

Approved: 2-28-2011

# TRANSFORMATIONAL GOVERNANCE AND OVERSIGHT

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**NATIONAL NUCLEAR SECURITY ADMINISTRATION**  
**Office of the Administrator**



## **TRANSFORMATIONAL GOVERNANCE AND OVERSIGHT**

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1. PURPOSE. The purpose of this Policy is to identify the principles, responsibilities, processes, and requirements that the National Nuclear Security Administration will utilize to transform and improve Federal governance and oversight of our Management and Operating (M&O) Contractors. The information in this document is to be used as the foundation for Governance transformation and the basis for how NNSA conducts business.
2. CANCELLATIONS. None.
3. APPLICABILITY.
  - a. This NNSA Policy (NAP) applies to all NNSA Federal personnel and to NNSA Management and Operating Contractors. Contracting Officers are responsible for including this policy in M&O contracts.
  - b. Office of the Deputy Administrator for Naval Reactors. In accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 USC sections 2406, 2511 and to ensure consistency throughout the joint Navy/DOE Naval Nuclear Propulsion Program, the Deputy Administrator for Naval Reactors (Director) will implement and oversee requirements and practices pertaining to this Directive for activities under the Director's cognizance, as deemed appropriate.
4. REQUIREMENTS. This Policy is a living document that centralizes the various documents that encompass the effort to transform the NNSA and its relationship with the NNSA M&O Contractors. This transformation is being accomplished consistent with existing DOE Directives/ Policies such as 226.1A, 450.4-1, etc. Future chapters will be added as necessary. When all of the activities in the Governance Reform Plan are complete, this NAP will institutionalize all that encompasses NNSA Transformational Governance and Oversight.
  - a. Chapter One, *Overview*, provides a brief background on the initiation of NNSA governance transformation.
  - b. Chapter Two, *NNSA Operating Principles*, is based on the Department of Energy Management Principles and documents the NNSA Operating Principles that were approved by the Administrator in February 2010. These Principles form the foundation for all of the other initiatives in this document.
  - c. Chapter Three, *Definitions*, contains definitions of terms related to transformational governance and oversight and supplementary information pursuant to the February 5, 2010, NNSA Operating Principles.
  - d. Chapter Four, *Description of Governance*, provides a description of the

objectives, critical factors, and definitions associated with governance in the NNSA. These concepts significantly figure in attaining the necessary Federal and Contractor partnership that will improve safety, performance, and drive efficiencies across the Enterprise.

- e. Chapter Five, *Organizational Roles and Responsibilities*, expands and follows the NNSA Operating Principles and supersedes the Administrator's October 12, 2007 memorandum entitled, *Functional Accountability*. It establishes policy on the general division of responsibilities between NNSA organizational levels, and provides selected detailed responsibilities to frame the intended relationship. While the division of roles and responsibilities for all line, program, and functional areas are expected to be consistent with the roles and responsibilities contained in this document, it is recognized that in some situations the HQ/field division of responsibilities could vary to some degree between NNSA elements due to applicable statutory and regulatory requirements. More detailed assignment of HQ and field roles and responsibilities within specific line, program, and functional areas will be established during the development and promulgation of a comprehensive NNSA Functions, Roles, and Authorities (FRA) document.
- f. Chapter Six, *Framework for a Contractor Assurance System (CAS)* identifies the common expectations/characteristics that should be found in CAS systems across NNSA Sites. A critical element of the partnership with the M&O Contractors is their ability to manage innovatively and deliver program results in an efficient, safe, secure, legally compliant, and environmentally sound manner. Thus, it is important for the NNSA Enterprise to have a clear understanding of the expectations/attributes of a well functioning CAS.
- g. Chapter Seven, *Requirements Analysis Process*, identifies that good requirements (necessary, verifiable, attainable, clear, consistent, and complete) enable management to effectively and efficiently set and manage expectations, establish common understandings, discover and test assumptions, and create a basis for risk management and system verification and validation. Additional information will be added to this section at a future date.
- h. Chapter Eight, *Validating Line Oversight and Contractor Assurance Systems (LOCAS)*, contains a description of the elements associated with the validation and affirmation of LO and CAS Functionality and Effectiveness. LO and CAS are fundamental elements of NNSA's management strategy for assuring effective contractor performance in meeting mission objectives and other requirements.
- i. Chapter Nine, *Integrated Oversight and Assessment Schedule*, describes an integrated assessment planning model for use in identifying the set of NNSA assessments to be conducted across the Nuclear Security Enterprise. This model supports a risk informed assessment identification process and an

integrated Site-plan that includes HQ led assessments. Also included in this chapter are a set of Assessment Identification, Planning, and Performance Principles to assure that if an assessment is necessary the basic tools are in place to assure that its value is maximized, and to provide both the assessing and assessed organization a guide to assuring such an outcome.

- j. Chapter Ten, *Performance Evaluation Plan (PEP) and Metrics* will be developed to define a new orientation for the performance criteria by which NNSA will appraise the M&O Contractors' performance. The PEP will evaluate and promote the Governance and Oversight framework based on mission focus, risk, trust, and accountability. It will be written to implement the collective principles communicated in this document and to reinforce the changes envisioned within the Governance Transformation efforts.

- 5. RESPONSIBILITIES. See Chapter III.
- 6. CONTACT. Office of the Principal Deputy Administrator (202-586-5555).

BY ORDER OF THE ADMINISTRATOR:

A handwritten signature in black ink, appearing to read 'T. P. D'Agostino', written in a cursive style.

THOMAS P. D'AGOSTINO  
Administrator

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## Message from the Administrator

President Obama challenged our Government to fundamentally change the way we do business, be more efficient, and deliver quality results for the American taxpayer. As the National Nuclear Security Administration (NNSA) responds to the President's challenge, and through the Secretary of Energy's leadership in Government transformation, we are uniquely poised through our history of contract, business, and human capital initiatives to deliver on the President's challenge and set the course for the future of NNSA in the decades to come.

As we celebrated the NNSA's 10<sup>th</sup> Anniversary, we saw the release of a Nuclear Posture Review that adopts a 21<sup>st</sup> Century approach to nuclear security, the signing of the new Strategic Arms Reduction Treaty, the completion of a historic global Nuclear Security Summit and the release of the President's Fiscal Year 2011 and 2012 Budgets which makes critical investments in the physical, technological, scientific and human capital required to manage our nuclear deterrent and implement the full range of nuclear security missions. All of these actions reflect the Administration's commitment to ensuring national, as well as nuclear security, and for NNSA to implement the President's nuclear security agenda. This is a monumental moment for the NNSA, and our current work has significant impact on our mission for decades to come. We are taking an important step towards ending Cold War thinking and adopting a 21<sup>st</sup> Century approach to nuclear weapons and nuclear security issues.

In order to effectively utilize our limited budgetary resources to implement the President's agenda, our focus will continue to be the management transformation activities that maximize our ability to complete our mission safely and securely and ensures we are effective and efficient stewards of the taxpayer's money. Thus, it is one of my highest priorities to champion NNSA's enterprise reengineering and governance transformation initiative, which has set the stage for transformational governance and oversight.

In April 2009, I established the Enterprise Reengineering Team (ERT) to identify Enterprise-wide transformation initiatives that will change the way NNSA does business. With your help, we received over 100 recommendations from across the Enterprise. Based on these recommendations and at the request of the ERT, in July 2009, I assigned senior leaders to implement improvements in three major areas: (1) the way we govern our Contractors and ourselves, (2) facilitate business system improvements, and (3) improve upon how we capture our financial data. To oversee and approve recommended changes to how we operate in these three areas, I established and chaired a Governance Board. These efforts have culminated in transformational governance and oversight.

My vision is to streamline NNSA business operations and reduce operations costs to maximize mission accomplishment. The NNSA of the future will be a smaller and less expensive Enterprise that leverages scientific and technical capabilities of the workforce to meet our nuclear security mission safely and securely. This will be achieved: 1) through common understanding of how we govern and perform; and, 2) by leveraging upon strong Federal and Contractor Assurance Systems that improve performance and accountability, reduce costs, and utilize validated industry standards for non-nuclear activities where possible.

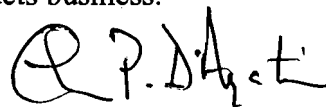


In February 2010, I issued the NNSA Operating Principles that were developed from the Department Management Principles. These Principles are the core to NNSA's management transformation initiative and guide our priorities, decision-making process, collaboration, and partnership with entities that perform our work. They are the fundamental principles of how we execute our responsibilities. They are the foundation of all the governance transformation initiatives.

Our governance transformation is based on a supporting partnership with our Contractors for mission success. The contract is the governance framework that supports accomplishment of the mission. A critical element of the partnership is the ability of our Contractors to manage innovatively and deliver program results in a safe, efficient, secure, legally compliant, and environmentally sound manner. They will do this through fully functioning, transparent, Contractor Assurance Systems. These systems significantly figure in attaining the necessary partnership that will improve performance, efficiencies, and accountability across the Enterprise.

We will continually improve upon performance-based oversight by using a graded approach consistent with associated risks and Contractor's demonstrated performance. While doing that, we will maintain our responsibility to exercise independence in oversight to sustain a strong self-regulatory posture where applicable and appropriate. Rigor and implementation of independent oversight for nuclear and high hazard activities will continue to be maintained and enhanced as we balance requirements, risks, and resources. Achieving that balance will not trade program accomplishment for the safety of our workers, the public, protection of the environment or security. Our processes ensure that safety and security are treated as essential elements that are integral to our mission, not separate considerations.

I expect the information in this document to be used as the foundation for Governance transformation and the basis for how NNSA conducts business.

A handwritten signature in black ink, appearing to read "T. P. D'Agostino". The signature is stylized with a large, looped "T" and a cursive "P".

Thomas P. D'Agostino  
Administrator



## **Chapter One - Overview**

U.S. national security demands that the NNSA Enterprise maintain technological superiority and a nuclear capability second to none. To accomplish this, the NNSA must remain the preeminent scientific, engineering, and manufacturing Enterprise that delivers a safe, secure, and reliable nuclear deterrent capability. This requires that safety, security, efficiency, and productivity all be balanced and maintained in a diligent manner. Given the complexity and hazards of our work, it is understandable that the systems and processes established to ensure these objectives can become unwieldy or overly complex over time. To maximize the overall national security benefits provided by NNSA, it is necessary to revise our systems and processes to improve productivity and reduce the cost of executing the NNSA mission while increasing overall safety and security expectations and performance.

This does not imply that NNSA is “backing off” on safety or security, or emphasizing science and production to the detriment of safety or security. Rigor and implementation of independent oversight for nuclear and high hazard activities will continue to be maintained and enhanced. However, this transformation is necessary in order for NNSA to make risk informed decisions and allocate appropriate resources to higher risk safety and security oversight. It is essential to reform the governance strategy to ensure that there is proper focus on the NNSA mission and that the NNSA’s oversight/governance is executed to enable this mission.

### **Goal of Governance Transformation**

The ultimate goal of the NNSA Reengineering and Governance Transformation Initiative is to streamline how NNSA does business and to reduce the cost of operations and increase productivity to maximize mission accomplishment. Upon completion of the Governance Transformation Initiative, the expected results include:

- Definition of governance and NNSA’s Operating Principles
- Clear roles, responsibilities and accountability
- Strong Contractor Assurance Systems
- Appropriate alignment of programmatic and operational risks to safely accomplish mission
- Balanced Federal requirements and oversight
- Individual and contractual performance accountability
- Definition and use of key performance metrics



## Chapter Two - NNSA Operating Principles

The Deputy Secretary of Energy issued the following Department Management Principles in December 2009:

1. *Our mission is vital and urgent.*
2. *Science and technology lie at the heart of our mission.*
3. *We will treat our people as our greatest asset.*
4. *We will pursue our mission in a manner that is safe, secure, legally and ethically sound, and fiscally responsible.*
5. *We will manage risk in fulfilling our mission.*
6. *We will apply validated standards and rigorous peer review.*
7. *We will succeed only through teamwork and continuous improvement.*

The NNSA Operating Principles were developed to implement the DOE Management Principles and build upon NNSA's management transformation initiatives. The Administrator issued the NNSA Operating Principles in February 2010. These Principles reaffirm that NNSA activities are of a highly performing, highly reliable Enterprise that consistently accomplishes its mission goals. The Principles guide the priorities, decision-making process, collaboration, and partnership with entities that perform NNSA work. The following Principles are fundamental direction of how NNSA executes its responsibilities:

***Our mission is vital and urgent — we constantly focus on mission outcomes.***

- US nuclear security is the fundamental mission of the NNSA and its laboratories, plants, and test site.
- Mission managers bear responsibility for achieving mission outcomes.
- Support managers provide technical assistance and support to enable mission delivery.
- Our activities reflect a mission-focused, high performing, high reliability enterprise consistently delivering on its commitments and addressing national needs.
- We constantly strive to drive innovation and reduce barriers to effectively and collaboratively accomplish our mission.

***Science and technology lie at the heart of our mission.***

- The NNSA and its laboratories, plants, and test site are resources to organizations in the US Government with national security missions.
- We manage our laboratories, production, and other facilities in a manner that sustains and leverages their formidable technical capabilities in response to the ever-expanding challenges to our Nation's security.
- The NNSA national laboratories' mission is to provide premier science and technology support for the US national security mission.

***We succeed only through teamwork, innovation, and continuous improvement.***

- The long-term strategic future of the Nuclear Security Enterprise is a shared responsibility of Federal and Contractor staff and leadership and requires a strong partnership and trust.
- Individual and contract performance evaluations reflect contributions to mission outcomes.
- We treat our people as our greatest asset.
- All functions within NNSA are periodically evaluated in relation to mission enablement.

***We pursue our mission in a manner that is safe, secure, legally and ethically sound, and fiscally and environmentally responsible.***

- The Administrator is ultimately responsible for ensuring the quality of the product/outcome; security of operations; the safety and health of employees and the public; and the protection of the environment.
- Mission and functional managers at the Federal and Contractor level bear full responsibility for achieving assigned objectives in a manner that is safe, environmentally responsible, secure, legally and ethically sound, and fiscally responsible.

***We manage risk across program objectives and operational performance to fulfill our mission.***

- Decision-makers balance programmatic and operational risks to accomplish mission requirements and meet national security needs.
- Authorities are aligned to accountability and are assigned to decision-makers that are closest to the work.
- Certain critical decisions are made at the highest levels of NNSA due to a unique risk or as driven by law, Federal regulations, or to balance risks and resources across the Nuclear Security Enterprise (NSE).

***We apply validated standards and rely on rigorous peer reviews.***

- Wherever possible and warranted, NNSA executes work in accordance with validated standards; where these standards do not apply or are inadequate, work processes are developed.
- Contractors are expected to employ best management practices.
- We constantly strive to reduce or eliminate requirements for transactional oversight where not required by statute or the Federal Acquisition Regulations.

## **Chapter Three - Definitions**

The following are definitions and supplementary Information Pursuant to the February 5, 2010, NNSA Operating Principles

**ACCOUNTABILITY:** The state of being liable for explanation to a senior authority or more senior NNSA official for the exercise of authority. Ultimate accountability is to the Secretary, who may delegate authority or share responsibility for specified actions. The person receiving an authority is accountable to the delegator for the proper and diligent exercise of that authority.

**AUTHORITY:** The permission afforded by law, regulation, directive, or written delegation from an authorized NNSA official enabling an NNSA employee, and/or M&O Contractor, to perform a function or reach and implement a decision.

**AUTHORIZING OFFICIAL:** The authorizing official is the official who has the responsibility to grant or withhold permission for an activity. It is normally the line manager responsible and accountable for its completion, as well as closest to the work process. In most cases, this will be the Site Office Manager. However, certain (critical few) decisions must be made at the highest levels of NNSA due to a unique risk (safety, security, political, etc.) or as driven by law, rules, contract terms and conditions; or to balance risks and resources across the NSE. For example, the Administrator (or as delegated to the Principal Deputy Administrator) serves as the Central Technical Authority, as well as the final determining official for certain Differing Professional Opinions.

**BUSINESS MANAGEMENT SUPPORT SERVICES:** Professional services in the areas of financial management (including budget, accounting, and strategic planning); human resources management, personal property management, procurement management, facility and real property management, and project management.

**CENTERS OF EXCELLENCE (COE):** Single function business or technical services organization with required delegations that serve to supply expertise within DOE or NNSA. (e.g., Los Alamos National Laboratory as NNSA Electrical Safety COE).

**COGNIZANT SECURITY AUTHORITY (CSA):** DOE and NNSA Federal employees who have been granted the authority to commit security resources or establish the allocation of security personnel or approve security implementation plans and procedures in the accomplishment of specific work activities. For NNSA operations and activities, statutory CSA flows from the Secretary, to the Administrator, to the Chief, Defense Nuclear Security, who may further delegate this authority to Site Office Managers (SOMs). Contractor specific requirements will be delegated by SOMs to the contractor.

**DELEGATION:** Written permission, granted by a responsible authority to another NNSA employee, to perform a specific function on behalf of that responsible authority, usually containing guidance on the manner in which the authority is to be used. By delegation,

the responsible authority cannot diminish his or her responsibility for the consequences of the exercise of the authority.

**DESIGNATED APPROVING AUTHORITY (DAA):** The DAA is a Federal employee who has the authority to grant formal accreditation to operate, withdraw accreditation, suspend operations, grant Interim Approval to Operate (IATOs), Interim Approval to Test (IATTs) or grant variances when circumstances warrant. The approval is a written, dated statement of accreditation that sets forth clearly any conditions or restrictions to system operation. The DAA is the only individual who accepts all inherently governmental risks for systems under their cognizance. The DAA can delegate any of the following responsibilities to a DAA Representative, except the signatory authority to grant accreditations, Approval to Operate (ATOs), IATOs, IATTs or waivers. DAAs are responsible and accountable for the security of the information and systems that the DAA accredits or approves for operation. The DAA is responsible to the applicable field element manager.

The Administrator will delegate a DAA for all NNSA Enterprise information systems or major applications. This DAA authority may be assigned to other NNSA DAAs. All delegations and assignments are documented.

The DAA ensures development and coordination of corrective action plans involving NNSA Enterprise systems in response to issues identified by other Federal agencies or DOE Office of Independent Oversight, peer reviews, and self-assessments. The enterprise DAA has the same responsibilities as the element DAAs, for systems under their cognizance.

**DOE/NNSA CONTRACTING OFFICER:** Federal Acquisition Regulations (FAR) Part 2.101 and DOE O 541.1B state that there are three types of COs as set forth below:

- **Contracting Officer (CO):** A person with the authority to enter into, administer, and/or terminate contracts and make related determinations and findings. The term includes certain authorized representatives of the CO acting within the limits of their authority as delegated by the CO. (Note: a CO with the authority to perform all the functions listed above is known as a Procurement Contracting Officer (PCO)).
- **Administrative Contracting Officer (ACO):** A CO who administers contracts.
- **Termination Contracting Officer (TCO):** A CO who is settling terminated contracts. (NNSA has no TCOs, only COs and ACOs).

In accordance with DOE O 541.1B, Appointment of Contracting Officers and Contracting Officer Representatives, COs are appointed by the Head of the Contracting Activity, using Standard Form 1402, Certificate of Appointment.

A CO's authority is specified on the face of their Certificate of Appointment (i.e., warrant) and may include the following:



- The warrant states the type of instruments they are authorized to sign (e.g., procurement contracts, interagency agreements, sales, financial assistance instruments, etc.).
- The language on the warrant might also include a dollar limitation. If a dollar amount is not specified, it is presumed unlimited.
- In the case of an ACO, the warrant states, "Administration Only" and is specifically limited to certain actions as delegated by the Procuring Contracting Officer (PCO).

For M&O contracts, the PCO is typically the Service Center (SC) CO who awards the contract. The PCO may delegate administrative authority to Site Office ACOs. . In addition, the PCO may delegate other authorities as deemed appropriate. A PCO may perform any and all functions including those delegated to an ACO.

Site Office ACOs administer the M&O contracts for the SOM and report to the SOM directly or through an intermediate supervisor. Site Office ACOs may obligate Government funds, but only within the limits of their authority.

The Site Office ACO is responsible for issuing the Work Authorization (WA), or amending it, as directed by the SOM so long as the WA (or amendment) is consistent with the contract scope, other contracts provisions, applicable laws and regulations, and adequate funding exists for the work.

The Site Office ACO is responsible for implementing the Performance Evaluation Plan (PEP), and changes thereto, as long as the PEP (or changes) is consistent with the contract and applicable regulations and statutes.

All COs are responsible for providing their independent, professional judgment in carrying out the above listed functions. A CO may not be coerced. Doing so may legally invalidate a contractual decision. In instances where the SOM believes that a CO's judgment is arbitrary, the SOM should raise the issue to the PCO first, the Head of Contracting Activity second or, lastly, the Senior Procurement Executive.

DOE/NNSA CONTRACTING OFFICER REPRESENTATIVE (COR): Per DOE O 541.1B, a Government employee formally designated in writing to act as an authorized representative of a CO for specified functions that do not include actions that could change the scope, price, terms or conditions of a contract (e.g., technical performance direction). Under limited conditions, non-Government personnel may be appointed CORs on an as-needed basis that does not allow the performance of inherently governmental functions.

DOE/NNSA OVERSIGHT: Per DOE P 226.1A, encompasses activities performed by DOE organizations to determine whether Federal and Contractor programs and management systems, including assurance and oversight systems are performing effectively and/or complying with DOE requirements. Oversight programs include operational awareness activities, on-site reviews, assessments, self-assessments, performance evaluations, and other

activities that involve evaluation of Contractor organizations and Federal organizations that manage or operate DOE sites, facilities, or operations.

**FEE DETERMINING OFFICIAL (FDO):** The individual who makes the final determination regarding the amount of the award fee earned by the Contractor during the performance evaluation period. Line managers, program managers and functional managers provide input as requested to aid the FDO in making fee determinations.

**FIELD OFFICE:** A field element with a single programmatic mission that is of limited duration. A Field Office may or may not have laboratories associated with the office, may have varying levels of independent authorities similar to those of an operations office (a DOE office having broad enduring field responsibilities), and may rely upon other offices for support. The main contact for internal and external customers related to program execution. The Field Office looks to the cognizant Deputy Administrator for programmatic direction. The Field Office category would include NNSA's overseas offices, currently managed by NNSA Federal officials in Moscow (Russia), Beijing (China), Vienna (Austria), Kyiv (Ukraine), Tokyo (Japan), Sofia (Bulgaria), Astana (Kazakhstan), and Islamabad (Pakistan).

**FRA (FUNCTIONS, RESPONSIBILITIES, AND AUTHORITIES) DOCUMENT:** The FRA document defines NNSA management functions, responsibilities, and authorities and associated delegations to ensure that work is performed safely and efficiently. In the case of safety, this is as described in DOE M 411.1-1C, *Safety Management Functions, Responsibilities, and Authorities Manual*, in order to hold Federal personnel accountable for their assigned safety duties. NNSA's mission requires a delicate balance between safety and security. While the FRA document meets DOE requirements to define essential management safety functions, it also provides the functions, responsibilities, and authorities for nuclear security and other major organizations within NNSA that impact the ability to work safely.

**FUNCTIONAL ACCOUNTABLE EXECUTIVES (FAE):** Federal executives who serve as the senior HQ (or in the case of the NNSA CFO, SC) Federal functional managers and who play a contributory role in how certain positions/employees that do not normally report to them, in a supervisory/management chain, are staffed, compensated, and developed, and how the employees perform their functions. For NNSA, FAEs include the Associate Administrator for Defense Nuclear Security (physical, and cyber with CIO), Associate Administrator for External Affairs (congressional, public and intergovernmental affairs), Associate Administrator for Acquisition and Project Management (Senior Procurement Executive and construction/projects), Associate Administrator for Management and Budget (budget, human resources, and administration), Associate Administrator for Safety and Health (nuclear safety and ES&H), Chief Information Officer (IT, and cyber with Defense Nuclear Security), General Counsel (legal) and Chief of Defense Nuclear Safety (CDNS).

**FUNCTIONAL MANAGER (FM):** Federal and Contractor functional managers are mission-enablers and provide technical assistance or subject matter expertise and resources to enable mission delivery in support of line and program managers to implement delegated responsibilities. Working with SOMs, SC managers and their functional counterparts, are responsible with line and program managers for achieving assigned objectives in a manner that

is safe, environmentally responsible, secure, legally and ethically sound and fiscally responsible.

**HEAD OF THE CONTRACTING ACTIVITY:** The agency head may establish contracting activities and delegate broad authority to manage the agency's contracting functions to heads of such contracting activities. Contracts may be entered into and signed on behalf of the Government only by contracting officers.

**HIGH-HAZARD ACTIVITY:** An activity associated with material, energy source, or operation that, unless controlled, could cause serious injury or death to workers or the public, or serious damage to the environment.

**HQ STAFF:** Staff provides the resources and services necessary for the Administrator to establish policy, issuing approvals required by DOE directives, etc. HQ staff is generally comprised of line managers, program managers, and functional managers. HQ staff interface with other governmental customers and stakeholders, develop and defend corporate budgets, assist field elements in evaluating Contractor performance, evaluate field oversight programs and conduct for-cause reviews in collaboration with field elements.

**INHERENTLY GOVERNMENTAL:** The 1998 Federal Activities Inventory Reform Act (FAIR Act) classifies an activity as inherently governmental when it is so intimately related to the public interest that it must be performed by Federal employees.

**LINE MANAGEMENT:** Line managers have both program and functional management responsibilities. There is an unbroken chain of line management which extends from the Secretary of Energy through the Under Secretary (NNSA Administrator), who sets program policy and plans and develops assigned programs, to the field element managers (who are responsible for execution of these programs). Work objectives and directions are communicated to the contractor through the contract. (For NNSA this chain goes from the NNSA Administrator/Principal Deputy Administrator through the statutory line management Assistant Deputy or Associate Administrators (NA-10, NA-20, and Defense Nuclear Security), to the Site Office Manager.

**MANAGEMENT AND OPERATING (M&O) CONTRACTOR:** Those private sector entities conducting work pursuant to a management and operating contract. This includes Laboratories, the Nevada National Security Site (NNSS), and Plants.

**MISSION:** NNSA is responsible for the management and security of the nation's nuclear weapons, nuclear nonproliferation, and naval reactor programs. It also responds to nuclear and radiological emergencies in the United States and abroad. Additionally, NNSA Federal Agents provide safe and secure transportation of nuclear weapons and components and special nuclear materials along with other missions supporting the national security. NNSA's mission is accomplished through achieving its various programmatic goals in an efficient, safe, secure, legally compliant, and environmentally sound manner. Mission encompasses all of these elements while ensuring site stewardship for long-term mission viability.

**NUCLEAR ACTIVITIES:** Activities or operations that involve, or will involve, radioactive and/or fissionable materials in such form and quantity that a nuclear or a nuclear explosive hazard potentially exists to workers, the public or the environment. The term ‘Nuclear Activities’ does not include activities involving only incidental use and generation of radioactive materials or radiation such as check and calibration sources, use of radioactive sources in research and experimental and analytical laboratory activities, electron microscopes, and X-ray machines.

**NNSA SERVICE CENTER:** An organization that provides business, administrative, and technical support to multiple Field and HQs elements.

**NUCLEAR SECURITY ENTERPRISE RISK:** Accumulated NNSA mission risk across NNSA programs and operations at all levels of NNSA, from the M&O Contractor or National Laboratory, to the SOMs, through NNSA Program Offices, to the Office of the Administrator. This risk is that of adverse budgetary, physical infrastructure, or inadequate design consequences from mission non-execution, including failure of safeguards or security or safety systems, resulting in harm or potential harm to the public, workers, or the environment.

**PERFORMANCE EVALUATION PLAN (PEP):** PEPs are associated with M&O contracts that are award fee contracts. PEP’s are NNSA’s integrated corporate plans that clearly document the process, associated performance objectives, performance incentives including multi-site performance incentives, award-term incentives, and associated measures and targets by which the Contractor’s performance will be evaluated and rated.

**PROGRAM OFFICE:** A HQ organization that is responsible for executing program management functions.

**PROGRAM MANAGER (PM):** Program Managers set expectations, program goals and priorities, integrate overall program plans and priorities, and when necessary, provide technical program direction in accordance with their COR authorities to the Contractors directly (with parallel communication to the Site Offices). Program managers are responsible for determining which programs to implement, identifying program needs/goals, determine funding of the programs, decide allocation of money on a program, monitor progress and determine milestones of the program, and evaluate Contractor’s performance per the PEP. The programs are national in scope and span multiple M&O Contractor sites. PMs are responsible for the ultimate resolution of any technical program conflicts considering input provided by both the COR and the SOM. Program managers share in the responsibility and accountability for mission accomplishment and site stewardship.

With regard to Work Authorizations, the PM is responsible for three things: (1) Ensuring the WA is consistent with the program implementation plans. If there is an inconsistency, the PM needs to update or modify the WA or update the implementation plan to accurately reflect the change; (2) Providing technical direction to the M&O Contractor via a WA; and (3) Ensuring the PEP is consistent with the WA. If there is an inconsistency, the PM needs to process requisite changes to the PEP with the M&O and Site Office staff. In conjunction with the SOM, the CO issues the appointment letter to the M&O COR consistent with the PM

recommendation and the M&O COR responsibilities.

**PROGRAM DEPUTY ADMINISTRATOR:** The HQ manager responsible for the support, planning, acquisition, operation, maintenance, and disposition of physical assets related to infrastructure. A program Deputy Administrator is one to whom designated field offices directly report and who has overall landlord responsibilities for the assigned direct reporting elements.

**RESPONSIBILITY:** The state of being liable for the outcome of the exercise of an authority granted by law, regulation, or directive. Responsibility differs from accountability in that a responsible official "owns" the function for which they are responsible; it is an integral part of their duties to see that the function is properly executed, to establish criteria for the judgment of excellence in its execution, and to strive for continuous improvement in that execution. A responsible official is associated with the outcomes of the exercise of authority, whether it was delegated, or whether the delegate properly followed guidance. Accountability, on the other hand, involves the acceptance of the authority for execution (or for further delegation of components of execution) by using guidance and criteria established by the responsible authority.

**RISK ACCEPTANCE OFFICIAL:** A risk acceptance official is the risk acceptor/decision-maker pursuant to the authority delegated by the NNSA Administrator or as specified in a DOE/NNSA directive. Risk acceptance across programs and operations should be exercised at the lowest level where the risk can be appropriately understood and evaluated. At each level within the line management chain extending from the Administrator to the Contractor, decision makers serve as the risk acceptance officials for those decisions they are authorized to make. In other words, the authority to make a decision carries with it the authority to accept, on behalf of NNSA, the risks associated with that decision.

Within the NNSA, decision-making and the attendant risk acceptance is normally granted to the lowest level that will be responsible for and can exercise the resources needed to address any resulting undesirable consequences. Decisions involving risks that can be addressed at the Contractor level will generally be made at the Contractor level. When the risks of a bad decision would significantly impact the ability of a site to execute Site-level functions, or when the decision is an inherently governmental decision that is not required to be made at a higher level, it will be made at the Site Office level. Decisions that affect more than a single site that affect enterprise-level functions, or that are required to be made at a HQ level will be made at HQ.

Because of the shared responsibility, certain decisions that have significant implications or impacts for more than one organizational level are made at the lowest level, but subject to concurrence of other affected components within the line management chain. The requirement for higher-level concurrences must be used sparingly and must not usurp the effective exercise of operational line authority and responsibility. When there is ambiguity as to where a decision is best made, the bias will be to make the decision and any needed concurrences at the lowest capable level.

**RISK INFORMED:** A decision making approach whereby conclusions drawn from an assessment of past performance, hazards involved, and the likelihood and consequences of accidents are considered together with other factors to make decisions that better focus contractor and Federal oversight attention on design and operational issues commensurate with their importance to public health and safety. A "risk-informed" approach enhances the deterministic approach by: (a) allowing explicit consideration of a broader set of potential challenges to safety, (b) providing a logical means for prioritizing these challenges based on risk significance, operating experience, and/or engineering judgment, (c) facilitating consideration of a broader set of resources to defend against these challenges, (d) explicitly identifying and quantifying sources of uncertainty in the analysis (although such analyses do not necessarily reflect all important sources of uncertainty), and (e) leading to better decision-making by providing a means to test the sensitivity of the results to key assumptions.

**SECRETARIAL OFFICER:** Secretarial Officers are the Secretary, Deputy Secretary, and Under Secretaries (e.g., the NNSA Administrator).

**SENIOR PROCUREMENT EXECUTIVE (SPE):** The Director of Acquisition and Supply Management is the SPE and is responsible for ensuring that each member of the acquisition workforce is certified to the career level appropriate to the grade they occupy or to their responsibilities, in accordance with DOE O 361.1B or its successor. The SPE is also responsible for the development and oversight implementation of NNSA-specific policies, procedures, programs, and management systems pertaining to procurement and financial assistance, real and personal property management, supply chain management, Contractor human resources, and related activities. The SPE is responsible for ensuring that all requisite directives are incorporated into the NNSA M&O contracts and compliance with their requirements is consistently implemented by NNSA M&O COs.

**SITE OFFICE:** Field element responsible for contract administration and operational oversight, typically located at the Contractor-operated Site. The NNSA organization, located at a given site, having responsibility for directing and conducting oversight of Contractor operations associated with that Site.

**SITE OFFICE MANAGER (SOM):** The SOM is the NNSA employee with primary and overall responsibility for a Site Office. The SOM oversees the M&O Contractor's program execution and ensures NNSA direction and guidance is implemented through the M&O contract, prime security contract, and various additional supporting contracts and that all applicable requirements are met.

**TECHNICAL SUPPORT SERVICES:** Security, safety, engineering, and other technical services obtained for audit, on-site support, training, or other purposes.

**TRANSACTIONAL OVERSIGHT:** An oversight model (or an element of an oversight model) that ensures contractor performance by identifying those technical areas, activities or actions that will be observed, reviewed, approved, or concurred on by the oversight organization. Limited latitude for past performance is considered in establishing what must be included due to the hazard involved and the inability to recover from inadequate

performance. Transactional oversight is most appropriate for nuclear and high-hazard activities. In general, oversight models will include some degree of transactional oversight for nuclear and high-hazard activities, complemented by a systems-based approach for non-nuclear or lower hazard activities that ensures performance by ensuring that effective management systems have been implemented.





## **Chapter Four - Description of Governance**

### **Objective/Critical Factors for Governance**

The objective of the NNSA Reengineering and Governance Transformation Initiative is to streamline how NNSA does business and to reduce the cost of operations and increase productivity to maximize mission accomplishment. This will enable improved safety, performance, and provide greater Contractor flexibility and accountability; focused risk-informed oversight; eliminate redundant and non-value-added reviews; and improved efficiencies and availability of Federal and Contractor resources to focus oversight on highest risk areas and to support the NNSA mission. Critical factors of the NNSA Governance model include:

- Rigor and implementation of oversight for nuclear and high-hazard activities is maintained and enhanced; oversight for other activities is graded consistent with the associated risks.
- NNSA's system of management controls is clearly and specifically defined to ensure a common and consistent understanding within NNSA, the Contractor community and with other NNSA stakeholders.
- NNSA's requirements and standards system leverages applicable commercial industry standards and requirements where appropriate, and effectively and efficiently accomplishes the mission of achieving programmatic objectives in a manner that is safe, secure, and compliant with environmental standards.
- Roles, responsibilities, and accountabilities at NNSA HQ, Site Offices, and Contractor organizations are clearly aligned with the reformed governance process; all personnel work effectively to implement the reformed approach.
- Specific and objective metrics establish a performance baseline, measure the effectiveness and efficiency of the mission accomplishment, and incorporate feedback and improvement mechanisms.
- Programs and support functions are benchmarked with industry standards to ensure they are providing the desired results.

### **Governance Definition/Attributes**

Governance is the system of management and controls exercised in the stewardship of the organization. In the NNSA, this is implemented through a collaborative partnership between organizations to accomplish a common mission that preserves the independence needed to effectively function in its self-regulatory role.

Within the NNSA, this collaborative partnership is defined by clear roles and responsibilities that form the governance framework that accomplishes the mission of meeting program objectives in a safe, secure, effective, and efficient manner. The roles and responsibilities establish a well-defined line management (see definitions Chapter Three) chain that acts as

the owner of the mission, and that is responsible for translating requirements into work to be done by the Contractor. The line management chain is headed by and accountable to the Administrator, who exercises appropriate management assurance systems to ensure that requirements are understood and implemented effectively.

The governance framework is the contract that defines expectations and authorities, and verifies performance by using objectives, requirements, assessments, metrics, awards, and penalties.

Governance invokes trust and confidence between NNSA and its M&O Contractors. This trust is supported by strong Contractor Assurance Systems that foster clear accountability and appropriate risk-informed decision making on the part of both the Contractor and the NNSA.

### **Governance Implementation**

Each Site maintains responsibility for defining its Site-specific governance reform implementation plans that incorporate Enterprise-level governance initiatives, milestones and performance incentives. The foundational aspects of Site-level implementation must align to the governance definition, objectives, and critical factors outlined in this document. Implementation will be tailored for each Site since each Site represents different missions, associated hazards, and contract structures. The collaboration between Sites, along with lessons learned, will serve as guideposts and will ensure the sharing of best practices and lessons learned. Other NNSA performance targets and activities will be incorporated into Site-level implementation plans, such as:

- The Enterprise Integration Multi-Site Performance-Based Indicators that will emphasize the collective success of the NSE.
- The Defense Programs “Getting the Job Done” actions related to governance transformation and oversight.
- DOE/NNSA Strategic Plans.

## **Chapter Five - Organizational Roles and Responsibilities**

This chapter establishes policy on the general division of responsibilities between NNSA organizations and levels, and provides selected detailed responsibilities to frame the intended relationships. While the division of roles and responsibilities for all line, program, and functional areas are expected to be consistent with the roles and responsibilities contained in this document, it is recognized that the HQ/field division of responsibilities could vary to some degree between NNSA elements because of applicable statutory and regulatory requirements. NNSA authorities will align to accountability and, in general, will be delegated to the lowest level decision-maker whose access to information and span-of-control matches the decision to be made. More detailed assignment of HQ and field roles and responsibilities within specific line, program, and functional areas will be established during the development and promulgation of a comprehensive NNSA Functions, Responsibilities, and Authorities (FRA) Document. The NNSA FRA Document will also explicitly identify the regulatory responsibilities that belong to NNSA; will clearly address the roles, responsibilities and authorities of NNSA elements being fulfilled at HQ, field and Contractor levels; and will describe the interfaces with external organizations.

Line managers bear full responsibility for achieving assigned program objectives in a manner that is safe, environmentally sound, secure, legally, ethically, and fiscally responsible and for compliance with those requirements that fall within the span of their control. Primary responsibility rests with the lowest line manager responsible for directing all of the resources needed to meet a specific requirement or objective. In most cases, this is a NNSA Site Office Manager (SOM), but, consistent with the tiered risk decision-making authority, it may be a HQ line manager. All line, program, and functional managers (see definitions section for the definition of these titles) are invested in the mission, whether they are scientific, technical, administrative, or logistic in nature. Line Managers are responsible to ensure both programmatic and functional objectives are balanced for successful mission accomplishments. Program managers have responsibility for the programs under their cognizance, and have appropriate authority over the elements that influence their program's success. Functional managers integrate and balance diverse requirements; and are responsible for the successful, appropriate, and efficient execution of specific functions (e.g., safety, security, IT, and HR) that play a critical role in achieving the NNSA missions.

Line, Program and Functional Managers must all ensure that the rigor and implementation of independent oversight for nuclear and high hazard activities continues to be maintained and enhanced.

### **NNSA Headquarters**

NNSA HQ provides the policy, resources, and objectives necessary to integrate and accomplish the NNSA mission. HQ line, functional, and program managers have responsibility for Enterprise-wide integration. Certain decisions must be made at NNSA HQ due to the degree of risk (safety, security, programmatic etc.), or as required by law or regulation, or the need to balance risks and resources across the NSE. In these cases, those

decisions having the greatest risk or consequences will be made by NA-1 (or NA-2), other senior executives such as NA-10, NA-20, Defense Nuclear Security, or other managers when delegated or designated formally in writing. NNSA also has a self-regulatory role in certain instances (e.g., when the Administrator issues Price Anderson Amendments Act enforcement or worker safety rule enforcement) and ensures compliance with requirements. NNSA maintains the necessary independence from NNSA's owner or customer role to ensure effective Federal self-regulation while avoiding excessive or overly burdensome regulation. The regulatory responsibility is predominately accomplished at the Site Office level, but some NNSA HQ elements also have regulatory responsibilities. The NNSA FRA Document will provide additional regulatory detail for NNSA elements exercising regulatory responsibilities.

NNSA HQ functional elements provide technical assistance and support by employing trained and competent staff to satisfy specific functional requirements or deliver specific goods and services. HQ functional managers provide support to line and program managers at HQ and field elements to help them implement their delegated responsibilities. NNSA HQ functional managers with statutory or delegated responsibilities are expected to periodically assess NNSA compliance with statutes, regulations, and directives within their functional areas, and to provide the results of their evaluations to appropriate levels of NNSA line management for disposition. Functional evaluations of field performance by HQ functional area managers and their staff will be conducted in conjunction with scheduled Site Office assessments to the extent feasible. Dedicated HQ functional area assessments should be accomplished as needed to ensure appropriate independence, to meet regulatory requirements, or as directed by the Administrator or Principal Deputy Administrator. Assessment activities will be coordinated with Site Offices.

NNSA HQ functional elements provide technical assistance, remove barriers, identify program vulnerabilities, and provide support to enable mission delivery. Functional elements also assist the delegating officials to determine that the program or Site Office has the resources and qualifications to execute their responsibilities effectively. All functions play an equally vital role in meeting mission success and supporting site stewardship.

The NNSA Administrator has both the authority and accountability for decision-making on any decision that is the responsibility of NNSA, serving as the *ultimate* risk acceptor for NNSA, to accomplish mission requirements and meet national security needs. The NNSA Administrator or Principal Deputy Administrator serves as the Fee Determining Official (FDO). These authorities may be delegated as appropriate.

HQ Program Managers execute the following functions to implement their responsibilities in NNSA in conjunction with HQ and Field line managers/Site Offices:

- Perform strategic planning, establish policy, perform program planning, set program priorities, design programs, set program goals and performance targets, and facilitate operational planning to prioritize program objectives and the options to achieve those objectives.
- Identify barriers to achieving program success and options to overcome those barriers.

- Support other Federal agencies by leveraging NNSA resources to achieve other vital mission work in areas where our resources are value-added.
- Integrate program, budget, and direction to ensure consistent and balanced direction to the field by providing programmatic technical direction; with NNSA-wide expectations, Site stewardship, and long-term viability of the enterprise considered.
- Execute programs to accomplish program objectives through Site Offices, the NNSA SC, M&O Contractors, and/or other stakeholders.
- Working closely with SOMs, play a significant role in the evaluation of the M&O Contractors and Site Office performance through periodic program reviews and/or by (a) conducting assessments of Site Offices, (b) participating in Site Office assessments of Contractors, (c) analyzing performance information provided by indicators/metrics, line oversight activities of Site Offices, CASSs, and other internal independent or external agencies, and when designated in writing, by accepting programmatic deliverables if they meet Government requirements.
- Work among HQ Offices and Site Offices to implement program direction and to coordinate program adjustments.
- Where cost, scope or schedule parameters exceed established bounding parameters, or changes could have significant Site-level ramifications, Program Managers will work through the appropriate Site Office(s) so that designated Contracting Officer(s) ensure that WA and other contract changes adequately address all changes.
- Communicate directly with their Site Office or NNSA SC functional area counterparts. (Note: Parallel communication with SOMs should be used on resource impacting issues/items and all technical direction or changes in tasking must go through the applicable Site Office or NNSA SC line management for contract WA changes.)
- Where program direction or changes could affect other programs or activities; impact the Site Office Manager's role as the Federal risk acceptance official; or for overall mission accomplishment at the Site level; Program Managers will work with the SOM to identify and resolve the issues.

HQ Functional Managers, particularly Functional Accountable Executives, perform the following functions to implement their responsibilities:

- Perform strategic planning, establish policy, perform functional area planning, set functional priorities, design programs, set functional goals and performance targets, and facilitate operational planning to prioritize functional objectives and the options to achieve those objectives.
- Identify barriers to achieving functional success and options to overcome those barriers.
- Support other Federal agencies by leveraging NNSA resources to achieve other vital mission work in areas where our resources are value-added.

- Integrate function, budget, and direction to ensure consistent and balanced direction to the field by establishing overall policy direction and NNSA-wide expectations, stewardship, and requirements to ensure the long-term viability of the enterprise.
- Execute programs to accomplish functional objectives through Site Offices, the NNSA SC, M&O Contractors, and/or other stakeholders.
- Working closely with SOMs, play a significant role in the evaluation of the M&O Contractors and Site Office performance through periodic program reviews and/or by (a) conducting assessments of Site Offices, (b) participating in Site Office assessments of Contractors, (c) analyzing performance information provided by indicators/metrics, line oversight activities of Site Offices, CASs, and other internal independent or external agencies, and when designated in writing, by accepting programmatic deliverables if they meet Government requirements.
- When requested, provide advice to Site Offices, the NNSA SC, and the Office of Secure Transportation in their areas of expertise. (e.g., compensation, position descriptions, annual performance of their field or SC counterparts, etc.)
- Establish specified core competencies and training requirements for employees in positions within their respective functional areas at field elements (new training or certification requirements, within the control of NNSA, must be approved in advance by the Principal Deputy Administrator).
- Communicate directly with their Site Office or NNSA SC functional area counterparts. (Note: Parallel communication with Site Office Managers should be used on resource impacting issues/items and all technical direction or changes in tasking must go through the applicable Site Office or NNSA SC line management for contract WA changes.)
- Support the Administrator in establishing NNSA technical positions for use by line and program management in their functional areas.
- Develop NNSA policy in their functional areas, if needed, for promulgation by the Administrator.
- Provide technical assistance in obtaining relief from requirements in their functional areas, where warranted.
- Assist approving officials in evaluating relief requests and advising on appropriate compensatory measures to be established.

### **NNSA Site Offices**

In accordance with HQ program direction, Site Offices led by a SOM are responsible for on-Site Federal oversight and administration of the M&O and other direct contracts. NNSA SOMs serve as line management, Site-level mission integrator, and the authorizing official for activities at the Site on behalf of the Administrator, Deputy Administrator for Defense Programs, Deputy Administrator for Nuclear Nonproliferation, and/or Associate Administrator for Defense Nuclear Security. They are responsible for the safe, secure, and efficient operation and construction of facilities under their purview. Additionally they share

in the responsibility and accountability for mission accomplishment and site stewardship. Site Office Managers are the principle advocate for both stewardship and long-term viability of their Sites.

To accomplish this, Site Office personnel:

- Oversee and, together with inputs from HQ program and functional managers, hold the M&O Contractors senior management accountable for contract performance.
- Validate and oversee a comprehensive and effective CAS consistent with the M&O/Contractor structure and focused on mission outcomes.
- Work with HQ program managers and M&O Contractors to maintain the knowledge and operational mission activities necessary to provide risk-informed oversight of program and non-programmatic work and serve as effective liaisons to program offices as they manage core mission programs. Integrate assessments by DOE/NNSA organizations (e.g., Office of Health, Safety and Security, Office of Inspector General, various HQ entities) to eliminate duplication and non-value added reviews, assessments, evaluations. Perform assigned regulator/self-regulator duties and functions. Ensure the appropriate level of assessments and evaluations are performed aligned with the level of risk and consistent with delegation of oversight.
- Establish, in collaboration with HQ managers and the Contractor, annual contract performance outcomes that drive efficiencies in mission areas while meeting acceptable DOE or industry standards in appropriate areas and ensure timely negotiation and modification of the contract for PEPs, as required. Oversight should assure effective compliance, be performance-based, mission-focused, and make full use of the CAS.
- Set Site-level requirements and performance expectations with inputs from HQs managers to accomplish assigned missions, ensure security of operations, and protect the environment, safety and health of workers and the public.
- Maintain a mission-focused, risk-informed field presence to verify effectiveness and accuracy of Contractor assurance/performance systems.
- Pursuant to written delegation letters, may serve as CORs for M&O and non-M&O contracts, Financial Assistance Awards, and Interagency Agreements supporting their respective NNSA Site Office.

Additionally, the SOM:

- Integrates Federal Government mission deliverables with contract, business, and operational risks. The SOM approves all Site level actions that are contractually executed by a CO.
- Serves as on-site Federal risk acceptance official, operational risk acceptance agent and/or approval authority for NNSA to execute mission requirements and ensure adequacy of safety controls. As an example, when delegated, SOMs approve Authorization Agreements, Safety Evaluation Reports for Documented Safety

Analyses, and the startup/restart of nuclear facilities, implicitly accepting for NNSA the Federal risks inherent in those approvals.

- Serves as the Designated Approving Authority (DAA) of Site cyber networks and has the authority to grant formal accreditation to operate, withdraw accreditation, suspend operations, grant Interim Approval to Operate (IATOs), Interim Approval to Test (IATTs) or grant deviations when circumstances warrant when designated in writing. These authorities may be delegated further.
- Serves as the Fee Determining Official (FDO) if designated in writing.
- May be designated a CO or Administrative Contracting Officer (ACO) when the appropriate qualification requirements of DOE O 361.1B or its successor have been met and determined appropriate by the Senior Procurement Executive.
- Oversees the M&O Contractor's implementation of established safeguards and security policy requirements for the Defense Nuclear Security Program.
- Approves and manages the Contractor's PEP and, therefore, has the authority (executed by CO) to modify the Contractor's performance objectives and performance-based incentives, with input from HQ managers.
- Defines and implements the Site Office's oversight and assessment program based upon directives, HQ guidance, and available resources; prioritized/informed by risk.
- Routinely involves Functional Area Executives (FAEs) in technical oversight of key individuals in their respective areas of responsibility to include, when appropriate, input on compensation, position descriptions, position establishment, mid-term and annual performance evaluations, and budgets of those functional areas.
- Oversees the M&O Contractor's program execution and implementation of safety and security programs at their Site.

### **NNSA Service Center (SC)**

The NNSA SC supports Site Offices, HQ Program Offices and functional elements, in the accomplishment of mission activities over a broad range of functional areas. The SC provides qualified and certified business (i.e., procurement; personal and real property and contractor human resource oversight and management) support personnel. Roles can include PCOs for M&O Contracts, COs for procurement actions (i.e., non-M&O Contracts; Financial Assistance Awards and Interagency Agreements), Organizational Property Management Officer, Industrial Property Management Specialists, Industrial Relations Specialists and Certified Realty Specialists with CO Authority. The NNSA Chief Financial Officer (CFO) reports to the NNSA SC and is aligned with the DOE HQ CFO (indirectly). The DOE HQ CFO sets policy and the NNSA CFO serves as the COR for financial and allotment related services for NNSA M&O contracts. The NNSA SC also delivers most human resource operational services with the exception of program oversight and development, policymaking, management and administration of NNSA's Senior Executive Service (SES) Program and human resource services to the Office of the Administrator. The NNSA SC also provides a core group of technical support personnel qualified to the majority of the extremely diverse



DOE/NNSA Technical Qualification Program Functional Area Qualification Standards  
essential in supporting mission accomplishment.

To accomplish these functions, NNSA SC personnel:

- Support mission work and optimize efficiency by providing standardized business, administrative, safeguards and security and technical services for Site Offices, HQ and programs. Team with NNSA HQ, Site Offices, M&O Contractors (National Laboratories, Nevada National Security Site (NNSS), and Plants), and other stakeholders for mission accomplishment and Site stewardship.
- Generally serve as the PCO for M&O contracts.
- Working through Site Offices, ensure M&O Contractor accounting systems maintain financial integrity and credibility.
- In conjunction with the Site Office, help verify that NNSA has a thorough understanding of M&O costs and charges to the contract and verify that the charges are allocable, allowable, and reasonable.
- Ensure a core level of qualified technical resources to support Site Offices and HQ activities, ensuring crosscutting technical expertise is available to the NSE.
- Assist HQ and Site Offices, as requested or required, to support oversight, mission, business, and cost analysis needs.
- Support NNSA's implementation of human resources programs, policies, and practices for the Site Offices, NNSA SC, and most of NNSA HQ in the following areas: performance management and employee relations, employee benefits and processing, position classification and staffing/recruitment, learning and career development, and workforce planning/manpower utilization.
- Provide secure information management services to NNSA HQ, Site Offices, and the NNSA SC, with full life cycle business automation for Federal customers including communication routes, infrastructure purchases, and cyber security documentation.
- Provide Equal Employment Opportunity (EEO) and Diversity support to the Site Offices, NNSA SC and some HQ offices in the processing of discrimination complaints, mediation, training and workforce demographics, and workforce demographic reports for the NNSA in accordance with the EEO Commission and/or the Office of Personnel Management regulations.
- Manage the NNSA Personnel Security Program, including all aspects of investigations/reinvestigations to include Homeland Security Presidential Directive-12 adjudication, Special Program Reviews (Human Reliability Program, Sensitive Compartmented Information, etc.), and adjudication of certain Incident Reports, with the exception of NNSA HQ personnel.
- Process all Freedom of Information Act/Privacy Act requests related to NNSA, including serving as the authorizing and denying official for requests.

**M&O Contractors (National Laboratories, NNSS, and Plants)**

The M&O Contractor senior executive is responsible for the effective management of their enterprise. M&O Contractors work in full partnership with NNSA to design, certify, test, and assess the Nation's nuclear deterrent utilizing a base of robust science, technology and engineering tools and competencies, and production capabilities. They also provide the leadership and foundation of the Nation's science and technology base using leading edge fundamental science and innovative tools and technologies to deliver solutions across the spectrum of the Nuclear Security Enterprise (NSE) mission of nuclear deterrence, intelligence analysis, foreign assessments, nonproliferation and nuclear detection, nuclear counter-terrorism, and energy security. They steward the nation's NSE science, engineering, and production resources and knowledge and are accountable and responsible for the long-term health and success of the enterprise.

NNSA line management provides direction to the M&O Contractors by authorized individuals pursuant to contracting requirements. M&O Contractors are tasked with efficiently and innovatively implementing the long-term Federal strategic vision of the NSE. They ensure work in the national interest is done consistent with contract requirements and focused on delivering mission results.

To accomplish this, M&O Contractors:

- Ensure that all nuclear and high-hazard activities are conducted with a high level of rigor in accordance with applicable DOE directives.
- Determine and recommend the most cost effective means of accomplishing the missions and objectives established by NNSA in a safe and secure manner.
- Establish, implement, and execute a comprehensive, effective, and sound performance assurance program, supported by critical self-evaluations and internal performance assessments, using assurance programs to continually improve effectiveness.
- Create and maintain a transparent assurance system with the necessary level of comprehensiveness to sustain stakeholder confidence and maintain acceptable levels of performance.
- Provide high quality products and services in a safe, secure, and legally compliant manner and maintain, and where possible, continuously improve safety, security, efficiency, and productivity, for greater mission success.
- Comply with all applicable Federal, State and local laws, permits and other legally encumbering agreements.
- Provide and ensure the stewardship and long-term viability, safety, security and health of the workforce, the environment, the facilities, the assets, and the infrastructure of the NSE that are entrusted to their care.
- Deliver the products, services and/or outcome necessary to meet the requirements set by NNSA line and program management through contract vehicles.

- Operate collaboratively with NNSA to achieve common goals and NNSA's vital and urgent needs in a safe and secure manner, while supporting NNSA's independent role as an owner and regulator.
- Attract and retain the highest quality workforce and protect them by maintaining a safe and secure environment.



## **Chapter Six - Framework for a Contractor Assurance System (CAS)**

### **Purpose**

The CAS is a Contractor-designed and utilized system to manage performance consistent with contract requirements. The CAS allows the Contractor to assess its performance, provide data into the Contractor's management decision-making process, and allow the Contractor to more effectively manage processes, resources, and outcomes.

An effective CAS provides transparency between the Contractor and NNSA to ensure alignment across the NNSA Enterprise to accomplish mission needs, and for NNSA to determine the level of Federal oversight necessary. Therefore, an effective CAS enables continuous improvement of Contractor performance, integrates and aligns Contractor management systems, and supports corporate parent governance. The purpose of a CAS is threefold:

- A CAS is a primary tool used by Contractor management to measure, improve, and demonstrate performance and ensure that mission objectives and contract requirements are met. For example, a CAS will ensure that programmatic goals are achieved; workers, the public, and the environment are protected; materials, property, and information is secure; and operations, facilities, and business systems are efficiently and effectively operated and maintained.
- A CAS is used by the Contractor to integrate its governance and management systems to achieve acceptable contract performance outcomes and provide assurances to NNSA that it will deliver on mission objectives.
- A robust and effectively functioning CAS provides transparency and builds trust between NNSA and its Contractor, helps to ensure alignment across the NNSA Enterprise to accomplish and address mission needs, and allows NNSA to optimize its oversight functions by leveraging the processes and outcomes of its Contractors.

### **Features of a Fully Functional CAS**

An effective CAS accurately measures performance and is critical to ensuring that mission objectives and contract requirements are met. In its execution, a CAS should properly balance available resources, create internal controls that are both effective and efficient, ensure clear roles and responsibilities, and establish expectations for performance. A fully functional CAS will allow both the Contractor and the NNSA to monitor performance and tailor the level of necessary oversight based on demonstrated performance data.

A CAS and its elements should be formally described and documented, and include change notifications as prescribed by the contract and/or the CAS description document. The CAS description should include processes, key activities, and accountability. CAS elements should be well implemented and used by Contractor management and governance to assure fulfillment of the contract transparent to the NNSA. The CAS should be systematically and routinely evaluated and improved to ensure that it is consistently and reliably achieving its purpose.

The basic elements of a CAS are accurate performance data, continuous improvement, issue and corrective action management, measures, and assessments. A management system with a fully implemented and effective CAS should exhibit these critical characteristics:

- The CAS provides performance information that is accurate, reliable, and timely in all mission areas.
  - Information is transparent - substantive insight enables effective oversight
  - Third Party certification is achieved as appropriate
  - Self assessments are demonstrably rigorous and risk-informed
- Contractor and Federal Managers use the information provided by the CAS as a primary tool to ensure the meeting of mission objectives and contract requirements.
  - Executive leadership uses the CAS to guide its actions to include strategic performance targets and objectives
  - Substantive parent organization involvement and support exists
  - The CAS is integrated with and consistently applied across all Site activities
- The CAS effectively drives needed performance improvement.
  - The CAS clearly measures actual performance compared to expectations to drive continuous improvement
  - Negative trends are identified and corrected before becoming issues
  - Where issues are identified, the CAS drives effective and efficient causal analysis, trending, and corrective action management

### **Evidence of Progress**

Objective evidence will demonstrate progress in achieving effective use of the CAS:

- The processes used to implement the elements described in a Contractor's CAS description document are predictable, repeatable, and consistently used by the Contractor
- The CAS is used to systematically evaluate changes needed to improve performance based on a graded approach to risk management
- The Site delivers sustained or improved performance with improved productivity and/or reduced cost, which is evident by performance indicators that trend/track performance.
- Key milestones are successfully accomplished
- The Site attains the critical characteristics of a management system that has fully implemented an effective CAS (as described above)

As CAS effectiveness is demonstrated, NNSA will reduce duplicative or transactional oversight in favor of system oversight, based on demonstrated performance.

### **Relationship of CAS to Corporate Governance**

Corporate governance is a subset of NNSA governance. A Contractor's corporate governance system provides reasonable assurance to the NNSA that the Contractor meets expectations, and ensures that effective improvement actions are underway when the Contractor does not meet expectations. The CAS is integrated with and supports its corporate governance framework consistent with the expectations defined in the Contractor's prime contract. The integrated information provided by the CAS should enable the members of the Contractor's governing body to hold Contractor management accountable for mission performance, comprehensive site management, and effective risk management. CAS performance information from measures and assessments should inform corporate governance oversight activities including parent organization assessments. It should also support strategic planning, status of organizational commitments, and the monitoring of fiscal and asset stewardship. CAS continuous improvement activities, such as issue and corrective action management and process improvement, should be supported as appropriate with parent organization expertise, consistent with prime contract expectations.

### **Relationship of CAS to Federal Line Oversight**

A fully functional CAS allows the NNSA to optimize its oversight function by leveraging the data, information, processes, and outcomes of the CAS and governance system, while retaining independent oversight capability. The CAS provides transparent performance information that enables NNSA oversight to monitor system performance, mission delivery, and overall risk management results. An integrated and effective CAS enables NNSA oversight to hold Contractors accountable for performance. Federal oversight is expected to evolve in the context of two key factors: risk and Contractor performance. Risk and Contractor performance are not static attributes and, as both factors change over time, Federal oversight will transition to re-align its focus on risk and performance consistent with Federal statutes and regulations. For high hazard and nuclear activities, the use of the CAS will enhance NNSA Federal oversight; however, reductions in Federal oversight for high hazard and nuclear activities are not anticipated.





## **Chapter Seven - Requirements Analysis Process**

Note: The details of Chapter 7 will be developed at a later date. This chapter will describe NNSA's process to examine current and/or future orders, guidance, policies and other directives documents to identify those requirements that are essential to support safe and effective mission accomplishment. This process is intended to increase contractor accountability and facilitate the streamlining of operations to focus on requirements that are essential to support safe and effective mission accomplishment.



## **Chapter Eight - Validating Line Oversight and Contractor Assurance Systems (LOCAS)**

### **Overview**

This chapter describes the affirmation process used by NNSA to affirm that the Contractor Assurance System (CAS) and/or Line Oversight (LO) system is implemented and effective.

LO and CAS are fundamental elements of NNSA's management strategy for assuring effective contractor performance in meeting mission objectives and other requirements. A CAS is a contractor-designed system used by the contractor to manage performance consistent with contract requirements. A CAS is a primary tool used by contractor management to measure and achieve performance consistent with NNSA expectations and priorities; ensure that mission objectives and contract requirements are met; ensure that workers, the public, and the environment are protected; and ensure that operations, facilities, and business systems are efficiently and effectively operated and maintained. When fully functional, a CAS allows NNSA to optimize its oversight function by leveraging the processes and outcomes of the contractor's CAS and governance system while retaining independent oversight capability.

LO is NNSA oversight of contractor performance that incorporates CAS as an oversight element. Line oversight processes include operational awareness activities, onsite reviews, assessments, self-assessments, performance evaluations, risk-informed/performance-based decision-making, and other activities that involve evaluation of contractor organizations and Federal organizations that manage or operate DOE sites, facilities, or operations.

All line oversight processes include the elements established in the Nuclear Security Enterprise (NSE) Integrated Assessment Planning Model described in Chapter Nine. Line oversight activities are largely systems-based in functional areas of lower risk and where the contractor has demonstrated good performance, including an adequately functioning CAS. Line oversight always includes the following two elements:

- Performance Information is Analyzed – a comprehensive set of performance information used to analyze and evaluate the current level of performance by the contractor compared to a set of baseline expectations.
- Evaluation of Assurance and Oversight System Effectiveness – an evaluation of maturity and effectiveness of the assurance and oversight system performed to provide a level of confidence in the adequacy of performance information and in the ability to effectively address identified performance weaknesses.

Line oversight activities become more transactional when the CAS is not functioning adequately, in functional areas where performance is inadequate, or for functional areas that

involve higher risk for executing the Site mission e.g., nuclear operations and safeguards and security operations.

The LOCAS affirmation methodology expects there to be a self-assessment of the systems conducted prior to the Federal affirmation review. The contractor will determine its readiness for Federal review following the contractor's assessment. The contractor's assessment can be performed by the Site contractor and/or by the site contractor's parent companies, or through other means that provide the contractor their desired confidence level that they will meet the intent of NNSA's overall CAS.

The Site Office Manager (SOM) determines readiness for external review of LO following a self-assessment. A Federal review team, formed by the SOM, approved by Deputy Administrator for Defense Programs (NA-10), and led by a senior manager independent of the SOM, will conduct the review guided by the Objectives, Criteria and Lines of Inquiry (LOI) provided in Attachment 4, and report its conclusion and any recommendations to the SOM. When ready, the SOM forwards the report, with his or her determination on the conclusion and recommendations, to NA-10 for a review. NA-10 accepts the SOM's determination after appropriate coordination (automatic after 30 days) or rejects it and provides further direction. This approach can be used to affirm LO and CAS preferably, as an integrated set of systems, or separately as site conditions warrant.

### **Affirmation Process Scope**

This chapter describes the Site processes and reporting requirements to affirm these starting points via a review of the implementation and effectiveness of both Contractor Assurance and NNSA Line Oversight systems. Recognizing the variability in Contractor and Site Office requirements due to the difference in site missions, capabilities, resources and contract requirements, the processes detailed herein will ensure a wide degree in flexibility as to how the review(s) should occur. However, the reviews will reflect a common set of Objectives, Criteria, and LOIs for determining the basis for affirmation that provides consistency across the Nuclear Security Enterprise. The process will allow NNSA to ensure these systems integrate Contractor management, support corporate parent governance, and facilitate government oversight systems.

### **Key Process Roles and Responsibilities**

- Contractor
  - Plan, schedule, and execute an independent CAS validation review using the process described in this document.
  - Notify the SOM of the independent CAS validation review, providing at least three months advance notice.
  - Notify the SOM when the CAS is ready for Federal affirmation review of the CAS.
  - Work with the SOM to select affirmation review team members to serve on affirmation teams at other Sites.

- Cooperate with and support scheduling and execution of the CAS affirmation review.
- Site Office Manager
  - Upon notification by a Contractor that a CAS is ready for the Federal affirmation review, determines whether LO will be reviewed concurrently. The preferred option, if possible, is concurrent evaluation.
  - Based on Site Office CAS assessments and LO self-assessment results, notifies HQ Line Management when the site LOCAS is ready for the affirmation review.
  - Proposes a team for the Federal affirmation review of the CAS and /or LO. Consultation with the Contractor is required to perform the affirmation review of CAS.
  - Works with the affirmation team leader to align review LOIs with site-specific needs and contractual requirements.
  - Works with the NNSA HQ to select affirmation review team members.
  - Communicates, as necessary, with the designated affirmation review team lead including providing evidence of implementation and self-assessment results.
  - Evaluates results of the affirmation review and determines whether the CAS and line oversight process is effectively implemented and reports this affirmation.
  - Provides the results of the LOCAS Federal affirmation review, with a determination as to the disposition of findings and/or recommendations, to the Deputy Administrator for Defense Programs.
- Deputy Administrator for Defense Programs
  - Supports the SOM in organizing the team and approves the assigned team to execute a LOCAS affirmation
  - Provides a cadre of “qualified” LO and/or CAS affirmation review team leaders to ensure consistency across the enterprise.
  - Obtains LO and/or CAS affirmation review team support from the Service Center, NNSA HQ or other Site Offices and their Contractors, as necessary.
  - Receives affirmation review report results, and after appropriate coordination, accepts or rejects the SOM determination.
  - Provides feedback to the SOM concerning implementation of the CAS and/or LO systems.
- Federal Affirmation Review Team
  - Reports to the SOM and provides the SOM its conclusions and recommendations regarding the adequacy/effectiveness of the demonstrated LOCAS.
  - Provides an effective, objective, and balanced review of the Site’s LOCAS systems via consistent team leads.
  - Expectations:

- Team Leader: Significant experience in LO or CAS operations and understanding of NNSA expectations for both and their interfaces; prior experience in LO and/or CAS validation.
  - Deputy Team Leader: Optional based on complexity as determined by the team leader. Same expectation as a team leader except less team leader experience is necessary.
  - Other Team Members: Understanding of NNSA expectations for a line oversight process and experience conducting performance reviews. Team members may be selected from any organization within the NSE. Use of team members from the Site under evaluation is acceptable but should be limited to ensure independence is maintained.
- General Membership:
- Nominally 4 to 8 members, depending on scope of the review.
  - Majority of members are from Site Offices and Contractors/parents that are peers of the Site being validated, remainder will represent NNSA HQ offices or Service Center.
  - Members should have senior management or executive experience and expertise in evaluating Sites' primary mission program areas, in business operations relevant to the site's mission (financial, human resources, asset management, information management,) and in facility operations and assurance relevant to the site's mission (environment, safety and health, nuclear operations, conduct of operations, maintenance, safeguards and security, cyber security, emergency management, etc.)
  - Collectively, team member skills should include knowledge in the application and implementation of Site Office performance evaluation via assessment, issue communication/management, trending analysis in concert with Contractor management, assurance, and governance systems, including: measures, assessments, issues and corrective action management, lessons learned, and trending and analysis.
- Performance with respect to individual functional areas (e.g., security, business, etc) is not the emphasis of the evaluation.

## **LOCAS Affirmation Review Process**

### Phase I – Contractor Validation Review and LO Self-Assessment

Independent (peer review, third party, or parent organization) assessments of a Contractor's CAS are used effectively to evaluate the CAS. Part I of this phase is focused on the design of CAS and the Contractor's ability to employ CAS elements. Once the initial design and management approach is verified and implemented, Part II CAS assessments should shift to evaluating the level of implementation, the effectiveness of the individual elements of the system, and the system as a whole. These independent assessments focus on aspects of

implementation, functionality of tools and processes, and the ability to employ the CAS to achieve its purpose as defined in the Purpose section of this chapter. The Contractor will report the completion of each part of Phase I and its readiness for the Federal affirmation to the Site Office. The SOM should conduct a self-assessment of the Site Office LO process and determine whether the process is adequately implemented and effective prior to requesting an LO affirmation review.

#### Phase II – Federal Affirmation Review

*CAS Review Expectations* - NNSA seeks to confirm the Contractor's determination that CAS has been sufficiently designed and effectively implemented. Federal affirmation of Contractor CAS, Phase I, Parts I or II, or both, will utilize a consistent approach. The approach will reflect the application of a minimum set of NSE-wide common performance-based evaluation criteria or lines of inquiry that will result in NNSA developing the data/information sufficient for confidence that the CAS is: 1) well designed, 2) faithfully implemented, 3) used as the single, coordinated, and cohesive management system to provide decision information that is accurate, timely, and complete for all levels of Contractor management, 4) meets the contractual expectations of the Federal government; and 5) is transparent and can be relied upon. The focus will be on aspects of implementation and effectiveness of tools, processes, and use of the CAS in achieving its purpose while eliminating redundancy.

LO Review Expectations - NNSA seeks to confirm: 1) the Site Office uses a systematic and effective approach to line oversight, including output from the CAS, to monitor and evaluate Contractor performance against mission and contract requirements, 2) the Site Office employs a risk-informed performance based process to focus oversight activities on processes, systems, and operations vital to ensuring the NNSA mission is executed in a manner that is safe, secure, legally and ethically sound, and fiscally responsible, 3) a systematic approach is used to monitor and evaluate the implementation and effectiveness of the Contractor's assurance system, and 4) the Site Office's LO systems have been effectively transformed and optimized utilizing the CAS.

Affirmation Review Performance - The preferred method to perform the affirmation review is to validate both the CAS and the LO concurrently with an independent team. This provides validation of the implementation, effectiveness of the systems, and the integration that is required for them to function together.

The LO and/or CAS affirmation review process is initiated when a SOM determines readiness for affirmation and notifies the Deputy Administrator for Defense Programs. In consultation with HQ and the contractor, the SOM proposes a team to conduct the affirmation review and obtains team approval by the Deputy Administrator for Defense Programs. Team leaders are appointed from a small cadre of personnel that meet expectations for team leaders. The team leader will select a deputy team leader (if needed) and other team members that meet expectations for those personnel. The review team provides a report of the results of their review to the SOM. The SOM evaluates the results of the review and reports his or her

conclusion and disposition or any team recommendations and the basis for both, to the Deputy Administrator for Defense Programs for review.

The team leader, working with the SOM to incorporate site and contract specifics, develops an affirmation review plan that, when executed, will form the basis for affirming the LO and/or CAS attributes identified in this chapter using the objectives, criteria and LOIs provided in attachment 4. When evaluating the attributes of a LO program or criteria for a CAS, the reviewers should use the LOIs as guides for gathering and analyzing data, not as hard and fast checklists for content.

The affirmation review plan should identify the participants on the team, their roles and responsibilities (including the review of relevant documentation prior to the Site visit), any required Site support, and the review schedule.

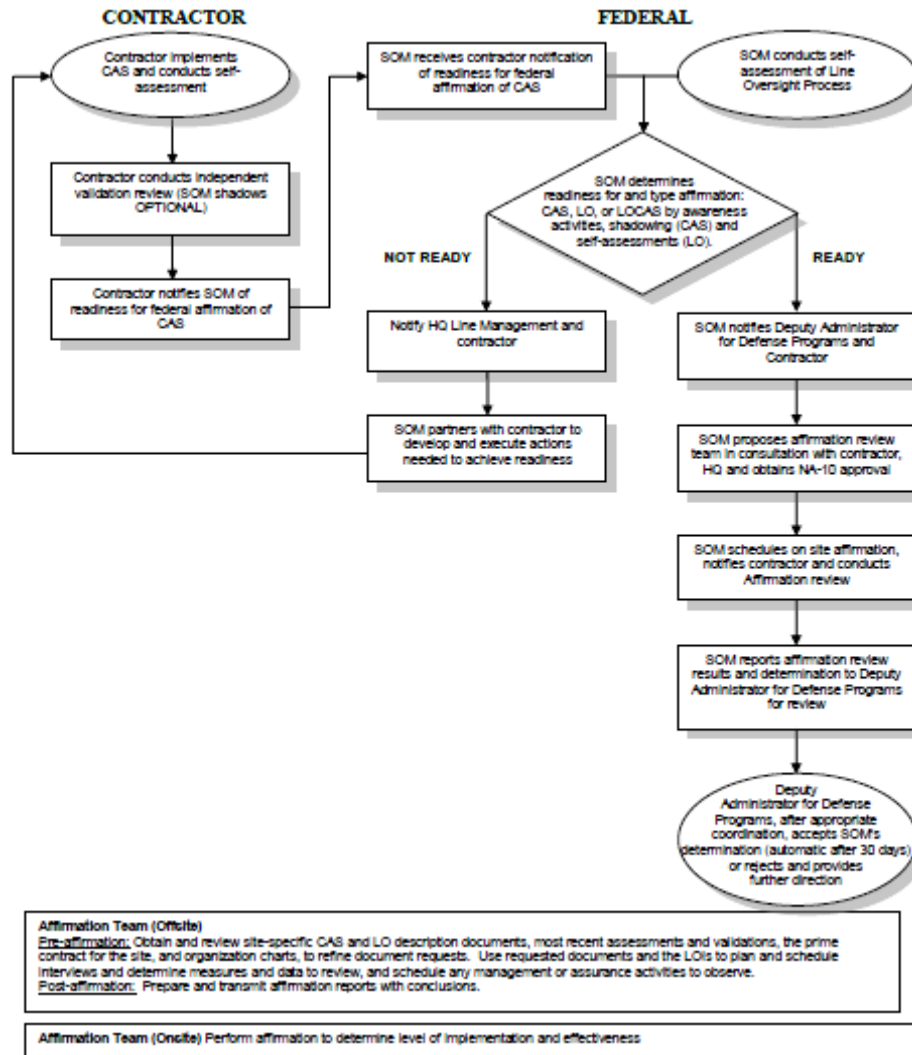
There are three key aspects to be addressed in coordination between the Contractor and NNSA: lines of inquiry, observation methods, and participants. These will be reviewed by NNSA with the Contractor prior to execution of the CAS affirmation review to ensure transparency and to incorporate feedback.

Prior to conducting the affirmation review, the team leader should request, and the SOM should provide sufficient documentation to provide reasonable assurance of readiness for the review. This could include the results of the Site Office LO self-assessment, local procedures that describe the Site Office LO process and recent LO related documents/reports. Likewise, the Contractor should provide on request, the Phase I independent assessment results, applicable Contractor procedures, and recent CAS related reports and products.

The Federal review team will produce a report of its efforts and provide it to the SOM. The SOM will provide the report, along with his or her determination, to the Deputy Administrator for Defense Programs for review. The Deputy Administrator for Defense Programs has 30 days to accept the SOM determination (automatic acceptance after 30 days) or reject it and provide further direction.

A typical Phase II LOCAS methodology is as follows:





- Affirmation Team Preparations
  - Affirmation Team Commissioned
  - Notice to Contractor (CAS related only)
  - Information request forwarded
  - Off site review of Site information/data request response (Contractor and peer/3rd party independent review, completed LOIs, other Site information)
  - Conduct a Pre-Visit
- Conduct an onsite review
  - Objectives, Criteria and LOIs executed
  - Interviews conducted
  - Activities observed
  - Correlation of Paper to Practice

- Issue Summary Report to SOM
- SOM develops determination on report disposition
- SOM forwards report, with his or her determination, to the Deputy Administrator for Defense Programs.
- The Deputy Administrator for Defense Programs after appropriate coordination accepts or rejects the determination.

#### **Format of LOCAS Affirmation Report**

- Purpose
- Scope and Method of Affirmation Review
  - CAS (Part 1 or Part 2), LO, or LOCAS
  - Team make-up
  - Performance areas reviewed
- Results
  - Completed Assessment Forms
- Interview results
- Activity results
  - Comparison
    - Paper versus Practice
    - Demonstration and Documentation
  - Evaluation
    - Effectiveness of systems to achieve, monitor, evaluate and improve performance outcomes
    - Noteworthy Practices
    - Opportunities for Improvement
- Summary/Conclusions
- Determination - Affirmed or Not Affirmed
- Recommendations

## **Chapter Nine - Integrated Oversight and Assessments**

### **Introduction**

This chapter describes an integrated assessment-planning model for use in identifying the set of NNSA assessments to be conducted across the Nuclear Security Enterprise (NSE). This model supports a shift from a directive-based to a risk-informed assessment identification process and from independently developed Site and HQ assessment plans to an integrated plan that includes HQ led assessments. "Risk Informed" is a decision making approach whereby conclusions drawn from an assessment of past performance, hazards involved, and the likelihood and consequences of accidents are considered together with other factors to make decisions that better focus contractor and Federal oversight attention on design and operational issues commensurate with their importance to public health and safety. A "risk-informed" approach enhances the deterministic approach by: (a) allowing explicit consideration of a broader set of potential challenges to safety, (b) providing a logical means for prioritizing these challenges based on risk significance, operating experience, and/or engineering judgment, (c) facilitating consideration of a broader set of resources to defend against these challenges, (d) explicitly identifying and quantifying sources of uncertainty in the analysis (although such analyses do not necessarily reflect all important sources of uncertainty), and (e) leading to better decision-making by providing a means to test the sensitivity of the results to key assumptions.

The shift to "Risk Informed" still requires assessments specifically required by a Directive to be performed unless a formal exemption is approved using the authorized exemption process. In addition, this process will ensure that the rigor and implementation of independent oversight for nuclear and high hazard activities will continue to be maintained and enhanced.

Also included in this chapter are a set of Assessment Identification, Planning, and Performance Principles to assure that if an assessment is necessary the basic tools are in place to assure that its value is maximized, and to provide both the Assessing and Assessed organization a guide to assuring such an outcome.

### **Description**

The NNSA Integrated Oversight and Assessment Model (herein referred to as the "Model") provides a framework that will guide a transition from a directive-based oversight and assessment planning approach to a risk-informed/performance-based oversight and assessment planning approach. For purposes of this model, line management refers to HQ organizations with assigned or delegated oversight responsibilities from NA-1, 2, 10 or Defense Nuclear Security. This model currently does not apply to mission line management within NA-10. Implementation of the model, together with other key governance initiative improvements, will result in selection of a focused and targeted set of risk informed/performance based assessments that are conducted in a disciplined manner. Ultimately, as seemingly redundant, lower risk and less effective assessments are identified and reduced and/or eliminated, NNSA and Contractor resources can be realigned to direct NNSA mission activities.

The model is designed for application in a risk-informed manner across the NSE from the Contractor, to the Site Office, and the HQ Functional/Line Managers. HQ Functional Manager/Line Management concurrence with the integrated plan provides the Administrator with Enterprise Assurance as the as program owner.

Two key components differentiate this model from the current planning approach:

- Integrated Site Assessment Plan – This model avoids the inherent potential for duplication of efforts by using a process that results in a single integrated Federal Site Assessment Plan with integration occurring at the Site Office-level for each Site. Integration is thereby accomplished at the Federal level directly responsible for Site operations and is maximized by placing the responsibility on the Site Office Manager to ensure that HQ Line and Functional Manager oversight requirements are incorporated into the integrated Site Assessment Plan in a way that optimizes the use of both Federal and Contractor resources.
- Recognition that “Risk” constantly varies, is usually Site-specific, and is usually best understood by line management closest to the work activities- This model recognizes that risk factors and Contractor performance are not static attributes but instead both of these factors are Site-specific and change over time. The model recognizes that Federal oversight will also transition to re-align its focus on risk and performance consistent with Federal statutes and regulations. To enable this transition the model allows for flexibility in the selection and degree of use of the various oversight tools based on timely and accurate risk and performance information. Flexibility in the selection and degree and use of the various oversight tools by the Site and Functional/Line managers based on real time performance and risk information is referred to as the oversight “dial setting.” The model also allows the Site Office and HQ functional/line managers the flexibility to select assessments in areas which significantly reduce uncertainty about the likelihood of potential adverse consequences which would have the greatest impact on safe, secure, and efficient achievement of the Site-specific NNSA mission. The overall result is an integrated plan that is appropriate for the specific Site situation.

In addition to these two key components, the model relies on the application of the following attributes to support the transition from the current directive based process toward an integrated and risk informed process:

1) Aligned Goals and Objectives - NNSA enterprise goals and objectives are formally established and are used to establish the expected performance baseline for NNSA management and operating Contractors. Alignment of the goals and objectives across the enterprise supports development of performance expectations (requirements, outcomes, milestones) and supporting measures that are used throughout the oversight and assessment planning and execution cycle.

2) Common Oversight and Assessment Planning Process - Using the common set of performance expectations derived from aligned goals and objectives, the various enterprise organizational elements implement oversight and assessment planning processes that includes a common set of steps. These steps include:

- Risk Evaluation – The relative risk of achieving mission objectives and expected performance outcomes is evaluated.
- Analysis of Performance Information – A comprehensive set of performance information is used to analyze and evaluate the current level of performance compared to the common set of performance baseline expectations.
- Evaluation of Assurance and Oversight system effectiveness – An evaluation of maturity and effectiveness of the assurance and oversight system is performed to provide a level of confidence in the adequacy of performance information and in the ability to effectively address identified performance weaknesses.

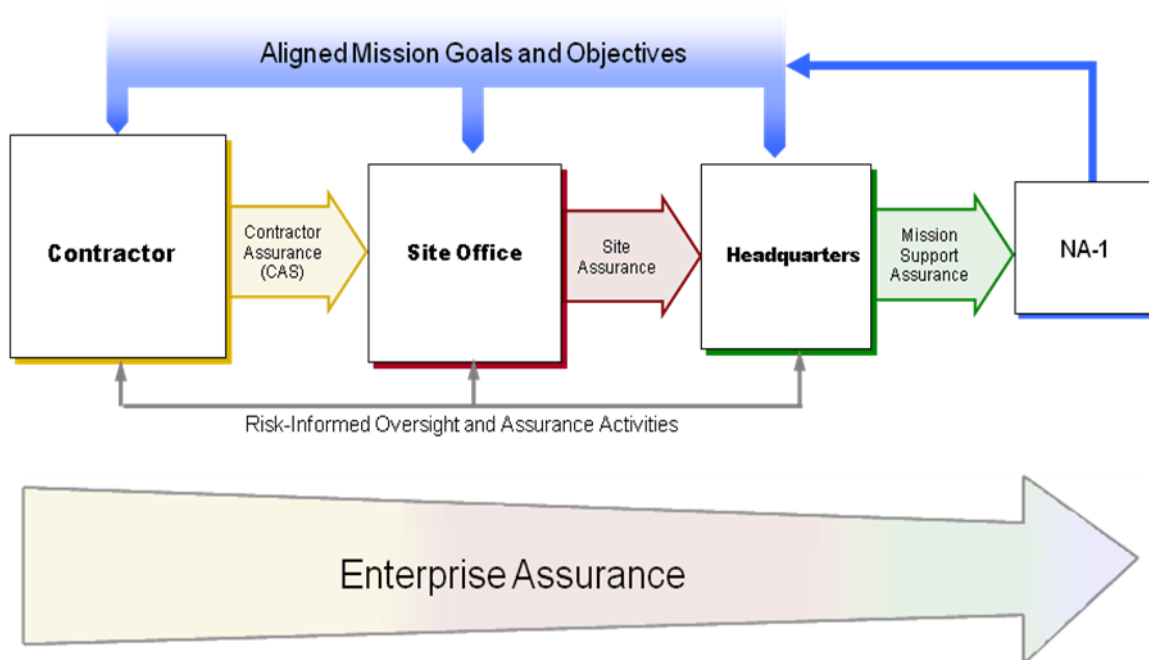
3) Transparent Performance and Oversight Information - A common set of mission performance and oversight information is provided across the enterprise. The information flow is from the Contractor to the Site Office and then from the Site Office to HQ functional/line managers. Contractor performance and oversight information (results from assessments, corrective action status, etc) is readily accessible, and transparent to the Site office primarily through the Contractor assurance system (CAS). Access to both raw data and analysis of that data is available to the Site Office from the CAS. Working with HQ functional/line managers the Site Offices establish appropriate mechanisms to provide access to both Contractor and Site Office oversight and performance information for use by the HQ functional/ line managers.

4) Risk Informed Oversight and Assessment Decisions - Each level of the enterprise selects the type and scope (breadth and depth) of assessment activities for the current planning cycle based on performance, risk, and maturity of assurance and oversight systems. The use of these inputs results in a risk informed process to select assessment targets for the planning cycle vice a directive based selection of assessment targets. The specific inputs for each level of the organization vary based on their proximity to the execution of the work and that organization's roles and responsibilities within the enterprise. For example, the Site Office uses operational risk, Contractor performance, and CAS maturity in their risk informed assessment selection process and the HQ functional/line manager uses mission support risk, functional area performance, and line oversight maturity in their risk informed input to each Site's Integrated Assessment Plan.

The risk informed process is also used to make real time oversight decisions in response to adverse performance information during the execution cycle. For example, risk, performance, and confidence in assurance systems is used to determine the level of Site Office response that can range from monitoring the Contractor response, enhanced oversight by shadowing a Contractor led assessment, independent Site Office assessment, or a contract action such as specific direction or adverse performance evaluation or change in performance targets.

5) Integrated Site NNSA Assessment Plan - The sequenced and coordinated development of an integrated Site NNSA assessment plan that is revised as necessary to address HQ defined assurance requirements will result in a single fully integrated NNSA assessment plan for each Site. This sequencing allows each level to identify gaps in the previous organization's assessment plan to negotiate appropriate additional measures in that level's activities and or insert additional measures as required before each Site-specific plan is finalized. Assessment schedules are provided to Site Office and HQ functional/line managers to enable enhanced oversight through various activities in concert with the Contractors (e.g. shadow assessments). This sequenced and coordinated approach enables the most effective use of Contractor and Federal resources while providing for more effective assurance from each organizational level within the enterprise. The overall result is more effective enterprise assurance.

A graphical depiction of the organizational alignment of the assurance functions within the enterprise is shown below.



### Model Execution Process Flow

A description of the nominal execution steps in the Integrated Assessment Model is as follows:

- 1) Based on the enterprise mission goals and objectives, Site-specific risk informed and performance based metrics, NNSA and parent company input, and external assessment results, the Contractor prepares a draft assessment plan and provides it to the Site Office.

- 2) The Site Office uses Site-specific risk and performance information and the maturity of the Contractor Assurance System as input to its assessment planning process.

**Integration > Contractor – Site Office**

Site office and the contractor work to “fill in” any gaps that the site office sees in the contractor plan in the most effective manner e.g. the contractor may add additional internal assessment activities, or the site office may “shadow” a contractor internal activity. Optimally an assessment would only be the option chosen by the site office in areas where an assessment is explicitly required or those that involve a high risk to mission execution (for example nuclear safety).

- 3) The Site Office provides the draft Site Office Assessment Plan, draft Contractor Internal Assessment Plan, and Site performance data (Contractor functional area performance and Site Office line oversight performance) to the HQ line and functional managers.
- 4) The HQ line and functional managers review the draft Site Office Assessment plan and based on field assurance effectiveness and functional area/mission support performance trends (e.g. LOCAS metrics) identify whether there are any areas where additional assurance activities may be required.

**Integration > HQ – Site Office**

HQ line and functional area managers and the site offices work to “fill in” any gaps that HQ sees in the draft site office assessment plan in the most effective manner e.g. the site office may add additional internal assessment activities, the site office may work with the contractor to identify additional areas of contractor focus or HQ may “shadow” a Site or contractor activity or participate in a Site Office led review. The HQ line and functional managers will use these types of enhanced oversight tools to address areas of concern based on the common set of risk and performance information. Optimally, an assessment would only be the option chosen by the line and functional managers in areas legally required or those that involve a high risk to mission execution (for example nuclear safety).

- 5) Based on the input from the HQ line and functional managers the Site Office would update their plan to form the Draft Integrated Site Assessment Plan.
- 6) The HQ line and functional area managers are responsible to provide assurance to NA-1/2/10 that each Site Integrated Assessment Plan provides adequate assurance in their Functional/ Line areas.

- 7) NA-1/2/10 has the option to input any additional Enterprise considerations that may be required into the integrated Site assessment plans through the HQ line and functional managers.
- 8) Site Offices approve and issue Site Integrated Assessment Plan in advance of the start of each annual line oversight cycle.

### **Organizational Assurance Functions and Interfaces**

Within the model framework, each organizational level has complementary assurance inputs, analysis, and outputs that support an appropriate selection and balance of oversight tools to provide assurance. The selection and balance of oversight tools is referred to as the “Dial Setting” in this Model. At a summary level the organizational assurance roles, interfaces, and assurance process information, analysis, and tools are as follows:

- Contractors
  - Determine and recommend the most effective means of accomplishing the missions and objectives established by NNSA in a safe and secure manner.
  - Establish, implement, and execute a comprehensive, effective, and sound Contractor assurance system, supported by critical self-evaluations and internal performance assessments, which ensures mission enablement and promotes continuous improvement.
  - Create and maintain a transparent assurance system with the necessary level of comprehensiveness to sustain stakeholder confidence and to maintain acceptable levels of performance.
  - Provide products and services in a safe, secure, legal manner, with high quality and efficiency.

|                            |                                                                                                                                       |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------|
| <b>Information Inputs</b>  | Contract Requirements<br>Mission Objectives<br>Stakeholder Guidance                                                                   |
| <b>Analysis</b>            | Development of Performance Measures<br>Risk Evaluation (Integrated mission execution focus)<br>Identification of Assessment Targets   |
| <b>Information Outputs</b> | Performance data (Mission, System, Functional Area)<br>Oversight and Assessment Performance Information<br>Contractor Assessment Plan |
| <b>Assurance Tools</b>     | Self Assessments<br>Independent Assessments<br>Parent Reviews<br>Third Party Certifications<br>Continuous Improvement Activities      |



- Site Offices
  - Oversee contract performance.
  - Validate and oversee an effective Contractor Assurance System.
  - Have the knowledge and operational mission awareness necessary to provide risk-informed oversight of Site work activities.
  - Are primarily responsible (through delegated authority) for executing the Federal oversight and administration of the M&O Contractors.
  - Are accountable to NNSA senior line management for the execution of Site Office authority.
  - Ensure safe and secure operations through the administration of each Site's line oversight process and oversight of each Contractor's assurance system; by monitoring Contractor performance through the use of appropriate metrics and indicators; through use of the Contractor performance evaluation system; and by integration and coordination of assessment and oversight activities conducted at the respective Sites.
  - Develop, integrate, approve, and update as necessary the Integrated Site Assessment plan to meet the assurance needs of the Site and HQ Functional and Line Managers as required while optimizing the utilization of both Contractor and Federal resources.

|                            |                                                                                                                                                                                                                                                                                                                              |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Information Inputs</b>  | Performance Evaluation Plan<br>Contractor Integrated Assessment Plan<br>Performance Data (Mission, CAS, Functional Area)<br>Oversight and Assessment Performance Information<br>HQ Line and Functional Manager Assurance Requirements                                                                                        |
| <b>Analysis</b>            | Evaluation of CAS Effectiveness<br>Risk Evaluation (Integrated Site Operational Focus)<br>Identification of Performance Trends<br>Identification of Assessment Targets                                                                                                                                                       |
| <b>Information Outputs</b> | Site Performance data (including CAS effectiveness)<br>Site Office Line Oversight Performance Information<br>Site Office Self Assessment and Continuous Improvement Information<br>Approved Integrated Site Assessment Plan                                                                                                  |
| <b>Assurance Tools</b>     | Systems Oversight<br>Operational Awareness- Shadow Contractor assessments<br>Performance of Site Office Approved Assessments<br>Various Contract Actions (Directed Action, PEP Changes)<br>Negotiation with Contractor to conduct assessment or other activity<br>Coordination with HQ/Service Center for support/assistance |

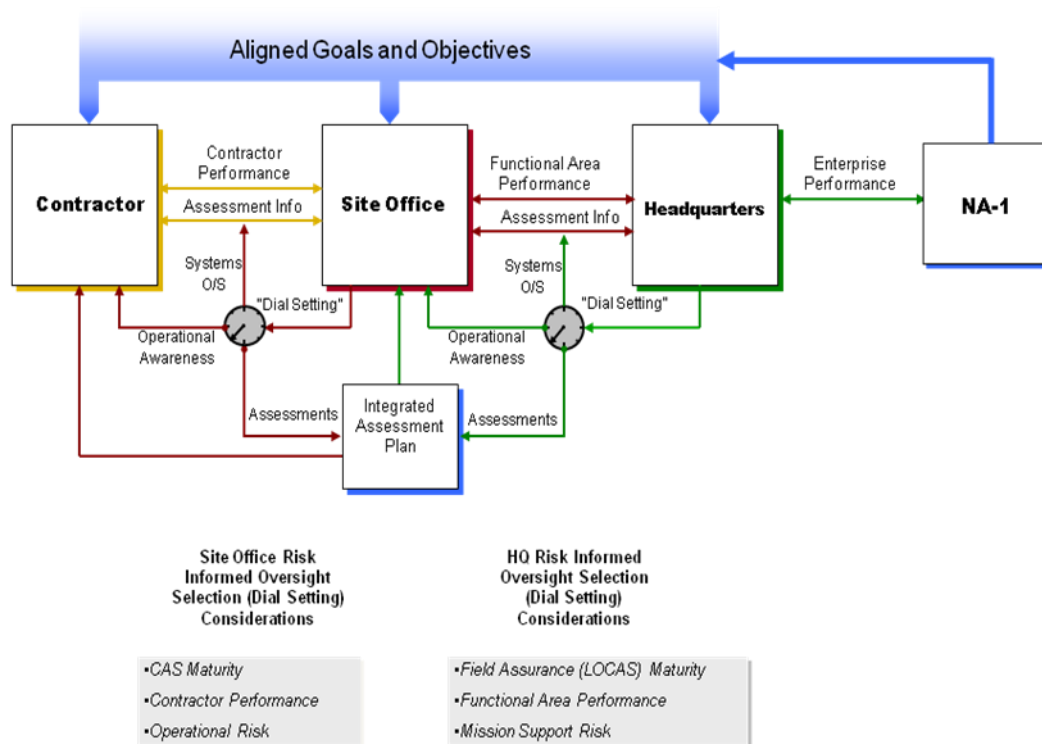
- Headquarters Line and Functional Managers
  - Provide technical assistance and support by employing trained and competent staff to enable mission delivery and provide support to Program and Site Office Managers to implement delegated responsibilities.
  - Ensure that NNSA operates within statutory and regulatory authorities and provide technical assistance, remove barriers, and provide support to enable mission delivery.
  - Monitor and evaluate Site Office performance through periodic oversight and assessment activities.
  - Provide for functional oversight and support of the technical competency of the Federal workforce.
  - Develop, integrate, and update as necessary HQ Functional and Line Management Oversight Requirements.
  - Maintain knowledge of overall NNSA enterprise performance through risk informed oversight activities in order to provide corporate level information to support senior level decisions.
  - Assist the delegating officials to determine if the Program or Site Office has the resources and qualifications to execute their responsibilities effectively. All functions play an equally vital role in meeting mission success.

|                            |                                                                                                                                                                                                                                                                                                                                      |
|----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Information Inputs</b>  | Functional Area/Mission Support Performance Indicators<br>Site Office Oversight Performance Information (LOCAS)<br>Site Draft Integrated Assessment Plan<br>Site Office Self Assessment and Continuous Improvement Information                                                                                                       |
| <b>Analysis</b>            | Evaluation of Field Assurance Effectiveness (LOCAS)<br>Risk Evaluation (Integrated Functional Area Mission Support Focus)<br>Identification of Functional Area/Mission Support Performance trends<br>Identification of Shadow Assessment/Operational Awareness Targets<br>Integration with NA-1/2/10 to provide Functional Assurance |
| <b>Information Outputs</b> | Functional Area/ Mission Support Performance Evaluation<br>Field Assurance (LOCAS) Effectiveness Evaluation<br>HQ level Functional and Line Management Assurance requirements to Site Office<br>Assessment input to Site Office Integrated Assessment Plan                                                                           |
| <b>Assurance Tools</b>     | Systems oversight<br>Program reviews<br>Shadow or Participate in Site Office Led Assessments<br>Negotiated changes to Draft Site Office Assessment Plan<br>Identification of Legally required or High Mission Risk HQ Led Assessments to be included in Site Integrated Plan                                                         |

- Office of the Administrator
  - The NNSA Administrator has both the authority and accountability for decision making for those decisions that are the responsibility of NNSA, serving as the *ultimate* risk acceptor for NNSA, balancing programmatic risks to accomplish mission requirements and meet national security needs.
  - Leads strategic planning and facilitates operational planning to prioritize mission objectives and the options to achieve those objectives.
  - Identifies barriers to achieving mission success and options to overcome those barriers.
  - Supports other Federal Agencies by leveraging NNSA work activities.
  - Integrates mission, program, budget, functional area requirements.
  - Responsible and accountable for mission accomplishment and enterprise stewardship.

|                            |                                                                                                                                                                                                                                                                                                   |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Information Inputs</b>  | Comprehensive Site Performance Evaluations (Mission, Functional Area, Site office)<br>External Inputs – Congressional, Departmental, Stakeholders                                                                                                                                                 |
| <b>Analysis</b>            | Risk Evaluation (Integrated Enterprise Focus)<br>Identification of Enterprise Mission Vulnerabilities<br>Evaluation of Enterprise Assurance Effectiveness                                                                                                                                         |
| <b>Information Outputs</b> | Enterprise Assurance Information provided to stakeholders<br>Enterprise oversight guidance as required<br>Concurrence through HQ Functional and Line Managers with Site Office Integrated Assessment Plans                                                                                        |
| <b>Assurance Tools</b>     | Verification by HQ functional and line management that they agree with the level of assurance provided by the Integrated Site Assessment Plans<br><br>Direction to Line Managers (Site and HQ) to address identified any enterprise vulnerabilities or Enterprise Level Supplemental requirements |

The graphic below shows the overall linkages between the Model Attributes and the NSE organizational Elements Contractor, Site Office, HQ Functional Area Managers, and the NNSA Administrator. This model utilizes a structured methodology at each level of the enterprise to analyze Performance, Risk, and maturity of Assurance and Oversight systems at the assessed level.



### Assessment Identification, Planning and Performance Principles

The guidance below supplements the model by defining key principles for NNSA line managers to consider when planning and scheduling NNSA assessments that are external to the host organization. If these principles are not supported, then the host site or the assessment lead may postpone or cancel the assessment. If the host and the assessing organizations cannot agree, then the issue should be brought to the attention of the next level of management.

### Assessment Identification Principles

- The objective of the review and intended use of the assessment information and conclusions has been explicitly identified.
- The assessing organization has determined and validated the need for conducting the assessment based on positive responses to the following criteria:
  - A defined requirement exists for the assessment (e.g., area governed by statute, executive order, rule or established Departmental directive.) and the responsibility for

oversight of implementation of the requirement(s) does not reside with the Site Office Manager, or

- A risk-informed oversight process identified the need for an assessment, or
- Performance indicators or metrics are insufficient to assure continued safe and compliant operation (increased uncertainty) or reflect less than adequate performance, and an on-site assessment is the most effective method of data collection.
- The intended scope and need for conducting the NNSA assessment has been established with the hosting organization
- Integration of the assessment with other complementary reviews has been considered to minimize the footprint on host organization (e.g., ES&H integrated with nuclear safety reviews, combining similar business topics, combining S&S topical areas).

### **Assessment Planning Principles**

- The scope of the assessment is clearly defined and documented and the size of the assessment team is commensurate with the scope of review.
- An assessment team leader has been identified who has an appropriate level of independence and sufficient experience and knowledge in the area to be assessed.
- The proposed assessment schedule that includes the duration of the on-site portion of the assessment, deliverables, and other key milestones has been developed by the assessment team and can be reasonably supported by the host organization. The accepted schedule includes sufficient time to ensure all the necessary planning requirements can be met.
- The issues management process that will be used to address the results of the assessment has been agreed upon by the assessing organization and the host organization.
- A review plan has been developed by the assessment team leader with input from the team and accepted by the hosting organization. At a minimum, the plan will contain the following information: Purpose and Scope; Assessment Schedule; Issue Identification and Categorization; Measurable Evaluation Objectives and/or Criteria; Factual Accuracy Review; and Final Report Format.
- Measurable Evaluation Objectives and Criteria documented in the review plan are linked to requirements or clear expectations.
- Pre-assessment meetings for information exchange are initiated by the assessment team and supported by the host organization.
- Organizational interfaces and points of contacts are established by the host organization to support team members and organize logistics.

### **Assessment Performance Principles**

- The assessment team establishes meeting schedules (e.g.in-brief, daily out brief, team meetings, and closeout meetings) that support open information exchange between the assessment team and the hosting organization.

- The assessment team leader emphasizes positive interactions with the host organization, feedback focused upon the scope of the review, and the goal of providing useful information to support continuous improvement of the host organization.
- The host organization has agreed to provide the assessment team with access to all facilities, personnel, and objective evidence needed to support the review.
- Issues are communicated, categorized, and supported by objective evidence packages.
- A final out-brief will present and discuss assessment results and expected delivery of the final report.
- Assessment results are delivered to the agreed upon line manager(s) in the responsible organization who uses their issues management process to make a final determination of resolution.

## **Chapter Ten –Performance Evaluation Plan and Metrics**

Note: The details of Chapter 10 will be developed at a later date to define the performance criteria by which NNSA will appraise the M&O contractors' performance. It will be written to implement the collective principles communicated in this document and to reinforce the changes envisioned within our Governance Transformation efforts.





## Attachment 1 - Advancing the NNSA's Managerial and Cost Effectiveness



**Department of Energy**  
**National Nuclear Security Administration**  
Washington, DC 20585

April 22, 2009

OFFICE OF THE ADMINISTRATOR

### *A Management Reform Initiative*

MEMORANDUM FOR: The Nuclear Security Enterprise

FROM: Thomas P. D'Agostino, Administrator, NNSA

SUBJECT: Advancing the NNSA's Managerial and Cost Effectiveness

The President has called upon each Cabinet Officer, and all of us involved in public service, to look at every program action and process that involves the expenditure of American tax dollars and commit ourselves to making sure that they are required, cost effective, and deliver quality results. The NNSA, through its history of contract, business, and human capital initiatives, is uniquely poised to both deliver on the President's challenge, and set the course for the future of the National Security Enterprise in the next century.

I have empowered an Enterprise Reengineering Team. The Team's charter and charge is to draw upon the existing reform and cost improvement initiatives and to deliver a focused aggressive, Complex-wide set of reforms and improvements that change the way we do business in order to reduce our fixed costs, eliminate inefficiencies in management and controls, and bring industry competitive business attributes to our complex. NNSA has already taken a number of steps towards improving efficiencies and reducing costs. The Y-12 and Pantex Thruput project, the Supply Chain Management Center, and our recent assessment of contractor pension and healthcare costs are but a few of the initiatives that have provided hard dollar savings or identified methods by which they may be achieved. The intent is to build on these successes. These are good ways of looking at cost and efficiency improvements; however they are not under a single organizational or management umbrella and have not been coordinated to achieve the maximum benefit I believe could be achieved.

I am looking for ways to dramatically rethink, and fundamentally redesign, what many on both sides see as a "compliance and enforcement-driven contractual" relationship, instead of a constructive "partnership" for mission accomplishment. In the end I seek to achieve greater operational efficiency that may result in ideas that change our current governance, management, and oversight model. Our objective ultimately is to establish clear roles, sharpen decision authority, and allow for greater effectiveness with lower costs. I recognize that we already have both a Field Council and an Integration Team that are working on specific initiatives (such as risk management and wireless monitoring and



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information technology, among many others). This work is good and should continue. I seek however to “crank up the current” on ideas—particularly those that shift towards “partnership” and that may require specific additional authority or exceptions to current policy from the Administrator or the Secretary.

This partnership will be required in order to shift from a Cold War Nuclear Weapons Complex to a 21<sup>st</sup> Century National Security Enterprise.

Within the next two weeks, the Team, comprised of Camille Yuan-Soo Hoo, along with other executives, will compile and assess all ongoing activities and develop a process to obtain qualified ideas for further improvements from the head of each major Federal and Contractor organization (e.g., Deputy Administrator, Laboratory Director, Plant Manager, etc). I am tasking this group to then work with the appropriate M&O contractor personnel to develop a method by which these concepts and ideas can be vetted in a collaborative manner, selected and projectized for implementation. This process should be completed within eight weeks. This is an aggressive schedule; however, I believe we can begin a number of initiatives that will reap benefits in the near term. This effort is separate and distinct from the Acquisition Strategy Team which has been working to develop our path forward regarding the current Plant contracts. The goal will be to have a set of proposals/ideas selected that are actionable and will result in quantifiable savings in either time or cost to our employees.

Each individual element of the NNSA from Laboratory Directors, Plant Managers, Deputy and Associate Administrators, will be responsible for providing the ideas themselves and a recommended implementation strategy to an Enterprise Executive Board. I will chair that Board and consult with the Laboratory Directors and Plant Managers on enterprise-wide implementation. Upon the Board's approval and prioritization, the Management Reform Team will begin implementation design.

Provided the proposed initiatives brought before the Enterprise Executive Board can offer us better performance and/or quantifiable cost saving, I plan to move expeditiously to make formal changes to our Management and Operating Contracts and to grant necessary waivers to, and exemptions from, any existing policy using the authority of the Administrator, where allowable and appropriate. Where necessary, I will work with the Secretary to seek any additional authority needed.

Our mission and its work are vital to the American people and, in fact, the security of our world. Our ability to more effectively manage our responsibilities depends on our skill and attention to improving every management and financial activity we undertake. I look forward to your creative and thoughtful ideas.

## Attachment 2 - NNSA Operating Principles

### National Nuclear Security Administration (NNSA) Operating Principles

***Our mission is vital and urgent – we constantly focus on mission outcomes.***

- US nuclear security is the fundamental mission of the NNSA and its laboratories, plants, and test site.
- Mission managers bear responsibility for achieving mission outcomes.
- Support managers provide technical assistance and support to enable mission delivery.
- Our activities reflect a mission-focused, high performing, high reliability enterprise consistently delivering on its commitments and addressing national needs.
- We constantly strive to drive innovation and reduce barriers to effectively and collaboratively accomplish our mission.

***Science and technology lie at the heart of our mission.***

- The NNSA and its laboratories, plants, and test site are resources to organizations in the US Government with national security missions.
- We manage our laboratories, production, and other facilities in a manner that sustains and leverages their formidable technical capabilities in response to the ever-expanding challenges to our Nation's security.
- The NNSA national laboratories' mission is to provide premier science and technology support for the US national security mission.

***We succeed only through teamwork, innovation and continuous improvement.***

- The long-term strategic future of the National Security Enterprise is a shared responsibility of Federal and contractor staff and leadership and requires a strong partnership and trust.
- Individual and contract performance evaluations reflect contributions to mission outcomes.
- We treat our people as our greatest asset.
- All functions within NNSA are periodically evaluated in relation to mission enablement.

***We pursue our mission in a manner that is safe, secure, legally and ethically sound, and fiscally and environmentally responsible.***

- The Administrator is ultimately responsible for ensuring the quality of the product/outcome; security of operations; the safety and health of employees and the public; and the protection of the environment.
- Mission and functional managers at the Federal and contractor level bear full responsibility for achieving assigned objectives in a manner that is safe, environmentally responsible, secure, legally and ethically sound, and fiscally responsible.

***We manage risk across program objectives and operational performance to fulfill our mission.***

- Decision-makers balance programmatic and operational risks to accomplish mission requirements and meet national security needs.
- Authorities are aligned to accountability and are assigned to decision-makers that are closest to the work.
- Certain critical decisions are made at the highest levels of NNSA due to a unique risk or as driven by law, Federal regulations, or to balance risks and resources across the nuclear security enterprise.

***We apply validated standards and rely on rigorous peer reviews.***

- Wherever possible and warranted, NNSA executes work in accordance with validated standards; where these standards do not apply or are inadequate, work processes are developed.
- Contractors are expected to employ best management practices.
- We constantly strive to reduce or eliminate requirements for transactional oversight where not required by statute or the Federal Acquisition Regulations.

February 5, 2010



Thomas P. D'Agostino  
Administrator



## Attachment 3 - NNSA Enterprise Re-engineering Reform Initiative - LOCAS



Department of Energy  
National Nuclear Security Administration  
Washington, DC 20585

December 22, 2009

OFFICE OF THE ADMINISTRATOR

MEMORANDUM FOR DISTRIBUTION

FROM:

THOMAS P. D'AGOSTINO  
ADMINISTRATOR

SUBJECT:

NNSA Enterprise Re-engineering Reform Initiative – LOCAS

In our continuing effort to drive sustainable management reform throughout NNSA so as to continuously improve the performance of our mission and mission support organizations, both Federal and contractor, the Nuclear Security Enterprise (NSE) must dramatically rethink, and fundamentally redesign, what many on both sides see as a "compliance and enforcement-driven contractual" relationship. We need to move to a more constructive "partnership" for mission accomplishment. As you are aware, we have underway a number of complex-wide management reform and improvement initiatives that will begin to change the way we do business, reduce our fixed costs, eliminate inefficiencies in management and controls, and bring industry competitive business attributes to our complex.

The hallmark to a successful and constructive "partnership" between Federal and contractor entities for mission accomplishment is a well-defined, well-understood, and reliably functioning Line Oversight and Contractor Assurance System (LOCAS). Both Federal and contractor staff, while executing their respective roles and responsibilities, must work in step and be complementary to each other to enable mission success. Performance accountability and risk tolerance/acceptance must be clearly identified.

Within the past three years, NNSA underwent a successful change to how we conduct business at the Kansas City Plant (KCP). This change is known as the KCP Oversight Model for Non-Nuclear Operations. Given the success of this KCP model, I believe NNSA is ready to cascade the principles of the KCP non-nuclear operations model to other NNSA contractors in a systematic approach that leverages the lessons learned from KCP and other efforts to implement the KCP model at Sandia Site Office (SSO)/Sandia National Laboratory (SNL) first followed by implementation at Nevada Site Office (NSO)/NSTec and then site/contractor by contractor across the NSE.

Over the next few years, transitioning all of NNSA's contractors to the KCP model for non-nuclear operations is one of my highest priorities, and one that has the support of the Secretary and Deputy Secretary. This important undertaking must be viewed as an NNSA-wide effort. To be successful at Sandia, it will take the combined and concentrated efforts from not only the respective Site Office Manager and contractor



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leader, but from Defense Programs, the various Functional Heads at Headquarters, and from other Sites and contractors, as well.

Therefore, I have directed that the systematic transition to the KCP model, where appropriate, across the NSE be considered an Administrator Priority for all organizations, and that it be a directed effort under the auspices of the Enterprise Re-Engineering Governance Board.

Collectively, we must use an institutional approach to this effort whereby NNSA wide standards and requirements are identified and expectations clearly understood so that both contractors and Federal staff are assessing the same things with regard to design and implementation of LOCAS. Thus, I have tasked the Chairs of the National Security Enterprise Integration Committee and Field Council (Charlie McMillan and Ted Sherry respectively) to develop Governance and Contractor Assurance System (CAS) expectations and milestones by March 15, 2010, for what constitutes a fully functioning CAS and related Line Oversight.

It is my expectation that the NNSA Enterprise will support and enable SSO/SNL to prepare to transition to the KCP model of oversight for non-nuclear operations first. Additionally, I expect that each Federal senior executive's and the involved manager's and employee's FY10 performance assessment will reflect his/her support to this initiative. It is in our best interest to move to a new way and relationship of doing business with our contractors that enable the most effective utilization of taxpayer dollars to accomplish our mission. I call upon all of you to challenge business as usual and be innovative in our approach to contractor oversight while holding the contractor responsible for delivering mission results safely and securely.

Should you have questions, please contact Camille Yuan-Soo Hoo at (925) 422-2572 or J. Cavanagh at 202-586-8559.

## **Attachment 4 - LOCAS Affirmation Objectives and Criteria**

### **Evaluating Contractor Assurance Systems**

**PURPOSE:** Contractors must have an operational and effective CAS to meet NNSA expectations and enable effective and efficient line oversight by NNSA. This section describes the critical attributes of a Contractor assurance system and provides the objectives, criteria, and lines of inquiry that should be used to evaluate the implementation and effectiveness of a CAS.

| <b>Element 1 – Assessments</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Element Objective</b></p> <p>The Contractor uses a robust and effective, risk-informed approach to develop, implement, and perform comprehensive assessments of all facilities, systems, and organizational elements, including subcontractors, on a recurring basis.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <p><b>Implementation Criteria</b></p> <ul style="list-style-type: none"><li>• The processes used to implement the elements described in a Contractor’s CAS description document are sufficiently defined that they can be executed in a repeatable and predictable manner.</li><li>• The processes are being used in the specified manner by the Contractor’s functional and organizational segments.</li><li>• The scope and frequency of assessments are specified in Site plans and program documents and ensure that:<ol style="list-style-type: none"><li>1. assessments required by applicable DOE directives are being performed;</li><li>2. the effectiveness of safety management programs, including programs that are credited in the safety basis for nuclear facilities are being assessed adequately;</li><li>3. deficiencies are being self-identified; and corrective actions are being taken in a timely and effective manner.</li></ol></li></ul> |
| <p><b>Implementation Lines of Inquiry</b></p> <ul style="list-style-type: none"><li>• How do you know that assessments will be planned and performed in a reliable and predictable manner across the organization?</li><li>• How do you know that assessments will be planned and performed in a manner that is consistent with the risks and performance uncertainties related to the organization’s mission objectives and contractual requirements?</li><li>• How do you know that the assessment planning and performance processes are maintained consistent with changing organizational needs?</li><li>• What defines which functions and parts of the organization should be performing</li></ul>                                                                                                                                                                                                                                                           |

assessments?

- How would you know that the defined functions and/or parts of the organization are performing assessments as expected?
- How do you know that your assessments are providing you results that provide an accurate reflection of performance?
- How do you know that the assessment planning and performance processes are appropriately integrated with other CAS elements and management systems?
- How do you know that all assessments required by DOE Orders are being performed?
- What are the requirements for assessing the effectiveness of safety management programs?
- How do you know that safety management programs are adequately assessed?

#### **Implementation Review Approach**

- Review the Contractor's contract, CAS description document, and assessment planning and performance procedures and records.
- Review Contractor assessments including planning, implementation and results.
- Interview Contractor line and support (including independent oversight) managers.
- Observe performance of one or more Contractor assessments.

#### **Effectiveness Criteria**

- Results of contractor assessments align and resonate with those resulting from third party, independent, and/or Federal assessments of similar functions.
- When results differ between contractor assessments, other similar NNSA or external assessments, the contractor proactively probes to understand why these differences exists and how best to resolve them.
- The Assessment program measures the degree to which the elements described in a contractor's CAS description document are demonstrating the desired outcomes, and provides a basis for demonstrating long-term performance levels and/or trends in evidence.
- The Assessment program is designed to identify implementation gaps that would preclude a CAS from being deemed effective.

#### **Effectiveness Lines of Inquiry**

- Are assessments being planned as expected? How do you know?
- Are there frequency, cycle time, or quality expectations that apply to assessment planning? If so, how do you know how well you are performing against them?
- Are assessments are being performed as expected?
- Are there frequency, cycle time, or quality expectations that apply to assessment



planning? If so, how do you know how well you are performing against them?

- Is assessment data reliably translated into actionable information? How do you know?
- Is assessment data adequately transparent to DOE elements and corporate governance? How do you know?
- Are assessments reliably finding issues before they are identified by external assessors and before they become problems? How do you know?
- How do the results of your assessments compare to those of audits and assessments from DOE or other external parties? What do you do if there is disagreement between internal and external assessment results?
- What does the Contractor do when there is a difference in their assessment results as compared to similar NNSA or external assessments?
- Has the CAS been modified based on implementation gaps identified by assessments?

#### **Effectiveness Review Approach**

- Review the Contractor's assessment planning, performance, and reporting records.
- Review the results of Contractor assessments as compared to similar assessment performed by NNSA or external parties. Interview Contractor line and support personnel.
- Review levels and trends for measures associated with assessment performance.
- Observe performance and/or reporting of one or more Contractor assessments.

### **Element 2 – Operating Experience**

#### **Element Objective**

Formal programs are established and effectively implemented to collect, analyze, and use information from operational events, accidents, and injuries in order to prevent them in the future.

#### **Implementation Criteria**

- The processes used to implement the elements described in a Contractor's CAS description document are sufficiently defined that they can be executed in a repeatable and predictable manner.
- The contractor establishes and implements processes to solicit feedback from workers and work activities.
- Formal programs are established to communicate lessons learned during work activities, process reviews, and event analyses to potential users and applied to future work activities.

- The contractor identifies, applies, and exchanges lessons learned with the rest of the DOE complex.
- The contractor reviews and applies lessons learned identified by other DOE organizations and external sources to prevent similar occurrences.

#### **Implementation Lines of Inquiry**

- How is the sharing of operating experience information integrated with other CAS elements and management systems?
- How do you know that relevant lessons learned are collected and shared in a reliable and predictable manner across the organization and with the DOE?
- What defines which functions and parts of the organization should be sharing and acting upon lessons learned?
- How would you know that the defined functions and/or parts of the organization are using lessons learned as expected?

#### **Implementation Review Approach**

- Review the Contractor's CAS description document and operating experience identification, screening, evaluation, and dissemination procedures and records.
- Interview Contractor line managers, support managers, and staff.

#### **Effectiveness Criteria**

- The Lessons Learned processes are being used in the manner specified by the contractor's functional and organizational segments.
- There is objective evidence that experience from operational events is being tracked and used to drive continuous improvement

#### **Effectiveness Lines of Inquiry**

- Are lessons learned being collected and shared as planned? How do you know?
- Are lessons learned being acted upon as planned? How do you know?
- Are there frequency, cycle time, or quality expectations that apply to lessons learned processing? If so, how do you know how well you are performing against them?
- Is feedback and information from accident, event, and incident reporting and worker feedback processes being used to help identify opportunities for risk reduction and performance improvement? How do you know?

#### **Effectiveness Review Approach**

- Review the Contractor's operating experience identification, screening, evaluation, and dissemination records.
- Review levels and trends for measures of operating experience program performance.

- Interview Contractor line and support personnel.

### **Element 3 – Issues and Corrective Action Management**

#### **Element Objective**

The Contractor ensures that a comprehensive, structured issues management system is in place. This system uses a risk-informed approach to provide for the timely and effective resolution of deficiencies and is an integral part of the CAS.

#### **Implementation Criteria**

- Formal issues and corrective action management processes exist that apply to all areas covered by the CAS
- The issues management system ensures that issues are evaluated and graded, and made visible to management using a risk informed approach
- The corrective action management system ensures management level attention and buy-in graded to issue significance
- Roles and responsibilities with respect to issues and corrective action management are clearly identified
- Requirements and processes for closure of issues are clearly defined and include sufficient independence requirements to assure adequacy
- Issues and corrective action management are fully integrated into the CAS

#### **Implementation Lines of Inquiry**

- How do you know that issues are identified and translated into corrective actions in a reliable and predictable manner across the organization?
- How do you know that corrective actions will reliably and predictably resolve the issues with which they are associated?
- How do you know that issues and corrective actions are prioritized in a manner that is consistent with the organization's mission objectives and contractual requirements and NNSA expectations?
- How do you know that the issues and corrective action management processes are maintained consistent with changing organizational needs?
- What defines which functions and parts of the organization should be formally managing issues and corrective actions?
- How do you know that the issue and corrective action management processes are appropriately integrated with other CAS elements and management systems?

**Implementation Review Approach**

- Review the Contractor's CAS description document and issues and corrective action management procedures and records.
- Interview Contractor line managers, support managers, and staff.

**Effectiveness Criteria**

- Issues raised during recent internal and external reviews have been captured accurately in the issues management system; no issues are unaccounted for
- Corrective actions in the corrective action system are appropriate for the issues raised and are documented sufficiently using a graded approach
- Closure packages are complete and consistent with closure requirements
- Objective evidence exists of appropriate levels of management attention for open issues and appropriate management involvement in issue closure

**Effectiveness Lines of Inquiry**

- Are issues being identified as planned? How do you know?
- Are issues being translated into corrective actions as planned? How do you know?
- How is causal analysis used, where appropriate, in this process? How do you know?
- Are issues and corrective actions being managed across functions and sub-units of the organization as expected?
- Are there frequency, cycle time, or quality expectations that apply to issue processing? If so, how do you know how well you are performing against them?
- Are there frequency, cycle time, or quality expectations that apply to corrective action development and management? If so, how do you know how well you are performing against them?
- Is issue and corrective action management data transparent to DOE and corporate governance? How do you know?
- Are issues being effectively resolved? How do you know?

**Effectiveness Review Approach**

- Review the Contractor's issues and corrective action management records.
- Review levels and trends for measures of issues management performance.
- Interview Contractor line managers, support managers and staff

## **Element 4 – Performance Measures**

### **Element Objective**

The Contractor identifies, monitors, and analyzes data measuring the performance of facilities, programs, and organizations. The data are used to comprehensively demonstrate all aspects of performance with projected future trends.

### **Implementation Criteria**

- The contractor has established performance areas to be analyzed and trended.
- Performance areas correspond to the areas covered by the CAS and include metrics that are graded in detail using a risk-informed approach for each area
- The contractor has processes and procedures in place to capture performance data and provide the data in a timely manner.
- Processes and procedures exist for analyzing the data and providing the results to management for consideration
- Performance measures are keyed to support contractual performance evaluation
- Objective evidence exists that management needs for performance data have been assessed and that the performance measures support management needs

### **Implementation Lines of Inquiry**

- How do you know that outcome measures and their performance targets are selected consistent with the organization's mission objectives, contractual requirements, and customer expectations?
- How do you know that outcome measures and their performance targets are selected in a reliable and predictable manner across the organization and its functions?
- How are strategic needs considered when selecting measures and setting performance targets?
- How is benchmarking of key functional areas used? How do you know that leading indicators are selected in a reliable and predictable manner for outcome measures?
- How do you know if the performance measures provide timely information that guides actionable decision-making by Contractor personnel – including senior managers?
- How do you know if the performance measures provide information on the current adequacy and intensity of the CAS?
- What defines which functions and parts of the organization should be selecting and using outcome measures and leading indicators? How do you know that they are doing so?
- How do you know that measures are appropriately integrated with other CAS elements

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| and management systems?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Implementation Review Approach</b> <ul style="list-style-type: none"> <li>Review the Contractor's contract, CAS description document, and performance measures selection and integration procedures and records.</li> <li>Review the Contractor's measures that are used by line and support managers.</li> <li>Interview Contractor line managers, support managers and staff</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
| <b>Effectiveness Criteria</b> <ul style="list-style-type: none"> <li>Performance areas identified in the CAS have been tracked and analyzed</li> <li>Managers at appropriate levels are aware of the most recent performance measures and are using them to support management decision making</li> <li>Performance analysis has been provided to management in a timely manner</li> <li>The results of external assessments are consistent with contractor performance assessment measures; inconsistencies are evaluated</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Effectiveness Lines of Inquiry</b> <ul style="list-style-type: none"> <li>Are measures being selected as expected? How do you know?</li> <li>Are measures being used by managers to evaluate organizational and functional performance? How do you know?</li> <li>Are the measures being kept current with the changing organizational needs?</li> <li>Are there frequency, cycle time, or quality expectations that apply to measures planning? If so, how do you know how well you are performing against them?</li> <li>Are measures providing timely data for decision-making?</li> <li>Are measure performance levels and trends reliably translated into actionable information? How do you know?</li> <li>Are measures adequately transparent to DOE elements and corporate governance? How do you know?</li> <li>Are measures reliably finding issues before they are identified by external assessors and before they become larger problems? How do you know?</li> </ul> |
| <b>Effectiveness Review Approach</b> <ul style="list-style-type: none"> <li>Review the Contractor's performance measures selection and integration records.</li> <li>Review the levels and trends for a selection of measures key to the Contractor's line and support organizational performance.</li> <li>Review the results of external assessments.</li> <li>Interview Contractor line and independent oversight personnel.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |

## **Element 5 – Integrated Continuous Improvement**

### **Element Objective**

The Contractor ensures the long-term sustainability and stewardship of the site and uses the results of performance measures and other CAS data to achieve improvements in performance.

### **Implementation Criteria**

- The contractor has established formal programs to use the results of performance measures and assessments to foster continuous improvement.
- Translation of performance evaluations into improvement measures is documented and visible as part of the CAS.
- Performance information is considered in allocating resources, establishing goals, identifying performance trends, identifying potential problems, and applying lessons learned and good practices.
- CAS is continuously evaluated for effectiveness to ensure long-term sustainability stewardship of the site.

### **Implementation Lines of Inquiry**

- How does Contractor management, NNSA, and the Contractor parent organization become informed of areas of concern?
- How does Contractor management, NNSA, and Contractor parent organization follow-up on areas of concern that warrant attention, and provide feedback and/or course corrections to Contractor management?
- How does Contractor management address areas of concern identified by NNSA or Contractor parent organizations?
- How is Contractor management held accountable for Contractor performance?
- How do you know that performance levels and trends are reliably translated into opportunities for risk reduction and performance improvement?
- How do you know that opportunities for risk reduction and performance improvement are prioritized in a manner that is consistent with the organization's mission objectives, contractual requirements, and NNSA expectations?
- How do you know that the continuous Improvement processes are appropriately integrated with other CAS elements and management systems?

### **Implementation Review Approach**

- Review the Contractor's CAS description document and continuous improvement (including data analysis, correlation, and results communication) procedures and

records.

- Interview Contractor line and support managers, including those in parent organizations.
- Observe one or more executive leadership meetings.

#### **Effectiveness Criteria**

- Results of performance measure analysis have led to validated improvements in systems, processes, or capabilities.
- Performance improvements have been translated into durable measures to ensure permanent improvements.

#### **Effectiveness Lines of Inquiry**

- Do assessments reliably lead to organizational improvement? How do you know? Are patterns and trends from issues being used to help identify performance uncertainties, risks, and emerging issues? How do you know?
- Do measures reliably lead to organizational improvement? How do you know?
- Are identified opportunities for risk reduction and performance improvement translating reliably into changes to systems, processes, and capabilities?
- Are the changes to systems, processes, and capabilities achieving the desired organizational results? How do you know?
- How do you know that continuous improvement gains can be sustained into the future?

#### **Effectiveness Review Approach**

- Review the Contractor's continuous improvement (including data analysis, correlation, and results communication) records.
- Review levels and trends for measures key to the Contractor's mission.
- Interview Contractor line and support managers, including those in parent organizations.
- Observe one or more executive leadership meetings.



## **Evaluating Site Office Line Oversight Programs**

**PURPOSE:** This appendix describes the critical attributes of a Site Office line oversight process and provides the lines of inquiry that should be used to evaluate the implementation and effectiveness of a Site Office line oversight process.

### **Element 1 – Line Oversight Approach**

#### **Element Objective**

A Site Office uses a systematic and effective approach to line oversight, including output from the CAS, to monitor and evaluate Contractor performance against mission and contract requirements.

#### **Implementation Criteria**

- The approach used to implement the elements described in the Site Office line oversight description document(s) are sufficiently defined that they can be executed in a repeatable and predictable manner and the approach is being used in the specified manner by Site Office personnel
- The Site Office line oversight process includes easy, transparent, and complete access to all CAS data and Contractor performance measures.
- The Site Office line oversight approach is integrated with other management and contractual evaluation processes and requirements.
- The Site Office line oversight approach includes oversight of all elements of contractor performance based on risk.
- The Site Office line oversight approach is flexible so that it can be adjusted based on risk and Contractor performance.

#### **Implementation Lines of Inquiry**

- Are Site Office line oversight roles and responsibilities defined in approved Site Office documents? How do you know?
- How is the Site Office line oversight process documented?
- Does the Site Office line oversight process include elements to plan and conduct assessments, document assessment results, identify and track issues including corrective actions, evaluate risk, and analyze results (including metrics and indicators) for performance trends? Are these processes well-deployed for functional oversight areas? How do you know?
- How does the Site Office use the line oversight process to monitor and evaluate Contractor performance? How are the outputs of the CAS used as part of the process to evaluate the Contractor's performance? How is Contractor performance feedback from Site Office line oversight provided to the Contractor on a periodic basis throughout the

year?

- How is the line oversight process integrated with, and complementary to, other Site Office Contractor management and evaluation methods such as Performance Evaluation Plan, Contract Management Plan, and contract modification processes, etc.?
- How do you know an Integrated Site Office Assessment Plan is approved by the Site Office Manager and issued each year? How do you know the functional area/purpose and frequency of assessments specified? How do you know the Plan adjusted based on risk and performance?

### **Implementation Review Approach**

- Review the NNSA guidance regarding expectations for the Nuclear Security Enterprise Integrated Assessment Planning Model, the Contractor Assurance System, and the Line Oversight System.
- Review Site Office Functions, Responsibilities, and Authorities Manual, line oversight procedures, assessment and management products.
- Interview Site Office managers, subject matter experts, and appropriate Contractor personnel.
- Observe performance of one or more line oversight activities.

### **Effectiveness Criteria**

- The approach used to implement the Site Office line oversight process provides accurate, timely, and actionable information that can be used to improve performance or to manage risk.
- Significant CAS implementation gaps or degraded CAS contractor performance noted by the site office are documented and conveyed to the contractor
- Relevant site office line oversight information is transparently conveyed to NNSA elements to maintain NNSA-HQ line management situational awareness.

### **Effectiveness Lines of Inquiry**

- Are assessments being planned and executed as expected? How do you know?
- Are there frequency, cycle time, or quality expectations that apply to assessment planning and execution? If so, how do you know how well the Site Office is performing against them?
- Are line oversight results regularly translated to information available to Site Office management? How do you know?
- Does the Site Office use assessment, measures, issues management, lessons learned, and improvement results to help determine Contractor performance and relay appropriate information to the Contractor? How do you know?
- Is relevant line oversight information transparently conveyed to NNSA elements? How do you know?

### **Effectiveness Review Approach**

- Review Site Office assessment planning, performance, and reporting records.
- Interview Site Office personnel.

## **Element 2 – Line Oversight Process**

### **Element Objective**

A Site Office employs a risk-informed, performance based process to focus oversight activities on processes, systems, and operations vital to ensuring the NNSA mission is executed in a manner that is safe, secure, legally and ethically sound, and fiscally responsible.

### **Implementation Criteria**

- The process used to implement the elements described in the Site Office line oversight description document(s) includes a description of how to grade line oversight based upon risk and Contractor performance.
- Site Office employees understand how line oversight is graded based on risk and Contractor performance and are implementing the oversight process on that basis.
- Site Office line oversight is focused on high-risk processes, systems, and operations and/or areas where contractor CAS performance does not meet site office expectations.
- Site Office solicits input from NNSA functional area and line managers when developing the annual Integrated Site Office Assessment Plan
- The process is being used in the specified manner by the Site Office.

### **Implementation Lines of Inquiry**

- Is the Site Office using a documented risk-informed process to determine what assessment activities will be conducted each year? Does this process ensure oversight of the Contractor's activities which have the potential to compromise the ability of the Site to execute its mission and areas where CAS performance is not fully effective? Does the process have a logical flow and enable consistent results for planning oversight activities? How do you know?
- Is the Site Office using information/results from the following as part of its risk-informed decision-making process when identifying line oversight activities: line oversight assessments; operational awareness activities (e.g., feedback from facility representative tours), third party reviews (e.g., DOE Office of Health, Safety and Security evaluations); performance metrics; outputs from the CAS process and elements; available personnel resources; and importance of the functional area to mission execution. How do you know?
- Does the Site Office solicit input from NNSA functional area and line managers when developing the annual Integrated Site Office Assessment Plan? How do you know?
- Is the Site Office periodically providing the result/conclusion of line oversight activities to

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| appropriate functional and line managers in NNSA? How do you know?                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| <b>Implementation Review Approach</b> <ul style="list-style-type: none"><li>• Review Site Office line oversight procedures, assessment, and management products.</li><li>• Interview managers and staff at the Site Office and NNSA functional area managers.</li><li>• Observe Site Office line oversight activities</li></ul>                                                                                                                                                                                                                                                                                           |
| <b>Effectiveness Criteria</b> <ul style="list-style-type: none"><li>• The process used to implement the Site Office line oversight process assures that functional areas/processes are evaluated in context with the risk to mission, demonstrated contractor CAS performance, and with input from NNSA functional area managers.</li><li>• Site Office line oversight is continually reviewed and adjusted as necessary based on risk and Contractor performance.</li><li>• The Site mission is successfully executed in a manner that is safe, secure, legally and ethically sound, and fiscally responsible.</li></ul> |
| <b>Effectiveness Lines of Inquiry</b> <ul style="list-style-type: none"><li>• Are line oversight activities consistent with the conclusions of risk-informed decision-making and agreements with NNSA functional area/line managers? How do you know?</li></ul>                                                                                                                                                                                                                                                                                                                                                           |
| <b>Effectiveness Review Approach</b> <ul style="list-style-type: none"><li>• Review Site Office assessment planning, performance, and reporting records.</li><li>• Interview Site Office managers and assessment personnel.</li></ul>                                                                                                                                                                                                                                                                                                                                                                                     |

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| <b>Element 3 – Oversight of CAS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Element Objective</b> <p>A systematic approach is used to monitor and evaluate the implementation and effectiveness of the Contractor’s assurance system.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Implementation Criteria</b> <ul style="list-style-type: none"><li>• The process used to monitor and evaluate the implementation and effectiveness of the Contractor’s assurance system is included in the line oversight processes and is sufficiently defined that it can be executed in a repeatable and predictable manner.</li><li>• The Site Office has easy, transparent, and complete access to all CAS data and Contractor performance measures.</li><li>• The Site Office oversight process includes an evaluation of the use of CAS information by the Contractor, the corrective actions identified and implemented, and the effectiveness of</li></ul> |

the corrective actions in improving contractor performance.

- The site office provides documented feedback to the Contractor regarding CAS performance noting performance strengths and weaknesses and opportunities for improvement.
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#### **Implementation Lines of Inquiry**

- How is the line oversight process monitoring the implementation and effectiveness of the CAS including the aspects of mission performance, operational efficiencies, and management effectiveness to drive improvements?
- Does the LO approach include a systematic method to evaluate the fidelity and transparency of CAS data and information? Is fidelity and transparency evaluated through comparison with independent assessment results e.g., line oversight activities, third party reviews and other assessments? How do you know?
- How is the feedback regarding the CAS transmitted to the Contractor when the line oversight process identifies opportunities for improvement?
- How is the Site Office line oversight process for monitoring and evaluating implementation of the CAS documented?

#### **Implementation Review Approach**

- Review Site Office line oversight procedures, assessment, and performance feedback reports to the contractor.
- Interview Site Office management and assessment personnel.

#### **Effectiveness Criteria**

- The Site Office process for monitoring the implementation and effectiveness of the CAS results in improved performance of the CAS.
- The Site Office process for monitoring the implementation and effectiveness of the CAS results in changes to the Site Office line oversight process that seeks to confirm improvements in CAS performance.

#### **Effectiveness Lines of Inquiry**

- Is the feedback from the Site Office regarding the CAS relevant to improving the Contractor's performance? How do you know?
- How does the Site Office process for monitoring the implementation and effectiveness of the CAS result in changes to the Site Office line oversight process?

#### **Effectiveness Review Approach**

- Review Site Office line oversight reporting records.

- Interview Site Office and Contractor management and assessment personnel.

#### **Element 4 – Line Oversight Self-Assessment**

##### **Element Objective**

A systematic approach is used to monitor, evaluate, and drive improvements in the implementation and effectiveness of Site Office Line Oversight system to ensure long-term sustainability.

##### **Implementation Criteria**

- A self-assessment process to evaluate implementation of the line oversight process is sufficiently defined that it can be executed in a repeatable and predictable manner.
- The self-assessment process for line oversight is documented and maintained.
- The Site Office process evaluates the results of line oversight self-assessments, utilizes performance measures, identifies performance weaknesses/trends, and tracks the implementation of improvements.
- The self-assessment process includes external, independent assessments to complement and/or confirm site office awareness of performance from its self-assessment activities.

##### **Implementation Lines of Inquiry**

- Does the Site Office process for performing self-assessments include a systematic method for evaluating the line oversight process? How do you know?
- Is the self-assessment process for line oversight documented in an approved procedure? How do you know?
- Does the Site Office self-assessment process include elements to plan, resource and conduct assessments, document assessment results, identify and track issues including corrective actions, and analyze results for performance trends? How do you know?
- Are performance metrics used by site office managers to determine the site office performance level and to take action to address performance weaknesses/trends? How do you know?
- How does the self-assessment process include external, independent assessments to complement and/or confirm site office awareness of self-assessment performance?

##### **Implementation Review Approach**

- Review appropriate Site Office procedures, assessments, and management products.
- Interview appropriate Site Office management and personnel that develop, review, approve, and execute the self-assessment processes.

**Effectiveness Criteria**

- Site Office self-assessment activities result in sustained, continuously improving line oversight performance.

**Effectiveness Lines of Inquiry**

- Do Site office self-assessments of the line oversight process provide conclusions regarding adequacy? How do you know?
- Are self-assessment results meaningful for sustaining the resources to maintain and improve the line oversight performance? How do you know?

**Effectiveness Review Approach**

- Review appropriate Site Office assessment procedures, staffing analyses, performance assessments, and management products.
- Interview Site Office management and personnel with self-assessment responsibilities.