarity to allow the contractor to assess its performance at any point during the annual appraisal period. The Award Term Incentives section should clearly describe both the contractor's short-term commitments to improve processes and also long-term vision for improving management and performance. The Award Term Incentives section should be negotiated annually. Under the Award Term concept, the NNSA Fee Determination Official would make a decision to extend the contract term in one-year increments if Contractor received an "outstanding" rating (i.e., the highest obtainable rating) against the fixed-fee performance objective criteria for Laboratory contracts and award-fee for Production/Test Site contracts and if the Contractor receives an "outstanding" rating against the Award Term Incentive criteria.

If the Contractor fails 3 times to earn award term, the operation of the Award Term concept should cease resulting in the Contract term not being extended beyond the remaining term unless so extended as a part of the DOE Extend/Compete Process. Furthermore, an Award Term concept should also include a negative consequence should a significant failure of the Contractor's management controls or a catastrophic failure occurs; thus, resulting in the potential forfeiture of up to 3-years of previously earned award.

Just like award fee, the potential to earn additional term is a motivator for the contractor to submit quality commitments throughout the term of the contract. In contrast, in the recent past, NNSA received only an initial two-year commitment at the beginning of the term in response to a competitive solicitation (as was the case at Kansas City, Pantex, and Y-12). For the remainder of the contract term, commitments were neither requested nor submitted.

The NNSA would have to establish new policy that provides contract term in excess of 10 years to facilitate this Award Term concept if DOE does not adopt the Blue Ribbon Commission's recommendation.

The policy in FAR 35.017 encourages agencies to maintain long-term relationships with Federally Funded Research and Development Centers (FFRDCs) to provide the continuity that will attract high-quality personnel. Some NNSA FFRDCs in reviewing the draft Model have expressed reservation on the award term concept. They indicated that award term may be inconsistent with fostering the long-term relationship with FFRDCs and could limit the Secretary's discretion in extend/compete decisions. The Blue Ribbon Commission recommended a contract term not to exceed 20-years. NNSA should consider this recommendation to encourage a long-term relationship but which should be balanced with outstanding contractor performance.

RECOMMENDATIONS

Proposed NNSA System Change

1. **In the Future, Consider Establishing NNSA Award Term Policy.** NNSA should consider developing an award term policy for NNSA M&O contracts that exceed 10-years to promote and reward outstanding performance.

Proposed Model Contract Elements

2. **Utilize the following Award Term Clause in NNSA M&O Contracts.**

H-11 AWARD TERM

(a) The Contract's term as set forth in the Section F Clause entitled "Period of Performance" may be extended if the Contractor obtains an overall rating of "Outstanding" on the performance objectives contained in its annual NNSA Performance Evaluation Report. If the Contractor does not receive an "Outstanding" rating, this Award Term clause becomes inoperable for the associated evaluation period.

(b) If the Contractor succeeds in achieving an overall "Outstanding" rating, NNSA will evaluate the Contractor's success in the performance areas set forth in the Award Term section of the Performance Evaluation Plan.

(c) The Contractor's performance in the performance areas described in the Award Term section of the Performance Evaluation Plan will be subjectively evaluated by NNSA as a component of its annual performance evaluation. The NNSA Site Office Manager will make an award term recommendation to the NNSA Fee Determination Official (FDO). The decision whether to award additional term will be made by the FDO in conjunction with the annual performance incentive fee determination.

(d) The award term decision is a unilateral determination of the FDO.

(e) If the FDO's determination is to award additional term, the Contract shall be modified unilaterally by the Contracting Officer to extend the term of the contract by one year.

(f) The Contract term, including all earned award term, shall not exceed a total cap of 10 years. [Note: The current DOE Policy limits a contract term to no more than 10-years. The Blue Ribbon Commission has recommended a term of 20-years (from the basic 5-year period).]

(g) If the Contractor fails 3 times to earn award term, the operation of this Award Term clause will cease. The Contract term will not be extended beyond the remaining term unless so extended as a part of the Extend/Compete Process as provided for by DOE Policy.

(h) A significant failure of Contractor's management controls, as defined in the clause entitled "MANAGEMENT CONTROLS," or a catastrophic failure, as defined in the clause entitled "CONDITIONAL PAYMENT OF FEE, PROFIT, OR INCENTIVES," by the Contractor may result in the forfeiture of up to 3-years of previously earned award term in addition to other remedies provided for in Contract Clause entitled "CONDITIONAL PAYMENT OF FEE, PROFIT, OR INCENTIVES." Such reduction in Contract term, if exercised by the Government, does not constitute a termination action pursuant to Contract Clause entitled "TERMINATION (COST REIMBURSEMENT) (SEP 1996) as modified by DEAR 970.4905-1(b)."

D. Establish NNSA Fee Policy

- **NNSA Has Established A Team To Develop NNSA Fee Policy And Should Consider the Following:**
  - **Laboratory Contracts**
    - Preserve Objectivity In Weapons Certification
    - Evaluate Incentives For Improved Performance
    - Consider Nature of Work In Establishing Fee
  - **Production Plants And Test Site**
    - Continue As Award Fee Contracts, With No Base/Comprehensive Fee to Maximize Performance Incentive
- **Incorporate New Contract Clauses**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"This will help ensure that we provide appropriate reward or penalty in terms of fee paid or documented performance results that can directly impact a contractor's potential for contract extension or competitive award."

"**Motivate the best achievable performance by our laboratories, plants, and test site while ensuring that they receive fair and comparable treatment.** We use performance-based management contracts to ensure that our contractors are focused on key program objectives and performance expectations and that they are held accountable for results. The contractors support internal DOE and NNSA customers, government agencies, and the private sector. Our approach is to develop and implement an integrated corporate process for planning, monitoring, and assessing contractor performance, resulting in a documented, supported evaluation and fee determination."

Summary of Comments Received From Industry, Academia and NNSA Contractors

Numerous comments were received regarding ways to incentivize M&O contractors. Comments ranged from the traditional, e.g., incentive type performance-based management contract, to the novel, e.g., using fee disincentives for nonconformance, or using contract extension decisions as the means to incentivize. One commentor indicated, "DOE can incentivize the contractor for performance, management, cost, and other efficiencies. In parallel with this implementation, the contractor is required to accept penalties (i.e., fee disincentives) for nonconformance to laws and appropriate DOE Orders. This sets up a system of fee-based checks and balances to encourage better

performance and discourage poor or dangerous practices. The contractor has strong reasons to pay attention to oversight requirements, while still being empowered to focus on mission achievement." Another suggested, "management fees should be commensurate with the strategic value delivered to the laboratory's customers and the risks assumed by the contractor." Another also suggested that "Performance-Based Management Processes to Drive and Sustain Excellent Performance can be used to establish … contract extension decisions that are based on DOE's determination of whether it is in the best interest of DOE to compete a contract, not some arbitrary schedule."

DISCUSSION

The Laboratories, in commenting on this aspect of the Model, stated that their performance is not driven by fee but rather is driven by their "desire to retain their reputation as outstanding institutions." They did mention that the National Laboratory Improvement Council in August 1998 developed the following "Statement of Fee Policy" in which they concurred:

> "Establish a separate, flexible fee policy for FFRDCs, consistent with their public service nature, to:
>
> - Attract a desired mix of contractor partners to operate the centers
> - Reward the contractor partners consistent with their corporate purposes
> - Limit contractor partner liability to statutorily imposed risks
> - Minimize the costs to scientific programs"

The NNSA Senior Procurement Executive is pursuing rulemaking to implement the NNSA Acquisition Regulations. He has established an NNSA Acquisition Regulation (NAR) team to evaluate elements for inclusion in the rulemaking process, including Fee Policy for the Laboratories and Production Plants. As NNSA reviews the laboratory fee policy, it should consider that any fee policy recognize the requirement for nuclear weapons certification objectivity (avoiding the potential for a conflict of interest - putting the contractor in a position whereby the scientific integrity of the U.S. nuclear arsenal could be jeopardized if the contractor was focused solely on earning a fee). It should also consider the critical nature of the non-R&D national security work being performed at NNSA nuclear weapons laboratories. NNSA should consider providing additional flexibility to recognize the actual categories of work performed by its nuclear weapons laboratories, adjusting fee accordingly to reflect the actual work performed. The additional fee should be a performance incentive fee directly linked to performance gains. Use of a Cost Plus Fixed Fee type contract with Performance Incentives could be used to stimulate improvement in overall contractor management and performance by placing fee at-risk for non-nuclear stockpile stewardship related work tied to specific short term and/or long term objectives, measures and targets; and, by placing the fixed-fee component against the stockpile stewardship mission.

The Model is premised on the concept of improving contractor performance. Contract types, such as Fixed-Fee and Award Fee contracts with Base/Comprehensive Fee run counter to that goal, since the fees are based upon status quo performance rather than continuous performance improvement. For this reason, NNSA's Production Plants and the Test Site should remain award fee contracts with no base fee or comprehensive fee to maximize performance incentives. It should be noted that in recent competitive awards at three NNSA production sites, the Award Fee was an element in the solicitation and the resulting contracts included no consideration of a base fee or comprehensive fee.

NNSA must address the disincentives currently in the system for a contractor to reduce their overall funding requirements through increased efficiencies. Currently, for NNSA Laboratories, Plants and the Test Site, fee is calculated as a percentage of total funding. There is no incentive for a contractor to reduce its total operating costs if this reduction results in reduced funding and a concomitant reduction in the level of fee. To incentivize the contractors, NNSA will need to assure that there are no reductions in fee if the contractor reduces its total funding requirements as a result of streamlining.

RECOMMENDATIONS

Recommendations For Consideration By the NNSA NAR Team:

1. **Laboratory Fee Policy Should Reflect The Following:** The NNSA fee policy must preserve the objectivity of the Laboratories' role in weapons certification. In considering a laboratory fee policy that includes FFRDCs, NNSA should provide flexibility to incentivize through a combination of mechanisms. The August 1998 National Laboratory Improvement Council "Statement of Fee Policy" may provide insight to assist in developing such an incentive package. Finally, the fee policy should more accurately reflect the full range of work performed at a particular laboratory and the contribution of that work to the overall NNSA mission. Any resulting increase in performance fee is expected to be offset by long-term efficiency gains as the Model is implemented and integrated into operations at that site.

2. **Production Plant And Test Site Award Fee Policy Should Reflect The Following:** Production Plants and the Test Site should remain award fee contracts with no base fee or comprehensive fee to maximize performance incentives. (See III. B.)

3. **Eliminate Disincentives To NNSA Contractors To Reduce Site Costs.** NNSA should revise its fee policy to assure that there are no reductions in fee if the contractor reduces its total funding requirements as a result of streamlining.

Proposed Model Contract Elements

4. **Include the following new clauses to incorporate requirements for performance appraisal process and fixed-fee, performance incentive (including associated process) and award term incentives (including associated process) in NNSA's Laboratory M&O Contracts.**

H-12 PERFORMANCE BASED MANAGEMENT

(a) Performance-Based Management System. This Contract is a management and operating performance-based contract, which holds the Contractor accountable for performance. This Contract uses clearly defined standards of performance consisting of performance objectives in relation to fixed fee, performance incentives as described in Contract Clause entitled "Performance Incentives" and award term incentives as described in Contract Clause entitled "Award Term" with measures and targets for each area agreed to in advance on a fiscal year basis and incorporated into the Performance Evaluation Plan. The Parties agree to continuously improve upon these standards of appraising Contractor performance.

(b) Performance Appraisal Process.

(1) Performance Evaluation Plan. A Performance Evaluation Plan developed by the Contracting Officer, with Contractor input, shall document the process by which the Contractor's performance will be evaluated. The Parties will strive to reach mutual agreement on expected business, operational and technical performance and will work together to develop performance objectives, performance incentives, award term incentives and associated measures and targets tied to key end products and NNSA/DOE strategic goals and objectives. The NNSA Site Office Manager reserves the unilateral right to make the final decision on all performance objectives and performance incentives (including the associated measures and targets) used to evaluate Contractor performance. The NNSA Administrator reserves the unilateral right to make the final decision on all award term incentives (including the associated measures and targets) used to evaluate Contractor performance. The Performance Evaluation Plan shall be finalized:

(i) Prior to the start of an appraisal period if the performance objectives, performance incentives, award term incentives and associated measures and targets have been mutually agreed to by the Parties; or

(ii) Not later than thirty days prior to the scheduled start date of the appraisal period, if the performance objectives, performance incentives, award term incentives and associated measures and targets have been unilaterally established by the NNSA Site Office Manager.

Only the Contracting Officer may revise the Performance Evaluation Plan, consistent with the Contract statement of work, during the appraisal period of performance. The Contracting Officer shall notify the Contractor:

(i) Of such bilateral changes at least sixty calendar days prior to the end of the affected appraisal period;

(ii) Of such unilateral changes at least ninety calendar days prior to the end of the affected appraisal period and at least thirty calendar days prior to the effective date of the change; or

(iii) If such change, whether unilateral or bilateral, is urgent and high priority, at least thirty calendar days prior to the end of the appraisal period.

(2) Contractor Self-Assessment Report. An annual self-assessment report will be prepared by the Contractor of its performance against the performance objectives and incentives contained in the Performance Evaluation Plan and other significant factors as determined by the Contractor and Contracting Officer. This report shall also (i) include an assessment of the effectiveness of, and the improvements achieved through, the Contractor Assurance System in accordance with Contract Clause entitled "Contractor Assurance System", and (ii) a statement by the Contractor's Senior Manager [President, Laboratory Director, General Manager] assuring the Contracting Officer that the Contractor's management system, including Assurance System Statements, utilized is adequate to provide reasonable assurance that its objectives are being accomplished and that the systems and controls continue to be operational. The parties agree that this statement fulfills the DOE Order 413.1 requirement "The Contractor shall consider all existing information and report annually to the appropriate Head of a Departmental Element on the status of their management control systems and financial management systems."

(c) Schedule for Performance Incentive Fee earned determination.

The NNSA Site Office Manager shall issue the Fee Determination Official's final total performance incentive fee amount earned determination in accordance with: the schedule set forth in the Performance Evaluation Plan; or as otherwise set forth in this contract. However, a determination must be made within sixty calendar days after the receipt by the Contracting Officer of the Contractor's self-assessment, if one is required or permitted, or seventy calendar days after the end of the evaluation period, whichever is later, or a longer period if the Contractor and Contracting Officer agree. If the Contracting Officer evaluates the Contractor's performance of specific requirements on their completion, the payment of any earned fee amount must be made within seventy calendar days (or such other time period as mutually agreed to between the Contracting Officer and the Contractor) after such completion. If the determination is delayed beyond that date, the Contractor shall be entitled to interest on the determined total available fee amount earned at the rate established by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) that is in effect on the payment date. This rate is referred to as the "Renegotiation Board Interest

Rate," and is published in the Federal Register semiannually on or about January 1 and July 1. The interest on any late total available fee amount earned determination will accrue daily and be compounded in 30-day increments inclusive from the first day after the schedule determination date through the actual date the determination is issued. That is, interest accrued at the end of any 30-day period will be added to the determined amount of fee earned and be subject to interest if not paid in the succeeding 30-day period.

H-13 PERFORMANCE INCENTIVES

(a) Performance Incentives Negotiations.

The Parties shall establish the specific Performance Incentives that the Contractor will be assessed against for fee determination in accordance with the Contract Clause entitled "Performance Based Management."

(b) Determination of Performance Incentives.

(1) The NNSA shall, at the conclusion of each specified appraisal period, evaluate the Contractor's performance for all Performance Incentive requirements. Performance factors will be evaluated in the aggregate.

(2) The Performance Incentive fee determination will be made in accordance with the Performance Evaluation Plan. The determination as to the amount of Performance Incentive fee earned is a unilateral determination made by the Fee Determining Official.

(3) The Contractor shall be promptly advised in writing of the Performance Incentive fee determination, and the basis of the Performance Incentive fee determination.

(4) Performance Incentive fee not earned during the evaluation period shall not be allocated to future evaluation periods.

(c) Fee. The maximum fees allocated for payments to the Contractor for the performance of the work under this Contract are set forth in Part I, Section B, of the Schedule. The fixed fee amount together with performance incentives fee earned is available for payment in accordance with the Contract Clause entitled "Payments and Advances." There shall be no adjustment in the amount of the Contractor's fee by reason of differences between any estimate of cost for performance of the work under this Contract and the actual cost of performance of that work.

E. Increased Participation And Commitment Of Parent Organization

- **Parent Support In Benchmarking To Identify Industry Standards And Best Business Practices**

BACKGROUND

Summary of Comments Received From Industry, Academia and NNSA Contractors

Many of the commentors stressed the importance of corporate commitment and infusion of their corporate knowledge into the operations of the laboratory. For example, one suggested that NNSA "could require a contractor to define how it intends to incorporate parent corporation processes at the site, how the parent corporation intends to hold the M&O contractor accountable for results, and how corporate talent and human capital will, on a continuous basis, be deployed to make the M&O contractor successful." Another stated "We recommend that the new model require contractors to bring parent company processes around each of the following core areas: continuous improvement, strategic planning, executive development, individual performance management, and integrity and compliance."

DISCUSSION

DOE/NNSA sites are typically operated by wholly owned subsidiaries of major corporations. The parent organization's commitments, if any, have been recognized in the contract (in the case of the recent competitive award of production plant contracts, as contract implementation plans contained within the selected offeror's proposal). These commitments are focused typically on the initial contract performance.

NNSA has made significant commitments to Congress regarding improving the operating effectiveness and efficiencies at its facilities. More specifically, the Model recommends the transition to industrial standards and best business practices into site operations to enhance contractor performance. A major factor in accomplishing this recommendation will be a parent's commitment to bring leadership, management expertise and support in benchmarking to the operating organization. This recommendation is discussed in Section I.A. of the Model, which proposes contract language encouraging this transition. To encourage parent commitment, Section II.B. of the Model proposes enabling contract language to encourage the application of parent systems where appropriate by recognizing that the costs associated with the application of those systems should be allowable.

RECOMMENDATION

Proposed Model Contract Element

1. **Add Enabling Contract Language**. To encourage the utilization of contractor parent expertise add new contract language (See I.A. and II.B.)

IV.

“Implement a Simpler, Less Adversarial Contracting Model”

IV. "Implement a Simpler, Less Adversarial Contracting Model"

- **Base NNSA Contracts Upon FAR**
  - *Subtitle E of Title XXXII "National Nuclear Security Administration," National Defense Authorization Act of FY2000 (PL 106-65):* "The Administrator shall establish procedures to ensure that the mission and programs of the Administration are executed in full compliance with all applicable provisions of the Federal Acquisition Regulation issued pursuant to the Office of Federal Procurement Policy Act." (50 U.S.C. 2462)
- **Recommend NAR Team Develop Clauses For Eventual Application Across All NNSA Sites**
- **Incorporate New Contract Clause**

BACKGROUND

NNSA Direction from the Administrator's Report to Congress

"Based on these principles, NNSA will develop and implement a simpler, less adversarial contracting model that capitalizes on the private-sector expertise and experience of its contractors while simultaneously increasing contractor accountability for high performance and responsiveness."

"Lift Administrative Burdens through Streamlining Policies, Procedures, and Staffing. NNSA is seeking to enhance its overall ***effectiveness*** and ***efficiency*** by:

- Clarifying and simplifying requirements.
- Streamlining and reducing oversight with minimal workload impact.
- Empowering expertise in the laboratories and production plants.
- Holding site contractors accountable for performance in compliance with clear expectations."

"NNSA will simplify requirements by eliminating unnecessary details regarding how a task is to be accomplished from policy, guidance, orders, and other directions and by implementing contract reform that relies on commercial standards and external regulations, rather than self-generated burdens."

Summary of Comments Received From Industry, Academia and NNSA Contractors

The comments provided concerning changes to the contract clauses were extensive. One commentor summarized the consensus view as follows: "Numerous independent studies and reports commissioned by Congress and the DOE have all concluded that a major impediment to achieving additional operational efficiencies is '*the number of prescriptive contract provisions relating to activities of M&O contractors in operating and maintaining DOE facilities*.'" … "The most critical aspect of a successful implementation and operation of the new NNSA Governance contract model is a fundamental restructuring of contractor and government roles and responsibilities. The modification and elimination of these contract clauses establishes the framework for examining and redefining these roles."

DISCUSSION

In the Report to Congress, NNSA committed to develop a more streamlined contracting model. The NNSA Model Development Team proposed a two-fold process for streamlining an M&O type contract. First, the NNSA Model Development Team started the process of reviewing the DEAR contract clauses included in the SNL contract. However, since the NNSA Senior Procurement Executive has subsequently created the NNSA NAR Team to likewise review the DEAR clauses applicable to M&O contracts, the NNSA Model Development Team ended any further analysis and therefore deferred any recommendations to the NAR Team. Second, the proposed Model contract clause "Standards Management" would facilitate the contractor's identification of contract requirements (DOE Directives/Orders, etc.) for removal or tailoring in order to bring best commercial or industrial practices to NNSA.

RECOMMENDATIONS

Proposed NNSA Systems Element

1. **DEAR Clause Changes –** Defer to the NAR Team.

Proposed Model Contract Elements

2. **Utilize the Standards Management Clause** (See Section I.B).

V. Summary of Model's Potential Benefits

- **Framework For Achieving NNSA's Commitment To Congress To Improve Management And Performance**
- **Opportunity To Create Site Multi-Year Vision For Continuous Improvement**
- **Opportunity To Generate Cost Efficiencies**
- **Opportunity To Support Realignment Of Federal Functions**
- **Opportunity To Refocus Contractor Resource Allocation Toward Mission Priorities**

DISCUSSION

FRAMEWORK FOR ACHIEVING NNSA'S COMMITMENT TO CONGRESS TO IMPROVE MANAGEMENT AND PERFORMANCE

The recommendations in this Model present opportunities for NNSA to achieve the objectives of improved management and performance discussed in the Report to Congress. The Model provides an enabling framework to achieve these objectives. The actual changes will result from efforts of the NNSA and its contractors to revise policies, contract language, requirements, procedures and, ultimately, management systems that will improve the management and performance at each site.

OPPORTUNITY TO CREATE SITE MULTI-YEAR VISION FOR CONTINUOUS IMPROVEMENT

The Model requires the contractor to develop a multi-year vision for change and continuous improvement, outlining its commitments to accomplish this vision.

OPPORTUNITY TO GENERATE COST EFFICIENCIES

Actual cost efficiencies that can be realized by implementation of the Model are dependent upon the extent of the recommendations implemented and the aggressiveness of NNSA and its contractors in achieving the proposed changes. It is anticipated that costs may initially increase as NNSA implements the Model but it is expected that, over the long term, significant cost efficiencies can be realized. With the savings generated by these efficiencies, NNSA could make considerable progress in addressing un-funded priority mission work and refurbishment of the weapons complex facilities.

An extrapolation of the potential savings in General Support costs (management and administration) if a performance improvement of 5% were to be achieved across the NNSA weapons complex contractor general support functions equates to $48 million. Each additional 1% efficiency improvement equates to $9.6 million. This estimate of

potential savings was derived from the FY2001 actuals for NNSA sites. Although it is anticipated that implementation of the Model will result in improvements in Mission Support and Mission Direct Functions, we did not extrapolate these potential cost efficiencies at this time.

OPPORTUNITY TO SUPPORT REALIGNMENT OF FEDERAL FUNCTIONS

One of the key recommendations in the Model, reengineering of Federal/contractor oversight, will reduce federal transactional oversight. These Federal functions would be replaced by accredited third-party transactional inspections, which each contractor must obtain from industry as part of its Assurance System.

With the planned reengineering of NNSA roles and responsibilities, it is anticipated that the Site Offices, Service Center and HQ responsibilities will change. This Model facilitates the reengineering effort. By reducing Federal oversight, the Model creates an opportunity to realign Federal personnel from oversight into these new roles. Staff retraining may be required in certain cases.

OPPORTUNITY TO REFOCUS CONTRACTOR RESOURCE ALLOCATION TOWARD MISSION PRIORITIES

The goal of this Model is to create an atmosphere of change that will enable greater focus on accomplishment of the NNSA Mission. NNSA expects its contractors to bring private sector expertise to the operation of NNSA facilities. Improved contractor management and performance will result from contractors' streamlining management systems and realignment of their workforce over time to achieve efficiencies. The Model recommends incentives to reward contractors who meet this challenge.

NNSA will need to address the disincentives currently in the system for a contractor to reduce their overall funding requirements. Currently, fee is calculated as a percentage of total funding and there is no incentive for a contractor to reduce its total costs of operating a site if the level of fee is reduced. NNSA will need to assure that there are no reductions in fee if the contractor reduces their total funding requirements as a result of streamlining.

OPPORTUNITY TO CREATE A PERFORMANCE IMPROVEMENT SYSTEM

The focus of this Model is to improve management and performance. Application of the Model will create an opportunity for NNSA to foster the integration of the Contractor's Assurance System, Standards Management, reengineered federal oversight of contractor operations, and streamlined performance assessment criteria based on demonstrated performance.

The Model is expected to strengthen NNSA's Performance Based Management techniques, and attain fiscal efficiency through application of industrial standards and best business practices. Many of the Site Offices and M&O contractors were reluctant to quantify cost savings, performance improvements, work force realignment, etc., but they

believed these effects would occur, if the Model is implemented, over a one- to ten- year period. One commentor stated, “The Model will provide future opportunities for continued evolution and refinement of guidelines and for redefining the nature and degree of NNSA and contractor involvement based on considerations of contractor performance.”

VI. NNSA Next Steps

- Name A NNSA Senior Manager As The NNSA Model Corporate Champion
- With Approval Of The Administrator, Implement Model At All NNSA M&O Contract Sites
  - Establish time frame for implementation

The Administrator's February 2002 Report to Congress makes clear that NNSA plans to pursue a more efficient and agile nuclear security enterprise recognized for world class leadership and program management. This Model for Improving Management and Performance creates a framework to achieve that objective by redefining the federal-contractor relationship, transitioning to industrial standards and best business practices to capitalize on private sector expertise, and increasing contractor accountability and efficiencies. The Model presents recommendations consistent with comments received from industry, academia, and several NNSA contractors. In addition, input from DoD and NASA regarding their performance initiatives was also considered in the development of the Model.

The Administrator's Report to Congress provides the vision to move NNSA forward. It is a challenging task to conceptualize organizational change, but it is perhaps more difficult to manage that change and make it work. A successful Model for Improving Management and Performance must offer Federal and contractor management a tool to effect organizational change through a contract structure that promotes and facilitates change. While contract changes may lead to some early successes, long-term success of the Model will require sustaining a Federal and contractor management structure that embraces organizational change. For this reason, it is recommended that a Senior NNSA official, such as the NNSA Chief Operating Officer, NA-2.1, serve as the Corporate Champion for this effort to assure that opportunities are pursued and successes communicated across NNSA.

As indicated in the Report to Congress, it was the Administrator's intent to develop a Model for improving management performance that would be piloted solely at SNL to ensure the Model is evaluated. Many of the recommendations in the Model lend themselves to application across the NNSA nuclear security enterprise as soon as possible to achieve NNSA's vision of improved management and performance in the shortest period of time. Accordingly, the Administrator should consider implementing, as soon as possible, applicable parts of the Model across all NNSA's M&O sites, and based on an evaluation at SNL, consider applying the remainder of the Model across all NNSA M&O sites.

Appendix 1 – NNSA Model Development Team Members

- Richard Sena, Team Chairman, NNSA Service Center
- Will Maez, Office of Chief Counsel, NNSA Service Center
- *Michael Frietze, Office of Business Services, NNSA Service Center
- Michael Loera, Office of Business Services, NNSA Service Center
- Ron Rodger, NNSA Sandia Site Office
- *Karen Griffith, NNSA Sandia Site Office
- Patrick Hoopes, NNSA Kansas City Site Office
- Walt Lips, NA-63, NNSA Headquarters

*Retired from Federal service prior to the Model Report being finalized

Appendix 2 – NNSA Sandia Contract Negotiation Team Members

- Patty Wagner, Team Leader, NNSA Sandia Site Office
- Richard Sena, NNSA Service Center
- Will Maez, NNSA Service Center
- Michael Loera, NNSA Service Center
- Jim Robbins, NNSA Sandia Site Office

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