



Department of Energy
Under Secretary for Nuclear Security
Administrator, National Nuclear Security Administration
Washington, DC 20585



March 22, 2016

MEMORANDUM FOR STEVEN C. ERHART
DIRECTOR
OFFICE OF POLICY

FROM: FRANK G. KLOTZ [REDACTED]

SUBJECT: 2016 Governance and Management Priorities

The purpose of this memorandum is to identify my top five 2016 governance and management initiatives for transforming NNSA into a highly effective organization. My expectation is that all NNSA organizations will deploy the necessary resources to accomplish these initiatives as stipulated in the paragraphs below. Responsible managers will report on the progress of these core initiatives at the monthly Management Council meeting, chaired by the Principal Deputy Administrator.

1) Improving Contract Structures and Incentives

The NNSA is taking steps to standardize Management and Operating (M&O) contract structures to the extent practicable while recognizing ones size does not fit all. NA-APM is evaluating all six of our M&O contracts (structure and incentives) and our Contractor Performance Evaluation Plans and processes to make mutually beneficial improvements that align to and emphasize mission performance. The Contract Structures and Incentives Working Group (CSIWG) is also reviewing our M&O contract structures, incentives, and performance evaluation processes to identify improvements that emphasize mission performance and improve our partnership with the M&O community. The CSIWG has engaged our M&O counterparts and their corporate parents in this process through surveys and face-to-face meetings to better understand their perspective while maintaining a proper federal government stewardship posture. The CSIWG input will be used to develop incentives that are appropriate for the unique missions and risks at each site. The approach will be implemented with the Sandia National Laboratories operating contract competitions building on changes previously reflected in the Kansas City and Nevada National Security Site competitions. NA-APM will develop an overarching M&O acquisition planning guide that will include contract structure and incentive guidance for use when each specific acquisition plan is initiated and approved for future competitions of NNSA M&O contracts. Related changes to existing contracts and performance evaluation processes are also being considered. These actions are intended to better align Federal and contractor resources toward safe and secure mission execution while reducing unnecessary administrative burdens.

2) Implementing Effective and Efficient Field Oversight

The Site Governance Working Group is working to improve our governance and oversight of field operations at our laboratories, sites, and plants by clarifying expectations, roles, and responsibilities. The NNSA field oversight model should be restructured to clarify the oversight roles of program, functional, and field office personnel and incorporate best practices from elsewhere in the Department, as appropriate. The model should rely on rigorous and dependable contractor assurance systems (CAS) and include the role of the corporate parent as appropriate for each contract and site. Federal, site M&O, and corporate M&O entities are expected to work cooperatively to assure safe, secure mission performance. A supplemental directive to DOE O 226.1B, *Implementation of DOE Oversight Policy*, (replacing NAP-21), implementing guidance, and procedures will be prepared to implement the new process by the end of calendar year 2016. These actions are designed to improve the consistency and effectiveness of our field oversight across the nuclear security enterprise.

3) Improving the Stewardship and Long-Term Strategic Planning for the Laboratories

NNSA will strengthen its strategic planning process by establishing a laboratory strategic planning function in the Office of Policy. As the Director, Office of Policy, you will work with each of the laboratory directors, HQ program managers, and NNSA field office managers to establish this new process, which will include an annual high-level strategic discussion where each laboratory director presents his or her strategic vision. This discussion will include the complex factors and competing objectives that each national laboratory balances while continuing to assure national security mission success. The laboratory directors also will address longer-term issues that they individually and collectively consider vital to future mission success and the long-term health of the laboratory. I expect you to build on the January 20 meeting that you had with the laboratory directors to formulate a process to conduct these strategic planning discussions. It is my hope that this process will create a shared vision for the long-term stewardship of the national laboratories and better inform NNSA strategic planning.

4) Improving NNSA Policy Administration

The NNSA Office of Management and Budget (NA-MB) is taking steps to clarify roles and responsibilities and put in place straightforward processes to manage our HQ elements, field offices, plants, and laboratories and make integrated, risk-informed corporate decisions. A key step is to update and clarify NNSA policy and guidance across all lines of operations and business. NA-MB will conduct a comprehensive review of the internal policy development process and revise the internal policy requirement document, Supplemental Directive (SD) 251.1 accordingly. NA-MB will seek opportunities to simplify and automate the process, replacing NNSA policies with existing DOE, Office of Personnel Management, or widely accepted government and/or commercial standards where applicable. This effort will streamline and improve the process to keep NNSA policies current. As

part of the review, NA-MB will identify policies that need to be retained, those that require revision or elimination, and areas where policy and guidance are missing. This initiative along with updated organizational mission and function statements and a new management system description, will delineate functions, responsibilities, and authorities to improve NNSA's corporate level governance and management.

5) Improving Coordination of Site Reviews and Site Visits

The Office of Safety, Infrastructure, and Operations (NA-50) will develop and implement a revised process to centralize and better coordinate and control internal and external oversight activities and reviews at NNSA sites (i.e., a "clearing house"). Congressionally directed reviews and others exempted specifically by the Principal Deputy Administrator will be excluded from this effort. A senior Federal manager will be assigned to ensure planned reviews and visits are not duplicative and are coordinated with other activities to the extent practicable. All NNSA directed reviews will be coordinated and scheduled through the site integrated assessment process except for those that by design must be unannounced. The senior Federal manager will coordinate with external organizations to obtain insight into planned visits as appropriate. This new function will be in place and fully implemented in FY 16.

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