

SUPPLEMENTAL DIRECTIVE

NNSA SD 226.1D

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NNSA SITE ASSURANCE AND OVERSIGHT



NATIONAL NUCLEAR SECURITY ADMINISTRATION
Assistant Principal Deputy Administrator for
Operations

CONTROLLED DOCUMENT

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OFFICE OF PRIMARY INTEREST (OPI):

Assistant Principal Deputy Administrator for Operations

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NNSA SITE ASSURANCE AND OVERSIGHT

1. **PURPOSE.** This Supplemental Directive (SD) establishes the National Nuclear Security Administration (NNSA) Site Governance Model as the framework for site assurance and oversight that the Federal Government and NNSA's Management and Operating (M&O) contractors work within to help ensure effective mission performance and operational excellence. This SD supplements the requirements of Department of Energy (DOE) Policy (P) 226.2, *Department of Energy Oversight Policy*, and DOE Order (O) 226.1B Change 1, *Implementation of DOE Oversight Policy*.
2. **AUTHORITY.**
 - a. DOE P 226.2, *Department of Energy Oversight Policy*, dated 8-9-16.
 - b. DOE O 226.1B Change 1, *Implementation of DOE Oversight Policy*, dated 5-3-22.
3. **CANCELLATION.**
 - a. SD 226.1C, *NNSA Site Governance*, dated 10-1-19.
 - b. SD 226.1-2, *Defense Nuclear Security Governance*, dated 5-25-21.

Cancellation of a directive does not modify or otherwise affect any contractual or regulatory obligation to comply with the directive. Contractor Requirements Documents (CRD) previously incorporated into a contract remain in effect throughout the contract term unless and until the contract or regulatory commitment is modified to eliminate requirements that are no longer applicable or substitute a new set of requirements.
4. **APPLICABILITY.** This SD must be implemented within the timeframe established per NNSA SD 251.1, current version.
 - a. **Federal.** This SD applies to all Federal NNSA personnel who manage, oversee, or interact with NNSA M&O, prime security, and prime environmental management contractors and their subcontractors.
 - b. **Contractors.** The CRD, provided as Attachment 1 of this SD and which incorporates by reference the additional Attachments of this SD, sets forth the requirements of this SD that apply to NNSA M&O contractors, prime security contractors, and prime environmental management contractors, referred to as *contractors* or *contractor partners* throughout this SD.

The CRD must be included in M&O, prime security, and prime environmental management contracts with NNSA.
 - c. **Equivalency.** In accordance with the responsibilities and authorities assigned by Executive Order 12344, codified at 50 United States Code sections 2406 and 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 of this Directive for activities

under the Director's cognizance, as deemed appropriate.

5. SUMMARY OF CHANGES. The development of this revision was a field office-led effort, championed and supported by the Office of Policy and Strategic Planning (NA-1.1), that included the engagement of a broad, multi-disciplined set of representatives from across the NNSA enterprise (inclusive of program offices, functional offices, field offices, and M&O contractors) to ensure alignment of perspectives and buy-in from the impacted parties on the various changes included in this revision. Significant changes in this revision include the following:
- a. Changes the Office of Primary Interest (OPI) to the Assistant Principal Deputy Administrator for Operations (NA-4) and revises the title to be *NNSA Site Assurance and Oversight* to clarify its intended scope while retaining the core NNSA Site Governance concepts.
 - b. Streamlines and reduces administrative requirements to foster further efficiency and enhance mission delivery, to include eliminating Governance Peer Reviews, which each NNSA site had previously completed, in favor of leveraging feedback from other internal and external reviews and assessments to ensure that each site governance system is continuing to be implemented in a robust and effective manner.
 - c. Provides additional guidance for NNSA headquarters' and field offices' procedures to use information from the site contractor assurance system and appropriately balance that information with other more direct Federal oversight activities to oversee M&O contractors via updates to Attachment 2 of this SD.
 - d. Adds site-level risk management processes as a required and expected element of the site contractor assurance system, consistent with current implementation at each NNSA site, and provides attributes for the structure of an effective site risk management program via the new Attachment 3 of this SD.
 - e. Provides a high-level summary of program office, functional office, field office, and contractor/corporate parent roles and responsibilities in easy to reference, one-page summaries of best practices for each primary grouping via the new Attachment 4 of this SD.
 - f. Provides guidance intended to promote flow down of operational authority and commensurate accountability to field offices and M&O contractors/sites to the maximum extent practicable via the new Attachment 5 of this SD.
 - g. Establishes that the field office has the primary role in site level functional area oversight by revising and clarifying the role of NNSA functional offices in site level oversight via the revised Appendix B and other updates throughout the balance of this SD.
 - h. Based on agreement from the Office of Defense Nuclear Security (NA-70) to adopt the revised approach discussed above, this SD also eliminates the prior NNSA SD 226.1-2, *Defense Nuclear Security Governance*.

6. BACKGROUND. DOE P 226.2 established DOE's expectations for implementing a comprehensive oversight process. DOE expects that the contractor's site governance processes will assure that the system of management controls, when properly implemented, ensures an efficient means of meeting applicable regulatory and mission requirements. NNSA leveraged key successes from DOE organizations responsible for overseeing M&O contractors to improve the Site Governance Model. As laid out in this SD, these improvements are intended to provide guidance and process requirements that will foster a strategic relationship involving effective communications.

This SD relates specifically to the NNSA Site Governance Model, which consists of three separate but integrated systems that provide insight into mission performance: Federal oversight, contractor assurance, and contractor corporate parent(s) assurance. Site governance systems that implement the Site Governance Model are not required to be identical in terms of processes, tools, and methods across the NNSA. Instead, the expectation is that the site governance system necessarily reflects each site's unique programs and mission.

7. REQUIREMENTS.

a. NNSA Site Governance Model.

- (1) NNSA must operate within a Site Governance Model comprising three overlapping evaluation systems. These systems focus on continuous improvement of all activities and functional areas that can affect mission reliability: (1) the Federal team, including program, functional, and field offices; (2) the contractor partner operating the sites or facilities; and (3) the contractor partner corporate parent, as specified by the contract. Effective site governance requires all three entities to work together to ensure reliable mission performance. Attachment 2 of this SD details the attributes of the NNSA Site Governance Model and those site governance and management systems the NNSA Team (Federal, contractor partner, and contractor partner corporate parent) uses to implement the Model. Consistent with the NNSA Site Governance Model, Attachment 4 of this SD also provides a high-level summary of program office, functional office, field office, and contractor partner/corporate parent roles and responsibilities within site assurance and oversight in easy to reference single page summaries of best practices for each primary grouping.
- (2) The depth of Federal oversight must be based on the demonstrated strength of the contractor's management systems and the risks associated with unsatisfactory performance. High-risk activities and areas with significant performance weaknesses must be evaluated to determine the necessary activity-specific oversight, as defined by the Federal oversight system description document.
- (3) The NNSA Site Governance Model, consisting of management systems and tools used by Federal and contractor organizations, must be

transparent and encourage efficiencies. Data generated from oversight and assurance systems and activities must be shared to allow each partner to identify positive and adverse indicators and opportunities for improvement.

b. Federal Oversight System.

- (1) The site Federal oversight system description must describe risk-informed processes for evaluating contractor assurance, contractor performance, and Federal assessment activities.
- (2) The field office must identify oversight activities in a risk-informed Site Integrated Assessment Plan (SIAP) using attributes outlined in Appendix C of this SD.
- (3) Field offices primarily leverage feedback received from external and Federal partners through audits, evaluations, certifications, and assessments to ensure the site's Federal oversight system remains robust and effective. Supplemental field office monitoring and internal review should be used to validate further the continuous improvement of the site's Federal oversight system as deemed necessary by the field office.

c. Contractor Assurance System Effectiveness and Validation.

- (1) Field offices primarily leverage feedback captured in the site contractor assurance system from third-party audits, external certifications, contractor peer reviews, contractor and Federal assessments, and contractor management self-evaluations to ensure all aspects remain robust and effective. Supplemental Federal reviews and oversight should be used to further validate the continuous improvement of the approved site contractor assurance system as deemed necessary by the field office.

8. RESPONSIBILITIES.

a. Assistant Principal Deputy Administrator for Operations (NA-4).

- (1) Serves as the OPI for this SD.
- (2) Reviews this SD periodically and recommends any necessary updates.

b. Federal Program Managers (FPMs).

- (1) Allocate and oversee appropriated funds to execute work at NNSA laboratories, plants, and sites.
- (2) Set program expectations, goals, priorities, and integrate overall program plans and priorities.

- (3) Establish general and site-specific program requirements, including scope, cost, and schedule; develop program implementation plans and guidance for inclusion in appropriate work authorizations (WAs) per the current version of NNSA SD 412.1; and evaluate contractor performance against program requirements. Facilitate and lead coordination of program priorities across the enterprise.
- (4) Provide technical direction to the contractor through an authorized field Contracting Officer's Representative (COR) or the Contracting Officer (CO), with parallel communication to the field office(s).
- (5) Identify program needs. Determine site funding allocations, milestones, and expectations for site performance.
- (6) Track and evaluate program mission work performance by monitoring progress on program goals and objectives.
- (7) Work with field offices and functional managers (FMs) to negotiate programmatic cross-site and site-specific performance goals and objectives, and to assess progress on these goals and objectives. Work with field offices and FMs to resolve impacts due to environment, safety, and health (ES&H), quality, safeguards and security issues, and other functional or program conflicts.
- (8) Seek out and consider input from the field offices and the FMs as needed.
- (9) Determine whether actions taken or planned meet the requirements for their program.
- (10) Engage with functional offices and the field office Program Liaisons, as outlined in Appendix A.

c. Functional Managers (FMs).

NOTE: Specified FMs from applicable DOE or NNSA directives retain the responsibilities outlined in those applicable DOE or NNSA directives (e.g., the NNSA Cognizant Secretarial Officer per DOE O 226.1B Section 5.b., the NNSA Chief Technical Authority per DOE O 226.1B Section 5.c., the NNSA Chief Security Officer per DOE O 470.4B Section 5.c., etc.).

- (1) Support site-level functional area oversight as outlined in Appendix B.
- (2) Coordinate with the field office and maintain awareness of contractor performance and functional area health at sites on behalf of the Administrator. Crosscutting functional areas include, but are not limited to, nuclear safety, safeguards and security, ES&H, quality, emergency management, day-to-day operations and maintenance, and business and contract management.

- (a) Ensure compliance with applicable laws, regulations, requirements, exemptions, or equivalencies is appropriately assured through field office site-level functional area oversight, as informed by the site contractor assurance system.
 - (b) In support of the applicable program office, provide feedback to the field office as needed through periodic evaluations, certifications, or assessments to ensure that the site Federal oversight system remains robust and effective in fulfilling site-level functional area oversight responsibilities consistent with Section 7.b.(3) of this SD.
 - (3) Coordinate with field offices and FPMs to ensure strong functional area performance across the sites. Identify and appropriately coordinate with field offices to ensure resolution of multi-site issues that need correction.
 - (4) Ensure functional considerations are communicated to the field office to be integrated into field office oversight planning as needed, as outlined in Appendix C.
 - (5) Maintain operational awareness of field office and site operations. Provide technical support if requested by the field office.
 - (6) Communicate potential adverse mission-impacting issues to the field office and FPMs.
 - (7) Engage with field office Program Liaisons, as outlined in Appendix A.
 - (8) Organizations with functional office responsibilities may also have programmatic responsibilities when funding products or services.
- d. Field Office Managers (FOMs).
- (1) Ensure the effectiveness of the NNSA Site Governance Model and Systems at their assigned site.
 - (2) Serve as the primary on-site point of contact between NNSA and contractor leadership by maintaining consistent and open communication, fulfilling long-term site stewardship responsibilities, and performing critical functions while promoting continuity during contract transition.
 - (3) Serve as the primary Federal oversight entity at the site by ensuring that field office Program Liaisons provide on-site monitoring of the M&O partner's mission performance in support of FPMs consistent with Appendix A and by ensuring that the field office fulfills its primary role in site level functional area oversight consistent with Appendix B.
 - (4) Lead the evaluation of the contractor's overall performance, including the

evaluation and use of a contractor assurance system (CAS), per the current version of NNSA Policy 540.3.

- (5) Prepare and approve the site Federal oversight system description that describes how the field office fully implements the current versions of this SD, DOE P 226.2, and DOE O 226.1.
- (6) Ensure the field office performs systems-level oversight and drives performance through evaluation and engagement in nuclear safety and security, while promoting efficient mission performance across all programmatic areas.
- (7) Oversee operations conducted at the site and promptly communicate mission impact issues to FPMs and FMs. Collaborate with FPMs and FMs on safety, security, and quality concerns as appropriate.
- (8) Support the program offices and strive to enhance and reinforce information sharing between FPMs and the contractor.
- (9) In consultation with FPMs and FMs, balance programmatic execution against risks or concerns associated with operations and crosscutting mission functions. Integrate operational decision making at the site.
- (10) On behalf of the NNSA, accept the risks associated with operations under their delegated authority. Apply the resources needed to address any undesirable consequences, subject to concurrence of other affected line managers.
- (11) Ensure that the CO incorporates this SD's CRD into the contract. The Kansas City Field Office (KCFO) Manager reviews this SD's requirements in accordance with the KCFO Operating Requirements Review Board process for applicability to the Kansas City National Security Campus contract.
- (12) Evaluate and approve the initial CAS description. Maintain awareness of significant changes to the CAS and provide feedback to the contractor as needed to ensure applicable requirements and expectations are met.
- (13) Provide a copy of the approved SIAP to Headquarters (HQ) functional and program offices as requested.
- (14) Assign Program Liaisons as needed and ensure that FPMs and FMs are aware of Program Liaison assignments as appropriate.

e. FOMs, FPMs, and FMs.

- (1) Execute responsibilities to assigned duties and coordinate to ensure mission accomplishment and site stewardship.

- (2) Flow down decision authority, to the maximum extent practicable, to the site contractor and on-site Federal staff using proper contracting authorities. Refer to Attachment 5 for additional guidance.
- (3) Collaborate to provide continuous oversight of mission performance while maintaining a DOE/NNSA enterprise-wide focus.
- (4) Promptly communicate emergent issues that could adversely affect mission delivery and collaborate to develop optimal responses.
- (5) Cooperate to resolve issues as appropriate. FPMs and FOMs must agree on changes to the contract scope before submitting them to the CO.
- (6) Assess their staffing needs to determine whether there are sufficient qualified personnel to conduct oversight activities consistent with comprehensive policies and guidance. Oversight includes reviewing and gaining insights from CAS performance data.
- (7) Produce written assessment plans consistent with the current version of DOE O 226.1.
- (8) Obtain and integrate each site contractor's assessment and review schedules, which will form the basis for planned integrated assessments and operational awareness activities.
- (9) Maintain awareness of the contractor's processes to identify, prioritize, and address issues that affect mission performance.
- (10) Review DOE directives, emphasizing those under revision or causing significant programmatic impacts. Recommend references to published best practices and industrial or consensus standards in Departmental directives, in lieu of DOE-specific language.

f. Field Office Contracting Officers (COs).

- (1) Appoint CORs and other personnel as authorized in the CO warrant.
- (2) Incorporate this SD into the *List of Applicable Directives* identified in the contracts' Laws, Regulations, and DOE Directives clause.
- (3) Approve Work Authorizations initiated or amended by the appropriate program office per the current version of NNSA SD 412.1. Perform responsibilities and authorities consistent with the WA process per applicable directives while ensuring all WAs are reviewed by the FPM and FM funding the work.

- g. FOMs/COs.
 - (1) Integrate and deliver performance feedback to the contractor partners in writing when required.
- 9. DEFINITIONS. See Appendix D.
- 10. REFERENCES. See Appendix E.
- 11. CONTACT. Assistant Principal Deputy Administrator for Operations, NA-4, policyoffice@nnsa.doe.gov.

BY ORDER OF THE ADMINISTRATOR:



Jill Hruby
Administrator

Attachments:

- 1. Contractor Requirements Document
- 2. Attributes of NNSA Site Governance
- 3. Risk Management
- 4. Site Governance and Management Operational Framework
- 5. Guidance for Flowing Down Operational Authority to Field Offices and Management and Operating Contractors/Sites

Appendices:

- A. Field Office Program Liaison
- B. Site Level Functional Area Oversight Approach
- C. Site Integrated Assessment Plans
- D. Definitions
- E. References

ATTACHMENT 1: CONTRACTOR REQUIREMENTS DOCUMENT

1. INTRODUCTION.

The contractor is responsible for complying with the requirements of this Contractor Requirements Document (CRD). The contractor is responsible for flowing down the requirements of this CRD to subcontractors at any tier to the extent necessary to ensure the contractor's compliance with the requirements.

The contractor oversees the operations conducted at the site and has insights of how programmatic efforts may conflict with safety/security/quality concerns and mission needs. Contractors balance National Nuclear Security Administration (NNSA) programmatic execution against risks or concerns associated with operations and crosscutting mission functions. In collaboration with their field office and other Federal oversight authorities, contractors ensure that risks are communicated and accept, on behalf of NNSA, the risks associated with the operations they are authorized to perform.

2. REQUIREMENTS.

- a. The contractor must operate within a risk-informed Site Governance Model with three overlapping systems of oversight as described in Attachment 2 of this Supplemental Directive (SD) and as summarized in Attachment 4 of this SD.
- b. The contractor's senior officer (Director, President, Laboratory Manager, or designee) must approve the site-level contractor assurance system (CAS) description. Depending on the terms of the specific contract, the contractor's parent organization or Board of Managers/Directors must either approve the site-level CAS description or be requested by the contractor to review and concur with the site-level CAS description. The contractor must provide the initial CAS description to the Field Office Manager for review and approval. The contractor shall manage subsequent updates to their CAS description once the Field Office Manager has approved the initial CAS description. For significant changes, the contractor must provide an updated copy of the CAS description, with significant changes noted, to the Field Office Manager or designee for awareness.
- c. The contractor, in conjunction with its field office, must jointly review, upon request, the Department of Energy or the National Nuclear Security Administration directive CRDs in the contract or proposed to be in the contract and provide recommendations on efficiencies to the appropriate NNSA office.
- d. The contractor must operate in a manner that enables Federal flow down of operational authority and commensurate accountability to the contractor to the maximum extent practicable, as described in the guidance provided in Attachment 5 of this SD.
- e. The contractor must develop and implement a method for periodically reviewing and independently validating the effectiveness of the contractor assurance system

processes as described in the site-level CAS description. Third party audits or assessments, peer reviews, independent assessments, and external certifications may be used and integrated into the contractor's assurance system to complement, but not replace, internal assurance systems.

- f. The contractor must plan, develop, maintain, and update an assessment schedule that is coordinated with the field office. The contractor must document the basis for the planned assessments to ensure there is transparency and clarity on risks, prioritization, and resource allocation.
- g. The contractor must identify, prioritize, and address issues that will, have, or may, affect mission performance. These include safety, security, quality, or any other operational or business issues that put mission delivery at risk.
- h. The contractor must identify, prioritize, address, and communicate mitigation strategies for risks that, if realized, would affect mission performance, as described in Attachment 3 of this SD. These include safety, security, quality, or any other operational or business risks that could jeopardize mission delivery.
- i. Any requirements regarding the corporate parent are set forth in the contract.

ATTACHMENT 2: ATTRIBUTES OF NNSA SITE GOVERNANCE

Note: This attachment in relevant part applies to both Federal and contractor personnel.

1. INTRODUCTION.

The National Nuclear Security Administration (NNSA) Site Governance Model consists of three overlapping systems of oversight:

- (1) Contractor assurance performed by the laboratories, plants, and sites;
- (2) Contractor corporate parent(s) assurance performed by the Management and Operating (M&O) partner corporate parent(s); and
- (3) Federal oversight performed by Federal program, functional, and field offices.

This forms a site governance approach (Figure 1) focused on continuous improvement of all activities and functional areas that can affect mission performance.

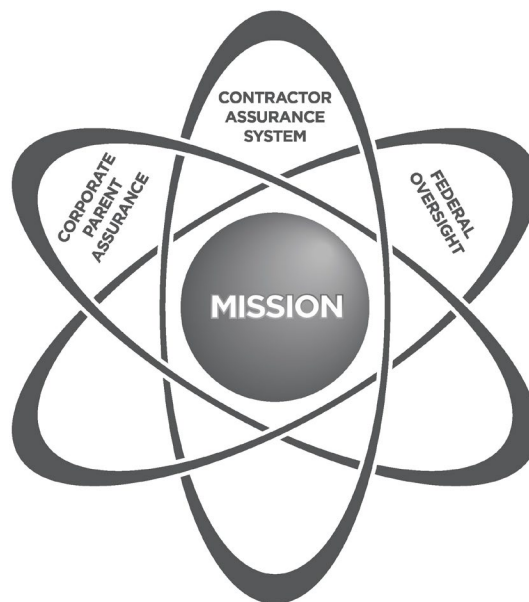


Figure 1: NNSA Site Governance Supports Mission Delivery

Note that the “attributes” included in this Attachment are intended to be the hallmarks of effective implementation. These attributes establish the framework for each site to evaluate their current Site Governance Model (inclusive of their contractor assurance system, corporate assurance, and Federal oversight) to determine whether improvements are necessary and where improvement initiatives should be focused in order to meet the Administrator’s expectations. The attributes listed are not requirements and thus may not be found in the Site

Governance Model implementation at every site, as the Site Governance Model should be tailored to meet the challenges and hazards of each individual site.

2. ATTRIBUTES.

a. NNSA SITE GOVERNANCE MODEL.

As denoted in Figure 1, while the overlapping systems of the NNSA Site Governance Model are intended to work in tandem to provide “layers of defense” in assuring performance, an effective contractor assurance system, as monitored and supported by corporate parent assurance, is central to the effective implementation of the NNSA Site Governance Model given that the contractor is closest to the work. Consistent with this concept, the contractor assurance system is expected to self-identify and address the preponderance of site-level issues, risks, and performance trends. Federal oversight then leverages these assurance systems, to the maximum extent practical, in fulfilling its roles as outlined in the balance of this Supplemental Directive.

Attributes of an effective Site Governance Model include:

- (1) Experienced, competent Federal and M&O partner line managers.
- (2) A trusting, transparent, strategic partnership between NNSA, program and functional offices, and the field office; and site contractor management teams that benefit from the *constructive dynamic tension*¹ inherent in the contractual relationship.
- (3) A trusting, transparent, strategic partnership between the NNSA leadership and the site contractor parent(s), to the extent permitted by contract.
- (4) Federal and corporate parent oversight that is primarily systems-level and performance-based.
- (5) The site-level governance system process, which is updated as necessary to remain user-friendly, transparent, and is used to make risk-informed decisions to manage the site.
- (6) Risk-informed operational decisions that are made as close to the work being performed as appropriate.

¹ Constructive dynamic tension involves economic aspects of the contract in which the government incentivizes the contractor to perform the highest priority mission objectives with safety, security, economy, and efficiency through a learning organization that achieves continuous improvement. The government exploits that constructive dynamic tension to the financial benefit of the taxpayers, to the mission benefit of our citizens and allies, and to the operational benefit of our contractors.

- (7) Contracts where all partners are focused on continuous improvement and long-term safe, secure, and efficient site mission performances.
- (8) Contractor and Federal issues-management systems that are aligned, or well-integrated, to facilitate data mining and efficient collaborative exchange of information.
- (9) Data generated from oversight and assurance activities are shared to allow each entity, both Federal and M&O, to identify positive and adverse indicators and opportunities for improvement.

b. CONTRACTOR ASSURANCE SYSTEM (CAS).

The CAS description specifies how the CAS is integrated with Federal and corporate assurance systems, as well as key deliverables and commitments that will help validate compliance and mission performance. The system should manage and monitor all site activities that support the NNSA mission that could affect system reliability. The site-level assurance system can be the contractor's corporate management system or a combination of components making up a *system*. The site level assurance system should be built upon a foundation of enduring core principles that are appropriate for the mission performed at the site. These principles should include both a focus on day-to-day performance, as well as long-term mission, personnel, and infrastructure support needs that better ensure the sustainability of enterprise resources critical to the success of our mission. The system should help the site to be a learning organization.

Attributes of an effective contractor's site-level assurance system include:

- (1) A comprehensive description of the site governance system with processes, risks and related mitigation, key activities, and accountabilities clearly identified.
- (2) Timely notification and codification of significant site governance system changes.
- (3) Rigorous, risk-informed, credible self-assessments and continuous feedback resulting in improvement activities, including the use of nationally recognized experts and other independent reviews, to assess and improve the contractor's work process through independent risk and vulnerability studies.
- (4) Comprehensive analysis and evaluation of relevant performance data to identify negative performance trends, extent of condition, and systemic problems that should be corrected before they become significant issues.
- (5) A site-level issues management system to identify and track issues to closure. The issues management process supports categorization, tracking, trending, and analysis of performance data. Corrective actions are clear, appropriate, and effective.

- (6) A site-level risk management process² is established and implemented to identify, prioritize, address, and communicate mitigation strategies for risks that, if realized, would affect mission performance. These include safety, security, quality, or any other operational or business risks that could jeopardize mission delivery. Attributes for the structure of an effective site risk management program are provided in Attachment 3.
- (7) Integration of the site governance system with other management systems including Integrated Safety Management, Quality Assurance, and Integrated Safeguards and Security Management.
- (8) Metrics and targets to assess performance, including benchmarking of key functional areas with other Department of Energy (DOE)/NNSA contractors, industry, and research institutions.
- (9) In conjunction with field office counterparts, ensure that appropriate contractor assessments are scheduled to enable and support leveraging of those contractor assessments by field office personnel to fulfill the Federal assessment requirements of applicable DOE/NNSA directives to the maximum extent practical. This includes reviews of applicable safety management programs (SMPs) consistent with guidance provided by DOE Guide (G) 226.1-2A.
- (10) Integration of external input received from the field office, NNSA, and DOE programmatic elements, corporate parents, the DOE Inspector General, the Government Accountability Office, other Federal and state regulators, and *Chief Financial Officer Act* financial auditors.
- (11) Timely, transparent, and appropriate communication of site governance-related information to the Field Office Manager (FOM).
- (12) Clearly defined, integrated baseline performance expectations.
- (13) Coordination with the field office to review DOE and NNSA directives and recommend revisions to the appropriate NNSA office.
- (14) Identifying and notifying the field office of best practices that may improve the site governance system.
- (15) Sharing opportunities, best practices, and lessons learned and incorporating them into projects, programs, or day-to-day operations appropriately.

² Risk management is commonly termed “Enterprise Risk Management” both within and outside of NNSA. With respect to site governance, as it relates to this Supplemental Directive, risk management focuses Enterprise Risk Management concepts and practices to a particular NNSA site.

c. CORPORATE PARENT ASSURANCE.

The contractor parents bring a breadth of experience that could benefit the site. To the extent required by the contract, each corporate parent company is expected to monitor and support the contractor partner in ensuring it can continue to meet the expectations of the Federal Government. In light of the corporate performance guarantees contained in the contracts, it is beneficial for the corporate organization to quickly address management or leadership issues within the contractor organization. The corporate parent lead (Board of Director Chairman or equivalent) should have periodic and ongoing communication with the Administrator and Principal Deputy Administrator regarding site status and issues. The contractor corporate board should also meet periodically with the FOM on how the contractor leadership team is working with the Federal team (both at Headquarters (HQ) and the site).

Attributes of an effective corporate assurance system include:

- (1) Monitoring and evaluating site metrics and performance goals relative to the contract and benchmarking.
- (2) Support for staffing shortages, staff development, and retention programs to cultivate the workforce of the future.
- (3) Provide “corporate reach back” when M&O contractors require additional expertise and resources.
- (4) Periodic evaluation and corporate functional input of the site contractor organizational structure and leadership team effectiveness (e.g., engagement, cohesion, working relationship with field office and HQ).
- (5) Ongoing dialog with the Administrator, Principal Deputy Administrator, FOM, other senior HQ management, and key stakeholders.

d. FEDERAL OVERSIGHT.

The Federal oversight team consists of three entities: NNSA program offices, functional offices, and field offices. Depending on the particular site and its hazards, certain functional areas may pose higher risk to the mission, gain increased public attention when upsets occur, or pose greater risks to the public or the environment. As discussed further in Appendix B and consistent with DOE Order 226.1B Section 2.b.(3), site level functional area oversight responsibility resides primarily with the field office, leveraging functional and programmatic resources as appropriate to ensure contractual compliance and effective performance, while functional office site level functional area oversight is conducted as needed in support of the applicable program office and focused primarily on the field offices, including reviewing contractor activities to the extent necessary to evaluate the implementation and effectiveness of field office oversight of its contractors. NNSA field offices, program offices, and functional offices collaborate to resolve issues that could challenge mission delivery.

Attributes of an effective Federal oversight system include:

- (1) High-risk activities, areas with significant performance weaknesses, and areas of product acceptance (such as weapons quality) are evaluated to determine the necessary activity-specific oversight. For the balance of activities, a graded approach is used to determine the need for evaluation based on the level of risk and previous performance.
- (2) Experienced and qualified FOMs and senior leadership have a good rapport with, and trust, the contractor senior leadership and HQ elements.
- (3) HQ program and functional offices meet regularly with their field office counterparts to discuss site mission performance.
- (4) Field office support promotes programmatic communications between the contractor and Federal program and functional offices.
- (5) Federal team elements (field offices, program offices, and functional offices) promptly communicate emergent issues that could adversely affect mission delivery and collaborate to develop optimal responses.
- (6) Qualified technical staff, especially in key or unique functional areas (e.g., CORs, facility representatives, subject matter experts).
- (7) Level and type of oversight activities are graded based on potential to adversely affect site mission performance.
- (8) Flexible, integrated assessments that leverage the contractor site-level contractor assurance system activities to the maximum extent possible, including leveraging of contractor assessments by the field office in combination with field office operational awareness to fulfill the Federal assessment requirements of applicable DOE/NNSA directives to the maximum extent practical. This includes reviews of applicable safety management programs (SMPs) consistent with guidance provided by DOE G 226.1-2A.
- (9) Encourage contractor self-identification of site problem areas.
- (10) Periodic integrated field office meetings to discuss closure of existing issues and emerging trends and potential new issues. HQ programmatic and functional offices examine performance trends across the sites.
- (11) A site-level issues management system to identify and track issues to closure.
- (12) Factual, timely, and appropriately detailed information that flows to and from the HQ program offices, functional offices, Office of the Administrator, and the FOMs, Contracting Officers, and Contracting Officer's Representatives to ensure common understanding and consistent communications.

- (13) Clearly defined roles and responsibilities between the FOM, program office, and functional office with well-defined, contractually enforceable Federal direction given only by the CO or the appointed CORs.
- (14) Value-added and timely Federal Government feedback to the contractor partners, with an objective to improve safe, secure, and efficient mission performance.
- (15) Frequent informal interaction between field office and the contractor partner senior management, where performance feedback on site mission reliability is discussed.
- (16) Periodic, formal feedback provided to the contractor partner at the systems-level [e.g., for noted site program weaknesses that are not being sufficiently addressed by contractor's assurance system(s)].
- (17) Periodic independent audits, certifications, or assessments from external and Federal partners provide feedback to the field office as needed to ensure that the site Federal oversight system remains robust and effective in fulfilling site level oversight responsibilities.
- (18) Field office oversight activities focused on systems-level performance that includes, but is not limited to, compliance with applicable requirements.
- (19) FOM has the lead responsibility for contractor partner interactions, including audit and assessment schedules, findings, and required corrective actions.
- (20) Clearly defined baseline performance expectations.
- (21) Direct and routine engagement by HQ programmatic and functional leadership with the FOM, CO, and CORs to discuss performance highlights and concerns. The field office integrates and delivers performance feedback to the M&O contractor, including interim and end of year feedback per the current version of NNSA Policy 540.3.
- (22) Where appropriate, share opportunities, best practices, and lessons learned with the sites and HQ offices.

3. GUIDANCE.

a. GUIDANCE FOR BALANCING FEDERAL TRANSACTIONAL-LEVEL OVERSIGHT AND SYSTEMS-LEVEL OVERSIGHT.

Federal oversight should leverage the CAS to the maximum extent possible. Federal staff should use the following criteria to determine how best to balance transactional-level versus systems-level oversight:

- a) Inherent risk of the contractor's operations,

- b) Contractor past performance, and
- c) Maturity of the CAS.

Oversight of high-risk operations, such as nuclear operations, or areas of product acceptance, such as weapons quality, will be more direct and transactional, while still leveraging CAS where appropriate. Oversight of all other contractor operations should leverage the CAS to evaluate contractor performance. If it is identified that the CAS is insufficient for Federal staff to evaluate contractor performance (e.g., based on reviews per Section 7.c.(1) of this Supplemental Directive), then Federal staff, through their CO or COR, should first inform the contractor of the CAS deficiencies preventing Federal staff ability to evaluate performance. If identified CAS deficiencies are not addressed, then Federal staff oversight will be more transactional, or compliance based.

ATTACHMENT 3: RISK MANAGEMENT

Note: This attachment applies to contractors only.

1. INTRODUCTION.

Risk Management³ addresses the fact that certain events or conditions, whether external or internal, whether expected or unexpected, may occur with impact to a site and the National Nuclear Security Administration mission. As outlined in Department of Energy (DOE) Policy (P) 226.2, *Policy for Federal Oversight and Contractor Assurance Systems*, the contractor assurance system (CAS) spans a variety of areas for which positive outcomes are necessary to achieve overall mission goals and for which site governance is applied. These areas include, among others, environmental, safety, security, health, business, financial, project, and program goals and objectives. Establishment and implementation of risk management at a site, in an integrated manner, minimizes negative impacts and maximizes positive outcomes. Risk Management seeks to:

- a. Provide for the normalization, aggregation, and communication of risk information within and across organizational boundaries;
- b. Promote actionable, advisory-oriented, end-to-end risk management solutions in support of the mission; and
- c. Increase the predictability of outcomes through the proactive management of risks in a manner that minimizes threats and maximizes opportunities.

Note: The “attributes” included in this Attachment are intended to be the hallmarks of an effective site risk management process. These attributes establish the framework for each site to evaluate their current site risk management process to determine whether improvements are necessary and where improvement initiatives should be focused in order to meet the expectations of the Administrator.

2. PURPOSE.

Risk Management facilitates the aggregation and communication of risk information to assist a site, and ultimately the NNSA, in determining where risks exist and the informed approaches and activities for those who are responsible.

³ Risk management is commonly termed “Enterprise Risk Management” both within and outside of NNSA. With respect to site governance, risk management focuses Enterprise Risk Management concepts and practices to a particular NNSA site.

3. BACKGROUND.

NNSA site risk management improves the predictability of outcomes and informs decision-making. Effective risk management defends against challenges without compromising mission safety and security by identifying and tracking risks; performing continuous assessments to determine how risks have changed; developing risk management approaches; monitoring and tracking effectiveness; and assigning adequate resources. The scope, complexity, and diversity of risk can vary within and between different NNSA missions and sites. Effective risk management identifies cross-cutting items and interdependencies by reviewing past performance, hazards, and the likelihood and consequences of threats (risks with negative impact) and opportunities (risks that may have a positive impact) to achieve optimum results. Determining the best course of action requires risk analysis and developing appropriate actions. Balancing the expected return against uncertainties requires decisions based on strategy, risk tolerance, and organizational risk thresholds. By effectively managing risks, NNSA can improve outcome predictability, reduce costs, and increase efficiency.

More broadly, Office of Management and Budget (OMB) Circular No. A-123, *Enterprise Risk Management*, requires management to identify internal and external risks that could hinder the organization from achieving its goals. Section 2 of Circular No. A-123 emphasizes that management needs to consider interactions within and outside the organization when identifying risks. Management must analyze these risks to determine their potential impact on the agency. DOE establishes Enterprise Risk Management guidance regarding DOE compliance to OMB Circular No. A-123. DOE also provides guidance on risk management for projects via DOE Guide (G) 413.3-7A, *Risk Management Guide*.

4. ATTRIBUTES.

- a. The site risk management process is documented and includes strategies for risk analysis, risk communication, and risk management.
- b. The risk management process identifies and assesses current and potential risks to mission work. Sites identify risks using site governance areas including, but not limited to, environmental, health and safety, safeguards and security, programs and projects, business, and financial risks for high level risk identification categories.
- c. Risks are evaluated in the context of all significant internal and external environments, systems, circumstances, and stakeholders. Site risk management interacts on a routine basis with NNSA field, program, and/or functional offices as appropriate.
- d. Risks are prioritized across site activities and managed in an interrelated fashion. Higher priority risks are communicated with NNSA site leadership appropriately.
- e. The risk management process is a structured and iterative process for the management

of identified risks. This includes documenting risk acceptance when appropriate and developing necessary risk-handling approaches that include specific actions: when to be accomplished, the action owners, and the cost, schedule, and performance impacts.

- f. The risk management process establishes and documents the site risk appetite (risk/reward) and tolerances relative to the site's operational objectives and in alignment with proper authorities. These levels may be expressed qualitatively or as quantitative metrics. They may also be set and communicated through targets associated with performance measures and indicators.
- g. Routine reviews of the risk management process and documentation provide adjustments to advance mission objectives and goals.
- h. The risk management system determines the causes, sources, and impacts of identified risks, including when thresholds are exceeded. Appropriate actions are taken to move risks back within acceptable thresholds. Lessons learned are factored into future risk planning.
- i. Risk-handling approaches are routinely monitored and evaluated for effectiveness against established metrics.

5. REFERENCES.

- a. DOE Guide (G) 413.3-7 (current version), *Risk Management Guide*
- b. ISO 31000:2018, *Risk Management – Guidelines*
- c. Institute of Risk Management, *A Risk Management Standard*, 2002
- d. Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*
- e. Project Management Institute Incorporated, *The Standard for Risk Management in Portfolios, Programs, and Projects*, 2019
- f. Chief Financial Officers Council (CFOC) and Performance Improvement Council (PIC), *Playbook: Enterprise Risk Management for the U.S. Federal Government*, 2022
- g. Committee of Sponsoring Organizations (COSO), *Enterprise Risk Management – Integrated Framework*, September 2017
- h. Department of Energy, *Enterprise Risk Management Guidance*, (current version).

ATTACHMENT 4: SITE GOVERNANCE AND MANAGEMENT OPERATIONAL FRAMEWORK

Note 1: This attachment in relevant part applies to both Federal and contractor personnel.

Note 2: The pagination and formatting of this Attachment is intentionally structured to provide easy to reference single page summaries of best practices for each primary grouping.

1. INTRODUCTION.

This attachment provides best practices for the relationships between Federal elements of the National Nuclear Security Administration (NNSA) and its Management and Operating (M&O) contractors. For NNSA program, functional, and field offices and our contractor partners, this framework will serve as a resource for strategic decision-making, programmatic planning, and operations in support of maintaining a safe, secure, and effective nuclear security enterprise.

2. GUIDANCE.

The remaining pages of this attachment provide easy to reference single page summaries of best practices for each primary grouping.

NNSA Program Offices

Mission Program Leadership

- Develop programmatic strategy; ensure alignment with external entities.
- Communicate strategy with field and functional offices.
- Set mission program priorities (including budgets) with agreed-upon scope, cost, and schedule through proper direction of contractor partners.
- Ensure programmatic deliverables are met working within authorities and roles established by Department of Energy orders and policy.
- Use mission support “enablers” through functional and/or field offices.

Contractor Oversight

- Demonstrate active engagement on program priorities, monitor contractor partners progress on scope, cost, and schedule.
- Provide continuous feedback to contractor partners on program activities in coordination with the relevant field office and provide performance direction through actions authorized by contracting officers and their representatives.
- Work with Field Office Managers to establish performance objectives and other evaluation criteria for contractor partners, and to evaluate how contractor partners are performing.
- Eliminate duplicative oversight where an integrated approach is possible.

Risk Management

- Understand mission execution risks; work collaboratively with contractor partners, field offices, and functional offices to identify and manage program technical, safety, security, environmental, and other risks.
- Delegate authority to the lowest appropriate level in the organization once capability and performance are demonstrated and allow decision-making to proceed at that level. See Attachment 5 of this Supplemental Directive for additional guidance.
- Verify effective execution of authorities, including delegated authorities, on schedules graded to the significance of each authority and demonstrated performance.
- Use technical experts to ensure decisions reflect appropriate risk management decision-making.

AVOID:

- “Directing” management and operating and other major site and facility contractors (contractor partners) without proper authority.
- Inappropriately interjecting in detailed operational issues.
- Second-guessing decisions made once authority has been delegated.

NNSA Functional Offices

Mission Support – The “Enablers”

- Provide functional expertise, advice, and counsel to mission program offices, senior management, and Field Office Managers in accordance with roles established by Department of Energy orders and policy.
- Use/promote transparent data to support quality decision-making at all levels.
- Collaborate to develop functional policies that enable the mission.
- Where appropriate, set mission support program priorities (including budgets) with agreed-upon scope, cost, and schedule through proper direction of contractor partners.
- Perform defined regulatory functions and oversight support in consultation and coordination with mission program offices and field offices.
- Work with Field Office Managers to establish how contractor partners functional performance is evaluated, including performance objectives and other criteria, and how contractor partner is performing. See Appendix B of this Supplemental Directive for additional guidance.
- In support of the applicable program office, feedback is provided to the field office as needed through periodic evaluations, certifications, or assessments to ensure that the site Federal oversight system remains robust and effective in fulfilling site level functional area oversight responsibilities.

Risk Management

- Provide technical support and risk management tools to the program and field offices in managing the Department’s major mission risks.
- Deliver on high priority functional management responsibilities, allowing mission work to proceed on schedule.
- Evaluate broad range of risks in order to anticipate issues.

Functional Process Discipline

- Strive to ensure functional processes meet best-practice professional standards from inside and outside government.
- Coordinate data calls with program offices and field offices and issue through a Contracting Officer.
- Coordinate and integrate with program offices and field offices when performing independent analysis/oversight of contractor partner or program performance, utilizing risk-informed graded approach. See Appendix B of this Supplemental Directive for additional guidance.
- Assist risk acceptance officials to manage risks in a manner aligned with the mission priorities and policies and consistent with functional guidance.
- Provide functional expertise and counsel to field offices and mission program offices.

AVOID:

- Assigning tasks to the field outside functional management responsibility.
- “Directing” management and operating and other major site and facility contractors (contractor partners) without proper authority.
- Setting mission program priorities and policies.
- Second-guessing decisions made once authority has been delegated.

NNSA Field Offices

Contract Management Including Contracting Officer (CO) Functions

- Administer performance-based contracts with National Nuclear Security Administration (NNSA) contractors to deliver on the program and functional objectives established by program offices while preserving independence needed for regulatory decision-making and coordinating with other impacted NNSA offices.
- Integrate NNSA requirements applicable to contractor partners and modify contracts accordingly.
- Work with program and functional offices to establish performance objectives and other evaluation criteria for contractor partners, and to evaluate how contractor partners are performing.
- Perform delegated contract management functions, including authorizing work.
- Confirm contractor assurance process effectiveness via oversight activities.
- Hold contractor partners accountable in exercising independent judgment in delivering on contractual obligations and monitor contractor partner performance against contract requirements.

Authorizing or Approving Official

- Serve as Federal approval official in accordance with delegated authorities and in accordance with DOE orders and policy.
- Support independent regulatory decision-making with documented, unbiased, objective reviews that do not contain personal or organizational conflicts of interest.
- Exercise due diligence with technical expert input; communicate decisions to program offices that are made with delegated authority; request technical assistance when needed.
- Execute permits and other licensing-type documents as the on-site NNSA representative.

Risk Management/Oversight

- Oversee contractor partner's approach to operations and risk management using a largely systems-level/performance-based approach; communicate emerging trends and risks to Federal program managers and functional managers to support enterprise-level risk decisions.
- Communicate performance information with program offices and functional offices.
- Coordinate and consolidate, as feasible, site reviews with functional and program offices.
- Work with the contractor partner to ensure that Federal assets are properly protected and maintained.

Landlord

- Serve as the U.S. Government senior representative for the laboratory/plant/site.
- Carry out essential landlord responsibilities within delegated authority.

Field Office Operations

- Coordinate with local stakeholders to inform, educate, and promulgate NNSA missions and initiatives.

AVOID:

- Doing the contractor partners' work for them.
- Telling contractor partners HOW to deliver work.
- Setting program priorities and policies.
- Second guessing decisions made once authority has been delegated.

Contractor Partners/Corporate Parents

Deliver High-Quality Products Within Contractual Parameters

- Provide the scientific, technical, and operational capabilities to deliver products and research and development to support the National Nuclear Security Administration's (NNSA) mission.
- Deliver on performance targets.
- Prepare strategic plans based on guidance and policy from NNSA.

Strategic Partnership Projects

- Provide high quality scientific and technical capabilities that can be leveraged across the Federal Government.
- Enable technology commercialization and business development mechanisms.

Risk Management

- Work with field offices and functional offices to manage major operating risks consistent with Federal rules and stewardship of Federal resources.
- Implement and manage an effective contractor assurance system.

Asset Stewardship

- Work with NNSA to ensure a state of readiness to support mission activities.
- Conduct support activities as necessary to support mission objectives.

Corporate Parents

- Develop/implement parent oversight plans consistent with NNSA site governance policy and contract requirements.
- Maintain routine/effective relationship with Field Office Manager in concert with board meetings to seek/ provide feedback.
- Meet with Administrator/senior NNSA leadership to ensure meeting mission expectations.
- Serve as pathway for corporate reach-back to achieve critical goals.

AVOID:

- Conducting or taking on work scope that is not properly authorized.
- Second-guessing decisions made once authority has been delegated.

ATTACHMENT 5: GUIDANCE FOR FLOWING DOWN OPERATIONAL AUTHORITY TO FIELD OFFICES AND MANAGEMENT AND OPERATING CONTRACTORS/SITES

Note: This attachment in relevant part applies to both Federal and contractor personnel.

1. INTRODUCTION.

This guidance should be used to promote flowing down operational authority, along with commensurate accountability, to field offices and Management and Operating (M&O) contractors/sites to the maximum extent practicable. This guidance is not intended to replace existing delegation procedures, processes, or requirements but rather provides guidance on how to further promote flow down of operational authority to the extent practical.

2. GUIDANCE.

a. PROGRAM OFFICES

Establish the “what’s”:

- (1) Cost, scope, schedule.
- (2) Mission priorities and constraints.
- (3) Fund operational approach for mission execution once it is agreed upon.
- (4) Oversight of program execution and integration across enterprise.

b. CONTRACTOR PARTNERS

Determine the “how’s” and ensure execution:

- (1) Propose operational approach for work, including identification of applicable standards and how they will meet them for review by the field office.
- (2) Executes a contractor assurance system that outlines how they will manage operations and risks.
- (3) Demonstrably meeting existing regulations and agreed-upon standards results in acceptable residual risk, and no further Federal approvals should be needed provided the contractor continues meeting those regulations and standards.
- (4) Where the implementation approach does not meet agreed-upon standards or where no standards exist, evaluate and propose an approach to managing hazards, and communicate residual risk in a manner to enable field office

decisions.

- (5) Once approved, contractor partners own demonstrating how they meet agreed-upon standards and maintaining residual risk at the approved level (and communicating any departures or new information that shifts the residual risk, reference Attachment 3).

c. FUNCTIONAL OFFICES

Provide operational requirements/standards and support field offices.

- (1) In support of the applicable program office, establish operational requirements/standards and define acceptable risk.
- (2) Provide technical support to field offices, as needed.
- (3) In support of the applicable program office, provide feedback to the field office as needed through periodic evaluations, certifications, or assessments to ensure that the site Federal oversight system remains robust and effective in fulfilling site level functional area oversight responsibilities.

d. FIELD OFFICES

- (1) Concur on applicability of standards (consistent with CAS model).
- (2) Assess and decide on acceptability of residual risk where there are no standards, or where the contractor partner articulates residual risk associated with managing hazards.
- (3) Focus on oversight of implemented CAS model.
- (4) Direct oversight of operations tied to maturity of CAS, contractor partner past performance, and operational risk.

APPENDIX A: FIELD OFFICE PROGRAM LIAISON

Federal Program Managers (FPMs) lead the governmental elements of National Nuclear Security Administration (NNSA) programs. The FPMs define requirements and authorize funding through the respective field offices for execution by the Management and Operating (M&O) partners. At the field office, the Contracting Officers authorize the scope and funding of NNSA programs. The field office program liaisons (PLs) interact with FPMs, functional managers (FMs), and M&O partners on a routine basis to support the safe and efficient execution of NNSA programs.

1. PURPOSE. The field office PLs support the FPMs and Field Office Managers (FOMs) by on-site monitoring of M&O partner's mission performance. This appendix describes the PL's roles and responsibilities within that context.
2. BACKGROUND. The Federal oversight team consists of three entities: NNSA program offices, functional offices, and field offices. The overall role of the PL is to promote integration between NNSA and M&O partner organizations, and between the various NNSA organizations. The PL is also expected to communicate, resolve, or mediate issues and enable successful mission execution. To successfully perform this role, PLs are responsible for four pillars: Operational Awareness, Monitoring, Integration, and Evaluation.
 - a. Operational Awareness - maintaining an understanding of program scope, relationships, site resources and capabilities necessary to support program activities, and associated risks (e.g., safeguards and security; environment, safety, and health; emergency management, and nuclear operations) for successful accomplishment of program objectives. Program awareness is not program management; rather, it is gaining knowledge of program activities.
 - b. Monitoring - assuring that work is being performed in accordance with documented contract objectives and programmatic goals. Monitoring supports identifying potential site issues or concerns that may affect the ability to complete contract and program objectives. PLs monitoring supports the FOMs in meeting their line management responsibilities for operations at their respective sites, and also supports the FPMs with their oversight responsibilities. The focus of the monitoring is to identify, prevent, and assist in resolving mission impacting issues.
 - c. Integration - summarizing and communicating information obtained from program monitoring by FPMs, PLs, and field office subject matter experts to ensure the success of the program activity. The PL is key to reducing and eliminating hurdles and barriers to achieving NNSA's missions. For example, an FPM may need a field office assessment rescheduled to minimize the impact on an important mission activity, or an M&O partner organization may request assistance moving a purchase order through the field office contracts group. In addition, there are multiple external interfaces that require an integration aspect such as interfacing with PLs at other field offices and Department of Defense

customers (e.g., during on-site tours). While the PL builds a relationship with external groups, the FPMs have the primary role in managing the program. PL engagement is only done to assist the FPM or FOM in achieving program objectives. The PL does not have the authority to change the scope of the FPM requirements for the program.

- d. Evaluation – contributing to developing the contract Performance Evaluation Measurement Plan (PEMP) and the overall performance assessment for program-related objectives, measures, and targets performed by FPMs, PLs, FOMs, and FMs. The FPMs are responsible for providing feedback on their respective program(s) performance to the field office. FOMs are responsible for coordinating and integrating performance feedback and providing it to the M&O contractor. Federal entities coordinate to evaluate and influence the M&O contractor's performance through contract tools, such as Contracting Officer letters and Contracting Officer's Representative technical direction, interim feedback, and annual Performance Evaluation Reports per the current version of NNSA Policy 540.3, and oversight and assessment reports.

3. RESPONSIBILITIES.

- a. Program Liaisons.
 - (1) Maintain program awareness of site cost, scope, schedule, and issue resolution for Department of Energy (DOE), NNSA, strategic partnership projects, and strategic intelligence partnership projects FPMs to the project level.
 - (2) Maintain program awareness by understanding program relationships, site resources, and capabilities necessary to support program activities and associated risks.
 - (3) Develop a network of relationships with three groups: (1) the FPMs, (2) the M&O contractor, and (3) headquarters (HQ) FMs as appropriate. These relationships are based on building trust and respect in, and mutual understanding of, each organization's roles and responsibilities.
 - (4) Attend meetings and build relationships with M&O partner program and project leads and field office mission support groups, essential to identifying and resolving issues that could affect mission performance.
 - (5) Possess basic knowledge of functional requirements paired with program knowledge to facilitate onsite issue resolution (through field office, M&O contractor, or HQ).

- (6) Serve as an interface to promote conflict resolution when projects or programs executed by multiple contractors have disagreements or conflicting requirements or priorities.
- (7) Communicate competing program priorities at the site to the appropriate program sponsors and the FOM for resolution (competing priorities at the site level between programs, e.g., Defense Programs versus Defense Nuclear Nonproliferation).
- (8) Monitor program performance status, milestones, and other targets as defined in implementation plans, program execution plans, and communicate potential performance issues to the appropriate Contracting Officer's Representative, FPM, and field office management. Notify the Contracting Officer of any issues or actions that may affect or alter the terms and conditions of the contract.
- (9) Participate in contract performance evaluation reviews with both FPMs and field office management (quarterly program reviews, etc.)
- (10) Collect program and functional management data for the programmatic input into performance evaluation reporting and validate the information reported.
- (11) Contribute to, or write, initial draft input for the programmatic performance objectives and coordinate input with HQ program.
- (12) Serve on behalf of the FOM and the FPM as the program representative on tours as requested.
- (13) Review, on behalf of the FOM as requested, data calls specific to assigned programs for the field office (e.g., *Stockpile Stewardship and Management Plan*, lab planning, reports to Congress).
- (14) Assist the FOM by ensuring program input is considered on responses to external inquiries at the site level (e.g., Defense Nuclear Facility Safety Board, Inspector General, Government Accountability Office).
- (15) Serve as the lead on local directives specific to program implementation as assigned.
- (16) Provide input for nuclear startups and high hazard operations.
- (17) Review for awareness M&O partner input and develop field office input for HQ program reviews, integrated budget reviews, etc.

- (18) Review programmatic implementation plans to understand what work is expected from the M&O partner for a specific period of time, including programmatic milestones.
- (19) Review as assigned, for the field office and with the FPM, relevant documents such as University Collaboration bids, Tech Transfer, Cooperative Research and Development Agreements, Intellectual Property & Patent Agreements, Inter-Agency Agreements, Memoranda of Understanding, and Memoranda of Agreements.
- (20) Perform and document oversight (operational awareness of assigned programs/projects; ensure findings are entered into issue tracking system, as necessary).
- (21) Support the FPMs and inform the FOM of the operational risks. Ensure program and functional offices receive notification of significant decisions and events.
- (22) Provide interim or year-end M&O contractor performance input to HQ program office senior management, as deemed necessary.

b. Headquarters Program Organizations.

- (1) As necessary or requested, provide to the FOM interim or year-end performance input on the PLs in their respective program specific to that performance period.
- (2) Collaborate with enabling organization and field office subject matter experts to ensure contractor work is in accordance with documented contract objectives.

APPENDIX B: SITE LEVEL FUNCTIONAL AREA OVERSIGHT APPROACH

As outlined in this appendix, the field office has the primary role in site level functional area oversight (with the exception of functional areas where an NNSA functional office provides direct oversight, such as certain business and contract functional areas including finance, information technology, and property management), is the integrator of Management and Operating (M&O) contractor performance feedback, and communicates with the functional offices to ensure common understanding of site level functional area performance. Field offices leverage, to the maximum extent practical, the M&O contractor assurance system (CAS) to inform site level functional area oversight.

The functional offices focus on mentoring and supporting the technical qualification of field office staff, providing guidance associated with the implementation of applicable functional area requirements, and engaging with external stakeholders (such as the Department of Energy Office of Enterprise Assessments, Defense Nuclear Facilities Safety Board, etc.) as related to their functional area of responsibility, communicating areas of potential increased emphasis as related to site level functional oversight to the field offices for consideration, providing support to field office led deep dives on emerging trends and performance concerns in their functional area of responsibility as requested by the field office, and identifying and ensuring resolution of multi-site issues in their functional area of responsibility that need correction.

1. PURPOSE. This appendix revises and clarifies the role of NNSA functional offices in site level functional area oversight.
2. BACKGROUND. To streamline and improve the efficiency of site level functional area oversight, an approach was developed and agreed upon in which the field office has the primary role in site level functional area oversight and leverages the M&O expertise to result in performance-based and risk-informed Federal oversight determinations. In this approach, the field office provides site level functional area oversight to assure compliance and evaluate contractor performance, while the contractor (through a robust contractor assurance system) transparently communicates functional area health information and status to inform both field office site level functional area oversight and functional office awareness.
 - a. Oversight - The site tailored approach will be used, consistent with the applicable portions of Attachment 2 of this Supplemental Directive (SD), and the level at which Federal reviews are conducted will depend on the risk of the program and other factors deemed appropriate by the field office. Federal reviews should include field office planned assessments, routine field office oversight and operational awareness, and participation in, or observation of, contractor reviews. The site-specific CAS system developed by the M&O, including contractor assessments and other approved standards, should be leveraged by the field office to the maximum extent practical to assess the overall health of functional systems and processes, and overall functional area performance at the site. Reference Appendix C of this SD as related to the development of the Site Integrated Assessment Plan (SIAP).

- b. Performance Evaluation - The field office is the integrator of M&O contractor performance feedback for planning and evaluation. This includes the development of the contract Performance Evaluation Measurement Plan (PEMP) and the overall performance assessment for functional area objectives, measures, and targets. Federal entities coordinate to evaluate and influence the M&O contractor's performance through contract tools, such as Contracting Officer letters and Contracting Officer's Representative technical direction, interim feedback and annual Performance Evaluation Reports per the current version of NNSA Policy 540.3, and oversight and assessment reports.

3. RESPONSIBILITIES.

a. Field Office.

- (1) The field office performs site level functional area oversight per the approved site Federal oversight description, which describes how the field office fully implements the current versions of this SD, DOE Policy 226.2, and DOE Order 226.1. This includes, but is not limited to, the following elements.
 - (a) Prioritize areas needing increased oversight based on risk, performance trends, mission impact, and M&O CAS self-assessments at the site.
 - (b) Field office assessments leverage the site level contractor assurance system activities to the maximum extent possible, including leveraging of contractor assessments by the field office in combination with field office operational awareness to fulfill the Federal assessment requirements of applicable DOE/NNSA directives to the maximum extent practical. This includes reviews of applicable safety management programs (SMPs) consistent with guidance provided by DOE Guide 226.1-2A.
 - (c) Timely communication with the M&O contractor on functional area performance or data that could have impact on the site/program.
- (2) Promptly communicate emerging issues, performance trends, or concerns at the site level functional area to functional offices and/or program offices as needed.
 - (a) Lead deep dive reviews of identified emerging issues, performance trends, or concerns as appropriate. Request functional office support for those deep dives as needed.

- (3) Identify to the functional office when conflicting priorities or conflicting guidance needs to be addressed by the functional office and support resolution as appropriate.
- (4) The Field Office Manager coordinates and integrates performance feedback and provides that to the M&O contractor. This includes the development of the contract PEMP and the overall performance assessment for functional area objectives, measures, and targets.

b. Functional Office.

- (1) Provide mentoring and support for technical qualification of field office staff as requested.
- (2) Provide guidance and assistance as requested by the field office or NNSA senior management.
- (3) Engage with external stakeholders as needed in relation to external feedback on functional area requirements or performance.
- (4) Support the field office in the annual SIAP development process as needed as outlined in Appendix C.
- (5) Provide support to field office led deep dives on emerging trends and performance concerns as requested by the field office or NNSA senior management.
- (6) Identify and appropriately coordinate with field offices to ensure resolution of multi-site issues that need correction. Address multi-site issues that can be attributed to potential weaknesses in functional area requirements or guidance.
- (7) Coordinate with field offices as needed when conflicting priorities or conflicting guidance needs to be addressed by the functional office. Ensure a resolution is met and communicated to all parties involved.
- (8) Communicate with the field office and maintain awareness of contractor performance and functional area health at sites on behalf of the Administrator.
 - (a) Ensure that compliance with applicable laws, regulations, requirements, exemptions, or equivalencies is appropriately assured through field office site level functional area oversight, as informed by the site contractor assurance system.
 - (b) In support of the applicable program office, provide feedback to

the field office as needed through periodic evaluations, certifications, or assessments to ensure that the site Federal oversight system remains robust and effective in fulfilling site level functional area oversight responsibilities consistent with Section 7.b.(3) of this SD.

- (9) Engage in contractor performance evaluation processes as appropriate per the current version of NNSA Policy 540.3.
 - (a) When the functional office provides direct oversight, the functional office provides feedback on contractor performance for that functional area to the field office for integration into the overall contract performance assessment developed by the field office.
 - (b) When the field office has primary oversight responsibility, the functional office maintains awareness of lessons learned, trending, and the results of site level functional area oversight by the field office to provide review of the overall contract performance assessment developed by the field office.

APPENDIX C: SITE INTEGRATED ASSESSMENT PLANS

1. **PURPOSE.** This appendix provides guidance to assist National Nuclear Security Administration (NNSA) field offices in the annual development, updating, coordinating, and reporting of Site Integrated Assessment Plans (SIAP). The SIAP planning process results in a comprehensive transparent plan for assessment activities for the fiscal year. SIAPs promote the integration of assessments conducted by organizations external to the field office with those conducted by the field office or site contractors. The SIAP planning process promotes efficiency by identifying opportunities for the field office to leverage contractor assessments, combine similar assessment activities, or eliminate duplicate assessment activities when possible.
2. **BACKGROUND.** Attributes of an effective SIAP include:
 - Timely review and analysis of data (performance, compliance, risk, issues, etc.) from program and functional areas.
 - Integration, transparency, and collaboration between the field office and the Management and Operating (M&O) contractor, and between the field offices and the program and functional offices.
 - Documented assessment activities identifying areas requiring external assessment support and coordination.
 - Assessment frequency for contractor assessments, self-assessments, and internal assessments.
 - Utilization of information from the contractor assurance system (CAS).
 - Standard software application to manage the schedule between the field office and site contractors.
 - Configuration control to ensure timely communication of changes to planned assessment activities.
 - A risk-informed approach to help identify and prioritize the oversight focus areas.
3. **RESPONSIBILITIES.**
 - a. **Field Offices.**
 - (1) Develop and approve the annual SIAP, which incorporates as appropriate the inputs provided by the functional and program offices.
 - (2) Distribute the approved annual SIAP to NNSA functional, program, and project offices and other external stakeholders as requested.

- (3) Perform annual risk-informed review of enterprise oversight areas. Function- or site-specific emphasis areas result from any known vulnerabilities or performance weaknesses that pose a high risk to mission execution for the upcoming year.
- (4) Coordinate, monitor, and track assessments with subject matter experts and M&O contractor SIAP point(s) of contact.

b. Functional and Program Offices.

- (1) Provide potential topics to the field office for consideration of inclusion in SIAP development as needed.
- (2) Provide field offices with initial and out-year oversight planning input for each enterprise oversight area for which they are responsible.
- (3) Coordinate with field offices on assessments they want to participate in, support, provide, or observe.

APPENDIX D: DEFINITIONS

- a. Contracting Officer (CO). A person with the authority to enter into, administer, or terminate contracts and make related determinations and findings within the limits of their delegated authority.
- b. Contracting Officer's Representative (COR). A Federal employee designated in writing by the CO to assist in the technical monitoring or administration of a contract.
- c. Contractor Corporate Parent/Contractor Parent. An organization whose subsidiary or affiliated subordinated company has entered into a contract with the National Nuclear Security Administration (NNSA).
- d. Federal Oversight System Description. Field oversight establishes the mechanisms for "checks and balances" for contract compliance. The site Federal oversight system description describes the processes for evaluating contractor assurance, contractor performance, and Federal assessment activities, which help foster continuous improvement in mission execution. Working with the field office, the NNSA functional and program offices augment field office oversight activities, and ensure consistent communications.
- e. Federal Program Manager (FPM). An individual in the headquarters organizational element responsible for managing a program and its assigned projects to ensure that all the projects are properly phased, funded over time, and that each project manager is meeting their key milestones. They are the project manager's advocate, ensure proper resourcing, and facilitate the execution process. They predict programmatic risks and put mitigation strategies in place so that projects are not affected. For the purposes of this Supplemental Directive, a Federal Project Director is considered an FPM.
- f. Field Office Manager (FOM). Person appointed by the Administrator to lead a field office.
- g. Functional Manager (FM). Mission enablers that provide technical assistance or subject matter expertise and resources to enable mission delivery to support line and program managers in implementing delegated responsibilities.
- h. Governance. The system of management and controls executed in the stewardship of the organization. NNSA implements governance through a collaborative partnership between Federal and contractor organizations to accomplish a common mission while still preserving the Federal independence needed to function in NNSA's self-regulatory role.
- i. Issue. An event, occurrence, incident, or condition that has occurred or is occurring, typically with a non-compliance element, and which may be referred to using various terms (such as finding, management concern, condition, deficiency, weakness, etc.), which is captured and managed via the issues management system.
- j. Issues Management System. The site system and processes for capturing and managing issues as defined by site-specific procedures. The issues management system may also capture and manage opportunities for improvement, recommendations, or suggestions.
- k. NNSA Site Governance Model. The single, comprehensive governance framework for a site that relies on the unique interrelationship inherent in the NNSA contracting model,

corporate parent involvement, and Federal oversight. The relationship between the M&O contractor (or prime security contractor or prime environmental management contractor), the corporate parent(s), and the NNSA Federal team, is built on trust and transparency to ensure a balanced approach to effective mission accomplishment. Though the Federal and contractor organizations collaborate to develop the NNSA Site Governance Model, NNSA preserves its Federal independence needed to function in the NNSA's self-regulatory role.

- l. Performance-based. An approach where greater emphasis is placed on the performance and risk impact of issues discovered rather than on simply the existence of specific non-compliance issues. Performance-based, systems-level oversight is used to assess contractor performance by evaluating the contractor's processes and management systems and the data normally generated by these systems. In a performance-based approach, the assessor addresses the localized, as well as the broader, impact of the issues against the overall adequacy, efficiency, and cost-effectiveness of what is being assessed.
- m. Program Office. The organization that is led by the Federal Program Manager who is directly responsible for managing and executing all programmatic activities on a regular basis, including cost, schedule, risk, and requirements activities.
- n. Program Liaison (PL). Field office personnel dedicated to facilitating communication between the FPM and local sites to assist mission performance, in accordance with Appendix A.
- o. Reliable Mission Performance. Performance by the contractor where (1) NNSA mission objectives are met; (2) workers, the public, and the environment are protected; (3) assets are secure; and (4) operational and business systems are managed within contract requirements.
- p. Risk. The likelihood of an event or condition that has not yet occurred but which, if it did occur, would have a positive [opportunity] or negative [threat] effect on one or more strategic objectives.
- q. Risk Appetite. The articulation of the amount of risk (on a macro level) an organization is willing to accept in pursuit of the strategic objectives and value to the enterprise.
- r. Risk-informed. A decision-making approach whereby consideration of a broader set of potential challenges to strategic objectives provides a logical means for prioritizing challenges based on risk significance, operating experience, and expert judgment. Risk-informed decisions facilitate consideration of a broader set of resources to defend against challenges and identify and quantify sources of uncertainty in analysis to provide a means to test the sensitivity of the results to key assumptions.
- s. Risk Tolerance. The acceptable level of variance in performance relative to achievement of established objectives.
- t. Site Governance System. The system of management assurance and controls executed in the stewardship of the site. A good site governance system informs a common understanding of the unique relationship between all entities within the NNSA enterprise requiring the scope of Federal oversight be determined based on the demonstrated

strength of the contractor's management systems.

- u. Site Risk Management. A site-wide, strategically aligned view of organizational challenges that provides improved, integrated insight about how to prioritize and manage risks to strategic objectives more effectively.
- v. Systems-level Oversight. A comprehensive, global oversight of all programmatic and functional activities that assess performance through evaluating the contractors' processes and management systems and the data normally generated by these systems.
- w. Transactional-level Oversight. Federal oversight activities where Federal staff are gathering the contractor performance information (e.g., compliance-based assessments) as opposed to leveraging contractor-gathered performance data as part of contractor assurance.

APPENDIX E: REFERENCES

- a. DOE P 226.2, *Policy for Federal Oversight and Contractor Assurance Systems*, dated 8-9-16.
- b. DOE O 226.1B Change 1, *Implementation of Department of Energy Oversight Policy*, dated 5-3-22.
- c. DOE O 227.1A Change 1, *Independent Oversight Program*, dated 1-21-20.
- d. DOE O 251.1E, *Departmental Directives Program*, dated 6-10-24.
- e. DOE O 412.1A Change 1, *Work Authorization System*, dated 5-21-14.
- f. DOE O 413.3B Change 7, *Program and Project Management for the Acquisition of Capital Assets*, dated 6-21-23.
- g. DOE O 414.1D Change 2, *Quality Assurance*, dated 9-15-20.
- h. DOE O 470.4B Change 3, *Safeguards and Security Program*, dated 9-23-21.
- i. DOE G 226.1-2A, *Federal Line Management Oversight of Department of Energy Nuclear Facilities*, dated 4-14-14.
- j. NNSA NAP 130.1C, *Planning, Programming, Budgeting, and Evaluation (PPBE) Process*, dated 7-18-23.
- k. NNSA NAP 413.2 (Recertified) , *Program Management Policy*, dated 4-1-22.
- l. NNSA NAP 540.3, *Corporate Performance Evaluation Process for Management and Operating Contractors*, dated 12-22-16.
- m. NNSA SD 251.1B, *Directives Management*, dated 10-26-20.
- n. NNSA SD 412.1, *Work Authorizations*, dated 1-18-17.
- o. NNSA SD 413.3, *Program and Project Management for the Acquisition of Capital Assets*, dated 5-18-21.
- p. NNSA SD 450.2B, *Functions, Responsibilities, and Authorities (FRA) for Safety Management*, dated 4-23-21.