



Department of Energy

IMPLEMENTATION PLAN

NATIONAL
NUCLEAR SECURITY
ADMINISTRATION

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DEPARTMENT OF ENERGY
NATIONAL NUCLEAR SECURITY ADMINISTRATION
IMPLEMENTATION PLAN
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EXECUTIVE SUMMARY

The Department of Energy (DOE) has developed this Implementation Plan with regard to the establishment of the National Nuclear Security Administration (NNSA) on March 1, 2000, as provided by Title 32 of the National Defense Authorization Act for Fiscal Year 2000, Public Law 106-65. After a detailed review of the issues associated with this action, the Department developed a set of Principles for Implementation. They are:

- C Implement the statutory requirements;
- C Accomplish the national security and other missions of the Department;
- C Ensure accountability and responsibility;
- C Preserve the Secretary of Energy's overarching authority to establish policy for the Department;
- C Build upon the management reforms that have proven successful in improving oversight and coordination of field office operations and strengthening project management;
- C Ensure that the national security defense laboratories continue to perform scientific research for non-Defense DOE programs and others;
- C Protect the environment and the health and safety of workers and the public; and,
- C Provide field managers with adequate authority to oversee and manage the operations at their sites.

In order to best meet those principles, the Department will operate with two Under Secretaries - one as the Administrator for the NNSA and the second to oversee the energy, environmental and science programs of the Department. The Under Secretaries will participate in the development of Departmental policy, consistent with the Secretary's overarching policy responsibility, and will have the responsibility to oversee the implementation of policy and meet the performance expectations of the Secretary in their respective areas.

The Implementation Plan anticipates that an individual will be identified and confirmed to serve as the Under Secretary for Nuclear Security prior to March 1, 2000, or soon thereafter. On December 30, 1999, Secretary Richardson named former DOE Deputy Secretary Charles B. Curtis to head a special high-level search committee to find qualified candidates to serve in this position, and asked that the search committee act in an expedited manner in the hope that President Clinton can submit a name to the Senate prior to March 1, 2000. Secretary Richardson moved forward in naming the search committee after Senator Pete Domenici agreed to work to change the NNSA Act to clarify and ensure that the Secretary of Energy has clear lines of authority and responsibility over the NNSA. Specifically, Secretary Richardson has been concerned that the Secretary of Energy is held accountable for the actions of the NNSA without being given the authority to effect change within the NNSA.

The NNSA will be composed of those organizations and sites specified in the Act. These will include the current Offices of Defense Programs, Nonproliferation and National Security, Fissile Materials Disposition, and Naval Reactors. The Albuquerque and Nevada Field Operations Offices, which will report to the Deputy Administrator for Defense Programs as a Lead Program Secretarial Office (LPSO), also will be transferred to the NNSA. There will be no other change to the field structure or the reporting relationships of the field sites. Officers and employees in the organizations that are transferred to the NNSA will become employees of the NNSA, as provided by the statute. Their roles and responsibilities will remain essentially unchanged, focusing on the continuing missions of the programs. The employees of the NNSA field operations offices, with the exception of those that are accountable to non-NNSA program offices, will become employees of the NNSA. The Implementation Plan does not anticipate at this time any immediate downsizing or loss of positions at DOE Headquarters or in the field operations offices as a result of this Plan.

The Implementation Plan also provides for the establishment of support offices within the NNSA. These will include the establishment of a General Counsel of the NNSA, the Office of Defense Nuclear Counterintelligence and the Office of Defense Nuclear Security. The Office of the NNSA Administrator will include staff to provide support to the Administrator with regard to legislative affairs, public affairs, intergovernmental liaison, budget and procurement.

The Department will attempt to implement the NNSA in a way that will allow the NNSA laboratories and facilities to continue to conduct research for the non-NNSA programs of DOE and for others. It is critically important for programmatic and financial reasons that all of the missions of the Department have access to the technical expertise and specialized facilities at all of the laboratories and facilities, regardless of which element of the Department they are assigned to. Nevertheless, there will be challenges, particularly with regard to the development and coordination of general laboratory policies, the functioning of the Department's Research and Development Council, and other cross-cutting activities involving research and development activities across the Department.

The next phase of implementation, which will begin immediately, is to execute the plan provided in this report.

IMPLEMENTATION PLAN

I. INTRODUCTION

This Implementation Plan describes the approach the Department of Energy intends to take to implement Title 32 of the National Defense Authorization Act for Fiscal Year 2000, Public Law 106-65 ("NNSA Act"), which establishes the National Nuclear Security Administration. The Implementation Plan serves as guidance to the Department in proceeding with the implementation process. It also serves to comply with Section 3297 of the Act, which requires that a plan for implementation be provided on January 1, 2000 to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives. The NNSA Act also calls for, under Section 3295, reports on the plan for the NNSA to comply with financial principles and on the plan to comply with the Federal Acquisition Regulation. These Reports are provided as Appendix A and Appendix B, respectively, of this Plan.

The Implementation Plan was developed by a Task Force established by Secretary Bill Richardson on October 6, 1999, the day after President Clinton signed into law the legislation establishing the NNSA. Secretary Richardson formed the Task Force to oversee and coordinate the establishment of the new Administration. The Task Force was directed to examine the range of issues related to establishing the NNSA, including administrative actions, personnel operations, procurement procedures, budgeting issues, procedures at all DOE laboratories and the roles and responsibilities of the DOE field operations offices. The Task Force is chaired by the Deputy Secretary, T. J. Glauthier and the Chief of Staff, Gary Falle. David M. Klaus, Director of the Office of Management and Administration, serves as the Director of the Task Force.

This Implementation Plan is based upon extensive consultation and discussions with the senior management of the Department, both from the Headquarters and the field. The Task Force conducted a review and series of consultations to determine the concerns, issues, obstacles and alternative approaches to managing the new Administration. In many cases, there were follow-up meetings to discuss options for resolving obstacles and to be certain to avoid unintended consequences. The Implementation Plan has been reviewed by the affected Program Secretarial Officers, Staff Offices and by the Office of Management and Budget.

The Task Force is now shifting from the initial phase of issue identification and decision making to implementation of the plan described herein. The Implementation Plan anticipates that the Under Secretary for Nuclear Security, when confirmed, will direct and oversee the implementation of this plan and, consistent with the NNSA Act, determine appropriate staffing and organizational structure.

II. PRINCIPLES OF IMPLEMENTATION

The National Nuclear Security Administration is being established at a time when the Department of Energy is in the midst of major management reforms of its field office operations and is responding to significant challenges with regard to security at the Department's nuclear weapons laboratories and production/test facilities. The Implementation Plan for the NNSA builds upon these initiatives, and aims to provide clear and direct lines of accountability and responsibility for the management and operation of the Nation's nuclear weapons research and production/test facilities, and nuclear nonproliferation activities.

There are several key elements to the management reform of field office operations that was directed by Secretary Richardson on April 21, 1999. First, the Department established a "Lead Program Secretarial Office" (LPSO) management structure, pursuant to which each field operations office reports to a Headquarters program office. The LPSO's were given clear lines of authority to oversee field office operations and are held accountable to implement Department policies at these facilities. Second, the Secretary established the Field Management Council (FMC), led by the Deputy Secretary and Chief Operating Officer of the Department, to coordinate the development and implementation of policies affecting field office operations. Finally, the Operations and Field Managers were made responsible for all site programs and project execution, contract management and facility operations oversight.

On May 11, 1999, Secretary Richardson directed the most far-reaching security reorganization in the Department of Energy's history, to address heightened concerns with regard to the security of the Department's nuclear weapons program. These reforms included the establishment of a new Office of Security and Emergency Operations that reports directly to the Secretary and is responsible for developing and implementing Department-wide safeguards and security policy, computer security, and emergency operations functions. Presidential Decision Directive/NSC-61, issued on February 11, 1998, called for the establishment of a new counterintelligence program for the Department that reports directly to the Secretary. The Office of Counterintelligence became operational in April 1998. In addition, the Secretary created the Office of Independent Oversight and Performance Assurance to provide independent oversight of the effectiveness of safeguards and security, cyber security, and emergency management policy, and to assess the effectiveness of the implementation of these policies by the field.

The security reforms have led to significant progress in addressing security issues throughout the Department. The Office of Security and Emergency Operations has implemented a number of new security policies and, additional actions to improve security at the national weapons laboratories and production/test facilities are at various stages of development and implementation. Since the Office of Counterintelligence was established, numerous counterintelligence measures have been implemented and new counterintelligence personnel designated at critical field operations offices and laboratories across the Department. The Office of Independent Oversight and Performance assurance has conducted numerous independent reviews of field facilities, including all the nuclear weapons laboratories. As a result of these reviews, significant security issues have been identified and security programs have been enhanced.

The management reforms of field operations also have been successful. The FMC has improved the coordination of the Department's policy development process, and the LPSO structure has established clear lines of accountability between Headquarters and the field operations offices. Building upon this progress, the principles of implementation are as follows:

- **Implement the statutory requirements.** The NNSA Act establishes specific requirements regarding the structure, mission, functions and operations of the National Nuclear Security Administration. The Implementation Plan complies with the NNSA Act.
- **Accomplish the national security and other missions of the Department.** The NNSA Act consolidates within the National Nuclear Security Administration the major program offices that perform the national security missions of the Department, and establishes statutory requirements regarding the relationship between these programs and those that are primarily responsible for the science, energy, environmental management and other missions of the Department. The Implementation Plan seeks to establish a structure and procedures that will enable the Department to accomplish all of its critically important missions.
- **Accountability and responsibility.** The NNSA must be accountable to the Secretary of Energy, who in turn is accountable to the Congress and the President. The Implementation Plan seeks to establish such lines of accountability and responsibility by preserving the Secretary's authority to manage and direct the Department. It also is consistent with the direction provided by President Clinton in his signing statement of October 5, 1999.
- **Preserve the Secretary of Energy's overarching authority to establish policy for the Department.** The NNSA Act recognizes the Secretary's responsibility to set policy for the Department, including the NNSA, and provides that the staff of the Department may support the Secretary in the development of such policy. The Implementation Plan seeks to preserve the Secretary's ability to draw upon the expertise and experience that exists throughout the Department in the development of such policies.
- **Build upon the management reforms that have proven successful in improving oversight and coordination of field office operations and strengthening project management.** The Implementation Plan maintains the LPSO management structure established on April 21, 1999, and preserves the Field Management Council's role as a mechanism for Department-wide policy coordination on matters affecting field operations office and contractor operations. The Implementation Plan makes no changes in the reporting relationships of field operations offices to LPSOs in order to preserve and build upon the reforms instituted less than one year ago. It also continues the Project Management Reform Initiative with regard to NNSA construction and other major projects. This initiative has included the establishment of a corporate project management capability in the Office of the Chief Financial Officer and a project management tracking and control system, as well as the re-establishment of the Energy Systems Acquisition Advisory Board.

- **Ensure that the national security defense laboratories continue to perform scientific research for non-defense DOE programs and others.** The national laboratories that, by statute, report to the NNSA all perform significant research for the non-defense DOE programs and for other federal agencies and non-federal organizations. The research facilities at these laboratories are often the best, or only, such facilities in the United States. In some cases, these are the only such facilities in the world. The Implementation Plan is structured to allow the laboratories to continue to perform such research, and to allow non-defense DOE programs and others sufficient control over such externally sponsored research that they will continue to utilize these laboratories for such research. It also provides that the non-NNSA laboratories will continue to conduct research for program offices within the NNSA.
- **Protect the environment and the health and safety of workers and the public.** Substantial DOE expertise on worker health and safety and environmental protection resides in the Office of Environment, Safety and Health, the Office of Environmental Management and in other program and support offices that are not within the NNSA. The Implementation Plan assures that this expertise, and the capability to provide independent oversight and reviews, will still be available with regard to NNSA programs.
- **Provide field managers with adequate authority to oversee and manage the operations at their sites.** The DOE management structure relies upon the field operations offices, and the field managers in particular, to oversee and manage operations at the national laboratories and production/test facilities of the Department. The Implementation Plan assures that field managers have authority commensurate with their responsibility, in some instances by establishing and assigning the field manager to dual positions within the Department.

The Implementation Plan also recognizes that the reorganization of Departmental operations to accommodate the establishment of the NNSA may need to occur in phases. Several factors support a very focused implementation plan at this time. These factors include the short time for implementation by March 1, 2000, the continued emphasis within the Department on achieving full implementation of the management reforms described earlier, and recognition that this Administration will have less than one year remaining in office at the time the NNSA is established. For these reasons, this plan does not radically change the Department's field structure and anticipates that a number of current DOE officers will serve concurrently in NNSA positions. The next Administration will have the opportunity to reexamine these aspects of the Implementation Plan.

III. ESTABLISHMENT OF THE NATIONAL NUCLEAR SECURITY ADMINISTRATION

The Implementation Plan includes changes in the Departmental structure to accommodate the establishment of the National Nuclear Security Administration. The structure provides that the Secretary of Energy will continue to establish policy for the entire Department, including the NNSA. In the development of such policy, the Secretary will have the support of DOE officials and offices throughout the Department.

The Department will operate with two Under Secretaries. (See Attachment 1). The Under Secretaries will participate in the development of Departmental policy, consistent with the Secretary's overarching policy responsibility, and will have the responsibility to oversee the implementation of policy and meet the performance expectations of the Secretary in their respective areas. One Under Secretary will have the responsibilities described in the NNSA Act and serve as Administrator of the National Nuclear Security Administration. The other will have the responsibility for the energy, science and environmental management programs of the Department.

The Implementation Plan anticipates that an individual will be identified and confirmed to serve as the Under Secretary for Nuclear Security prior to March 1, 2000, or soon thereafter. On December 30, 1999, Secretary Richardson named former DOE Deputy Secretary Charles B. Curtis to head a special high-level search committee to find qualified candidates to serve in this position. The other members of the search committee are former DOE Secretary Admiral James D. Watkins, Admiral Henry G. Chiles and Andrew Athy, Chairman of the Secretary of Energy Advisory Board. Secretary Richardson asked that the search committee act in an expedited manner in the hope that President Clinton can submit a name to the Senate prior to March 1, 2000.¹ Secretary Richardson moved forward in naming the search committee after Senator Pete Domenici agreed to work to change the NNSA Act to clarify and ensure that the Secretary of Energy has clear lines of authority and responsibility over the NNSA. Specifically, Secretary Richardson has been concerned that the Secretary of Energy is held accountable for the actions of the NNSA without being given the authority to effect change within the NNSA.

As provided by the statute, the Under Secretary for National Security, who also serves as the NNSA Administrator, will have responsibility for the following missions of the Department:

- 1) To enhance United States national security through the military application of nuclear energy.
- 2) To maintain and enhance the safety, reliability, and performance of the United States nuclear weapons stockpile, including the ability to design, produce, and test, in order to meet national security requirements.
- 3) To provide the United States Navy with safe, militarily effective nuclear propulsion plants and to ensure the safe and reliable operation of the plants.

¹ Secretary Richardson is performing the duties and functions of the Under Secretary for Nuclear Security in this interim period.

- 4) To promote international nuclear safety and nonproliferation.
- 5) To reduce global danger from weapons of mass destruction.
- 6) To support United States leadership in science and technology.²

Section 3204(a) of the NNSA Act provides for the establishment of an Office of Counterintelligence and Office of Intelligence, the Directors of which both report directly to the Secretary of Energy. These offices have been established and are currently operational.

The Implementation Plan does not change the scope of responsibility of the Departmental offices that perform independent oversight and have the Department-wide responsibilities for overall policy in staff areas, such as environmental compliance, worker safety and health, and project management. Independent oversight offices will continue to review all DOE sites and activities and report directly to the Secretary on their findings and recommendations.³ For example, the Assistant Secretary for Environment, Safety and Health, the Office of Independent Oversight and Performance Assurance, the Office of Economic Impact and Diversity, and the Office of Inspector General will continue to perform their current functions with regard to all activities of the Department, including those within the NNSA. In addition, the project management oversight capability in the Office of the Chief Financial Officer, the newly-established project management tracking and control systems, and other elements of the Project Management Initiative will continue to be utilized to strengthen and improve management of NNSA construction and other major projects.

A. Program Offices

The Implementation Plan provides that the NNSA will have three program offices. (See Attachment 2). These program offices will report to the Secretary of Energy and Under Secretary for Nuclear Security, as provided in the NNSA Act.

The National Nuclear Security Administration will include as program offices the following organizations:

- 1) Deputy Administrator for Defense Programs.

The Office of the Assistant Secretary for Defense Programs will be re-designated as the Office of the Deputy Administrator for Defense Programs. Recruitment of an individual to serve as the Deputy Administrator for Defense Programs is in process.

Pending confirmation of a Deputy Administrator, the current Assistant Secretary for Defense Programs or the Acting Assistant Secretary will serve as the Deputy Administrator.

² Section 3211(b).

³ These offices generally do not direct or control the actions of DOE officers and employees, including those within the NNSA. The functions of these offices are not, therefore, affected by restrictions established by sections 3213(a)(2) and 3213(b) of the NNSA Act.

Employees currently funded under the Defense Programs program direction account, in general, will be designated as employees of the Administration. Their roles and responsibilities will remain essentially unchanged, focusing on the continuing missions of the program. The Department also will work with the Department of Defense, and as needed the Congress, to transfer to the NNSA existing military manpower authorizations that support these functions. The Albuquerque Operations Office and the Nevada Operations Office will continue to report to the Deputy Administrator for Defense Programs. The Deputy Administrator will carry out the duties specified in section 3214(b) of the NNSA Act, and will carry out the functions and responsibilities with regard to field organizations that previously have been the responsibility of the Assistant Secretary for Defense Programs pursuant to the Secretary of Energy's restructuring plan of April 21, 1999.

As required by the NNSA Act, the following national laboratories and nuclear weapons facilities will report to the Deputy Administrator for Defense Programs:

- o Los Alamos National Laboratory, Albuquerque, New Mexico;
- o Sandia National Laboratories, Albuquerque, New Mexico and Livermore, California;
- o Lawrence Livermore National Laboratory, Livermore, California;
- o the Kansas City Plant, Kansas City, Missouri;
- o the Pantex Plant, Amarillo, Texas;
- o the Y-12 Plant, Oak Ridge, Tennessee;
- o the tritium operations facilities, Savannah River, South Carolina; and
- o the Nevada Test Site, Nevada.⁴

Pursuant to the Secretary of Energy's restructuring plan of April 21, 1999, these laboratories and production/test facilities will report and be accountable to the Deputy Administrator through the field operations office reporting structure established by that plan. The Deputy Administrator for Defense Programs will continue to serve as the LPSO for the Albuquerque and Nevada Field Operations Offices. The field managers for the Oakland, Oak Ridge and Savannah River Field Operations Offices will be appointed to a new position of Field Manager for NNSA Operations and be accountable to the Deputy Administrator with regard to the NNSA programs at their respective sites. These field managers, who currently report to an LPSO other than the Office of Defense Programs, also will retain their current positions. Other DOE employees at these field operations offices who directly oversee and manage NNSA activities also will be transferred to the NNSA. The specific individuals to be transferred will be determined as this plan is implemented.

2) Deputy Administrator for Defense Nuclear Nonproliferation.

The Office of the Assistant Secretary for Nonproliferation and National Security will be re-designated as the Office of the Deputy Administrator for Defense Nuclear Nonproliferation. The Office of Fissile Materials Disposition will be incorporated within this Office. The Assistant Deputy Administrator for Fissile Materials Disposition also will serve as the Special Secretarial Negotiator for Plutonium Disposition.

⁴ Section 3214(c).

The Implementation Plan provides that, in general, employees currently funded under either the Nonproliferation and National Security or Fissile Materials Disposition program direction accounts will be designated as employees of the Administration. Their roles and responsibilities will remain essentially unchanged, focusing on the continuing missions of the programs. The Deputy Administrator will carry out the duties specified in the section 3215(b) of the NNSA Act. Pending confirmation of a Deputy Administrator, the current Assistant Secretary for Nonproliferation and National Security will serve as the Deputy Administrator.

3) Deputy Administrator for Naval Reactors.

The Office of Naval Reactors, currently within the Office of Nuclear Energy, Science and Technology, will be re-designated as the Office of the Deputy Administrator for Naval Reactors and included within the NNSA. As provided by the NNSA Act, the Deputy Administrator will have direct access to the Secretary and other senior officials in the Department. To preserve the basic structure, policies and practices of the Naval Nuclear Propulsion Program, the Pittsburgh Naval Reactors Office (including the Idaho Branch Office) and the Schenectady Naval Reactors Office (including the West Milton Field office) will report to the Deputy Administrator and be transferred to the NNSA. In addition, the Bettis and Knolls Atomic Power Laboratories and the other field activities of the Office of Naval Reactors will be transferred to the NNSA and report to the Deputy Administrator for Naval Reactors.

The Implementation Plan provides that, in general, employees currently funded under the Naval Reactors program direction account will be designated as employees of the Administration. Their roles and responsibilities will remain essentially unchanged, focusing on the continuing missions of the program. The Department also will work with the Department of Defense, and as needed the Congress, to transfer to the NNSA existing military manpower authorizations that support these functions. In accordance with section 3216 of the NNSA Act, the Director of the Naval Nuclear Propulsion Program currently provided for under Executive Order 12344 shall continue to serve as the Deputy Administrator for Naval Reactors.

B. Support Offices

The Office of the Administrator for Nuclear Security will be established on March 1, 2000, and will have the support offices and functions indicated in the organization chart for the National Nuclear Security Administration. The Under Secretary for Nuclear Security, when confirmed, will oversee the implementation of this plan and may restructure the organizational structure of the NNSA support offices as that individual determines appropriate to best accomplish the missions of the NNSA.

The NNSA Act provides for the establishment of new support offices and positions within the NNSA. The Implementation Plan provides that these offices and positions will be established as of March 1, 2000. It also anticipates that DOE employees will serve concurrently in some of these positions and DOE positions outside of NNSA. It is important to emphasize in this regard that the plan is to fully

establish the positions within the Administration and to appoint individuals to serve in these positions. As such, the Department intends that the structure of the NNSA be fully established and in place as of March 1, 2000, as called for by the NNSA Act.

The Implementation Plan provides that the NNSA will include the following officers and organizations, which will report to the Administrator.

1) Office of the Administrator.

The Office of the Administrator will include staff to support the Administrator with regard to legislative affairs, public affairs, and liaison with other Federal agencies, State, tribal, and local governments, and the public. It is the policy of the Department of Energy that all Congressional and intergovernmental affairs of the Department be coordinated by the Assistant Secretary for Congressional and Intergovernmental Affairs, and that public affairs and press relations be coordinated by the Director of Public Affairs. It is expected that officials and staff of the NNSA will comply with the policies of the Department in these areas.

The Implementation Plan also provides that the Office of the Administrator of the NNSA will include staff to support the following functions:

- C Resource management, to support the Administrator in the areas of budget formulation, guidance, and execution. The accounting functions, including preparation of the Department's Consolidated Financial Report, will remain the responsibility of the Chief Financial Officer of the Department.⁵
- C Procurement management, to support the Administrator in the area of administration of contracts.⁶

2) General Counsel of the Administration.

The Administration will have a General Counsel and Deputy General Counsel within the Office of the Administrator. The Department's General Counsel and Deputy General Counsel will be assigned or appointed to serve in these positions.

⁵ A more detailed discussion of the planning, programming and budgeting processes for the NNSA is included in the report, "Planning, Programming and Budgeting Processes for the National Nuclear Security Administration," which is provided as Appendix A to this Report.

⁶ A more detailed discussion of the plan for procurement by the NNSA is included in the report, "National Nuclear Security Administration Compliance with the Federal Acquisition Regulation," which is provided as Appendix B to this Report.

Legal services for the NNSA also will be provided by the Offices of the Chief Counsel that are located at the Albuquerque and Nevada Operations Offices. These offices, and the staff of these offices, will be transferred to the NNSA. These attorneys will support the General Counsel of the NNSA and their respective Field Managers. Additional legal support may be provided by attorneys in the Headquarters Office of the General Counsel, and in the future some attorneys may be assigned to the Office of General Counsel of the NNSA. Consistent with established Department policy, all attorneys of the NNSA will remain subject to the professional supervision of the Department's General Counsel.

3) Office of Defense Nuclear Counterintelligence.

The position of Chief of Defense Nuclear Counterintelligence will be established within the NNSA and will have the duties specified in the NNSA Act. The Director of the Office of Counterintelligence will serve concurrently in this position and his current position. This will ensure that there is consistent policy implementation in this critical area. In addition, Federal employees performing counterintelligence activities and assigned to NNSA field activities will be designated as NNSA employees. These employees, and the Director, will be accounted for in the Office of Counterintelligence.

4) Office of Defense Nuclear Security.

The position of Chief of Defense Nuclear Security will be established within the Administration. The Director of the Office of Security and Emergency Operations will serve concurrently as Chief of Defense Nuclear Security and in his current position. Additionally, in order to provide seamless responses in emergencies, the position of Director, Office of Emergency Operations for NNSA, will be established within the Office of Defense Nuclear Security. The Director, Office of Emergency Operations, will serve concurrently in this position and his current position. Both the Chief of Defense Nuclear Security and Director of the Office of Emergency Operations for NNSA will be appointed as NNSA employees, but will be accounted for in the Office of Security and Emergency Operations.

The National Emergency Search Team and the Accident Response Group functions will be transferred from the Office of Security and Emergency Operations to the Office of Defense Nuclear Security. The staff and funding for these functions also will be transferred to the NNSA.

The Department's Chief Information Officer (CIO) is also located within the Office of Security and Emergency Operations. The CIO is responsible for information technology policy across the entire complex, including cyber security. As such, the CIO will provide services to the Administrator to ensure proper implementation of these policies within the NNSA. After March 1, 2000, the Secretary, in consultation with the Chief Information Officer and NNSA Administrator, will review the mechanism for providing information technology support to the NNSA and determine the most effective approach for meeting such needs.

5) Personnel and Administrative Services.

Personnel and administrative support to the NNSA Administrator will be provided by the administrative staff of the Office of the Deputy Administrator for Defense Programs, the Office of the Deputy Administrator for Nonproliferation and National Security, and the Office of the Deputy Administrator for Naval Reactors, as well as the Albuquerque and Nevada Operations Offices. These staffs will be transferred to the NNSA. In addition, the Office of Management and Administration will provide, pursuant to a service agreement, administrative and personnel services for Administration personnel at Headquarters facilities.

The Implementation Plan provides that corporate systems will be available to the NNSA, such as the personnel, procurement, financial and accounting, and information technology systems. Similarly, specialized facilities, such as the emergency command center, shall support both the NNSA and non-NNSA elements of the Department.

6) Environment, Safety and Health.

A position will be established within the Administration that will have the authority to shut down NNSA facilities or activities in circumstances where a clear and present safety danger exists. The Assistant Secretary for Environment, Safety and Health has had such authority across the Department since 1986. If necessary, this position also will have the authority and responsibility to enforce section 234A of the Atomic Energy Act of 1954 (the "Price-Anderson Act"), as amended, with regard to activities of the NNSA. The Assistant Secretary for Environment, Safety and Health will be assigned or appointed to serve in this position.

7) Other Support Services.

The NNSA Act specifies that, with regard to the programs and activities of the Administration, the Administrator is responsible for, among other functions, integrated safety management, and strategic planning.⁷ The program offices that are transferred to the NNSA pursuant to this Implementation Plan include offices and staff that currently perform such functions. These offices and staff will continue to perform such functions, and the Administrator will determine whether it is appropriate to add or transfer staff to the Office of the Administrator to oversee these functions.

C. Field Operations Offices

The Albuquerque and Nevada Operations Offices will become part of the NNSA and report to the Deputy Administrator for Defense Programs as an LPSO. Field operations office employees currently funded under the Defense Program program direction account will be designated as employees of the

⁷Section 3212(b)(1), (8) and (9).

Administration. Field operations office staff funded by non-NNSA programs will remain designated to those programs. As employees of the NNSA, the field operations office manager and NNSA personnel in each of these offices will meet the statutory requirements to direct and control NNSA activities at these offices and at national security laboratories and nuclear weapons production/test facilities that report to these offices. The field operations office manager and personnel also will have the authority to direct and control non-NNSA activities and personnel at these sites. The NNSA Act establishes no limits regarding the authority of NNSA officers and employees to direct and control the actions of other DOE officers and employees.

The other field operations offices of the Department will not be transferred to the NNSA. There are, however, a number of NNSA activities that are performed at these offices or managed through these offices. The most significant current examples arise at the Oakland Field Operations Office (the Lawrence Livermore National Laboratory), the Oak Ridge Field Operations Office (the Y-12 complex) and the Savannah River Field Operations Office (the tritium operations). Additional NNSA activities may be performed at these sites in the future, such as the fissile materials management and disposition work that is planned for the Savannah River site. Other current instances where NNSA work is performed at sites not reporting to an element of the NNSA as a LPSO include, among others:

- C NNSA work being performed at the Pacific Northwest National Laboratory;
- C Naval Reactors Program testing conducted at the Advanced Test Reactor in Idaho, which is operated under the cognizance of the Office of Nuclear Energy, Science, and Technology utilizing the INEEL management and operating contractor; and,
- C The procurement support being provided by the Chicago Operations Office to the Fissile Materials Disposition program.

The Implementation Plan provides, in general, that the federal employees at the field operations offices who oversee and have direct responsibility for these NNSA activities, and whose salaries are funded by programs that will become part of the NNSA, will become NNSA employees. The other personnel at these multi-purpose operations offices will not be transferred to the NNSA, and the field operations offices will continue to report to their current LPSO.

The Implementation Plan also provides that a new position of Field Manager for NNSA Operations will be established for those field operations offices where significant NNSA work is performed. This position will be filled by the current field manager, who will serve in a dual capacity. With regard to NNSA activities at, or reporting to, these offices, the field manager will report and be accountable to the NNSA Administrator through the Deputy Administrator for Defense Programs. With regard to overall site management and operations, the field manager will remain subject to the authority, direction and control of the current LPSO. The dual assignment of the field managers is necessary to assure the protection of health and safety at these facilities, and to assure that these field managers continue to

have adequate authority to oversee and manage all of the activity at their facilities. It also is appropriate because all contracting authority under existing contracts rests with the field operations office manager, and for efficiency of contract administration (particularly when a given contractor performs multi-program activities) this authority should remain under a single contracting officer.

IV. NATIONAL NUCLEAR SECURITY ADMINISTRATION FUNCTIONS

The Implementation Plan provides that the NNSA will have responsibility for the national security functions transferred to it by section 3291(a) of the NNSA Act, as well as the administrative functions specified in section 3212(b) of the NNSA Act. These functions will be performed by the program offices and support staff who will be transferred to the NNSA, as described above.

In addition to specifying the functions that will be performed by the NNSA, the Implementation Plan clarifies that certain functions of the Department are not functions of the Administration. The reason for such clarification is that the limitations on the authority of non-NNSA DOE officers and personnel to direct and control the actions of NNSA employees and contractors do not apply with regard to non-NNSA functions.⁸

One type of activity that the Implementation Plan specifies as not being a function of the NNSA involves the situation where research and other non-NNSA work is performed at an NNSA site, usually at a laboratory. Although such work may be performed by the officers and employees of NNSA and its contractors, it is often paid for and performed under the direction of another element of the Department, such as the Office of Science, or it may be “Work-for-Others,” such as other Federal agencies. Because such work is not a function of the NNSA, non-NNSA officers or employees of the Department retain the authority to direct NNSA employees and NNSA contractor employees with regard to the accomplishment of such work.

This policy also applies with regard to environmental management activities, including those performed at the national security laboratories and nuclear weapons production/test facilities. The Implementation Plan specifies that clean-up and environmental management at existing waste sites is not a function of the NNSA. These functions are, and will continue to be, the responsibility of the Office of Environmental Management. The Implementation Plan further specifies that the management of newly generated wastes at NNSA laboratories and facilities is the responsibility of the NNSA, but is not necessarily an NNSA function. The Implementation Plan anticipates that such wastes will be managed by the Office of Environmental Management pursuant to a service agreement or other arrangement.

⁸ Section 3213 of the NNSA Act provides that the officers and employees of the NNSA and its contractors “shall not be responsible to, or subject to the authority, direction, or control of, any other officer, employee, or agent of the Department of Energy” insofar as these officers and employees are “*carrying out any function of the Administration.*” (emphasis added.)

The Implementation Plan also provides that the operation of certain nuclear reactors is not a function of the Administration. For example, the Office of Nuclear Energy, Science and Technology has had the responsibility for the operation of the Advanced Test Reactor located at the Idaho Falls site and will continue to have the responsibility for operating that facility. The operation of this reactor supports, but is not a function, of the NNSA, and will remain the responsibility of the Office of Nuclear Science, Energy and Technology.

V. NEXT STEPS

The Department is now proceeding to establish the program, support and field operations offices of the National Nuclear Security Administration, as described in this Implementation Plan. The following activities will be taken prior to March 1, 2000, the date on which the NNSA is established pursuant to the statute:

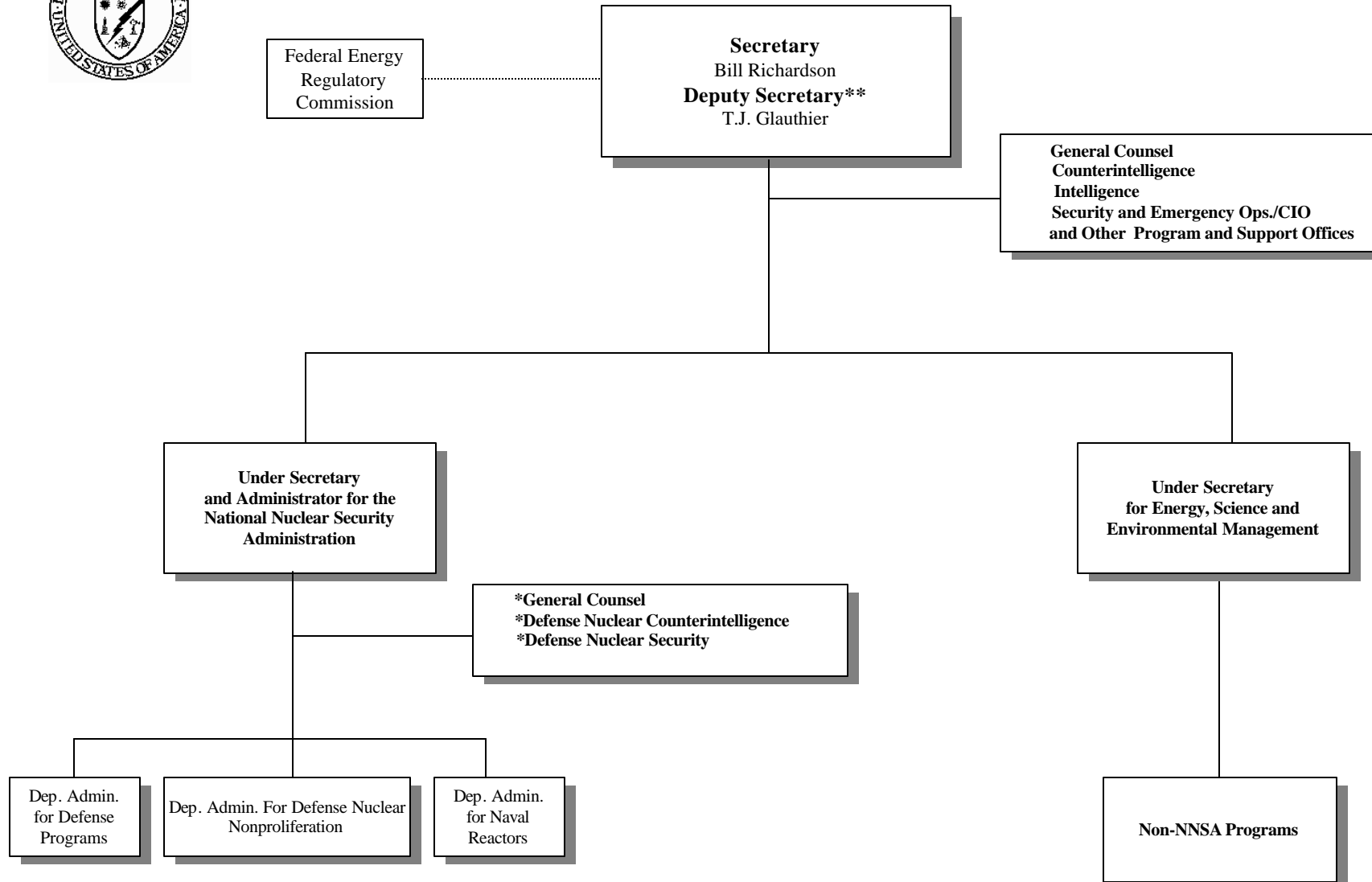
- C Establish the organizational structure for the NNSA, including a staffing plan for the Office of the Administrator. It will be necessary to prepare mission and function statements for the NNSA and its program and support organizations.
- C Identify and designate Federal employees to the NNSA. The determination as to which employees are transferred to the NNSA should be relatively clear for the current employees of the program offices that will be transferred to the NNSA. The determination at field operations offices and in various support offices of the Department will require a more detailed analysis of the work performed by these employees. Pending such analysis, the designation of employees to the NNSA as of March 1, 2000 will be determined on the basis of the program account that is responsible for such employees.
- C Establish new positions and recruit individuals for these positions, or designate officials who will serve in these positions pending the identification of a permanent designation.
- C Incorporate the Office of Fissile Materials Disposition into the Office of Nonproliferation and National Security to create the Office of the Deputy Administrator for Defense Nuclear Nonproliferation, and designate the Director of the Office of Fissile Materials Disposition as the Special Secretarial Negotiator for Plutonium Disposition.
- C Prepare offices for the NNSA Administrator. An office suite located in the Forrestal Office Building has been reserved for the offices of the Under Secretary for Nuclear Security. The Implementation Plan does not provide for any significant relocations of employees within the DOE Headquarters or field operations offices at this time. The program offices of the NNSA will remain in their current locations at Headquarters.
- C Submit FY 2001 budget for the NNSA, which will include only the major programmatic elements due to the current lack of information. Develop budget codes for use in preparing the FY 2002 budget for the Administration, which will reflect a full implementation of the NNSA.

- C Develop policy and implementation guidance with regard to the authority provided by section 3241 of the NNSA Act to establish up to 300 scientific, engineering, and technical positions within the NNSA.
- C Review existing policies, delegations of authority, directives and regulations and update or modify as necessary.

VI. CONCLUSION

The National Nuclear Security Administration will be established on March 1, 2000. The approach being adopted will meet the requirements of the NNSA Act and ensure that the Department will continue to meet its critical national security and other missions for the Nation.

DEPARTMENT OF ENERGY

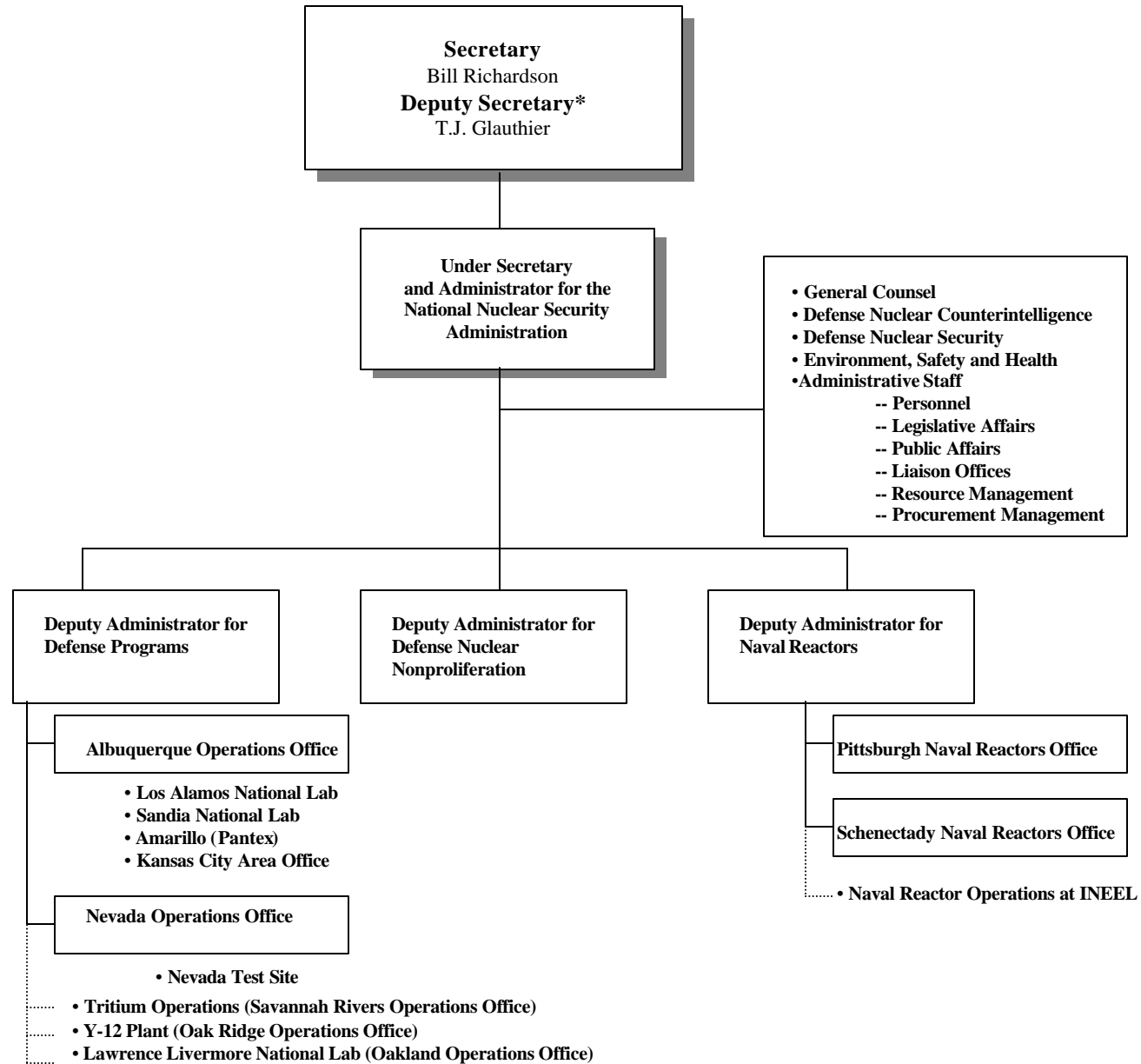


* Established by Law

** The Deputy Secretary also serves as the Chief Operating Officer



NATIONAL NUCLEAR SECURITY ADMINISTRATION



* The Deputy Secretary also serves as the Chief Operating Officer

**PLANNING, PROGRAMMING AND
BUDGETING PROCESSES FOR THE
NATIONAL NUCLEAR SECURITY
ADMINISTRATION**

REPORT TO CONGRESS

JANUARY 1, 2000

U.S. DEPARTMENT OF ENERGY

I. SUMMARY

Introduction

This report has been prepared pursuant to the requirements in sections 3252 and 3295 of Title XXXII, Subtitle D of the Defense Authorization Act for FY 2000 (Public Law 106-65).

Specifically, section 3252 requires that:

“The Administrator [of the National Nuclear Security Administration] shall establish procedures to ensure that the planning, programming, budgeting, and financial activities of the Administration comport with sound financial and fiscal management principles. Those procedures shall, at a minimum, provide for the planning, programming, and budgeting of activities of the Administration using funds that are available for obligation for a limited number of years.”

Under section 3295, the Under Secretary of Energy for Nuclear Security is required to ensure that the compliance with sound financial and fiscal management principles specified in section 3252 is achieved not later than October 1, 2000. In carrying out that provision the Under Secretary of Energy for Nuclear Security is required to conduct a review and develop a plan to bring applicable activities of the Administration into full compliance with those principles not later than such date. Not later than January 1, 2000, the Under Secretary of Energy for Nuclear Security shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report containing the results of that review and a description of that plan. (The text for section 3295 is provided in Annex 1.)

Findings

The National Nuclear Security Administration (NNSA), as part of the Department of Energy (DOE), will employ the financial and fiscal management principles of the DOE, including DOE’s planning, programming, budgeting, and financial management improvement processes. The keystone of DOE’s planning, programming, and budgeting processes is the financial management system. DOE has built a good record of performance in financial management by adopting and implementing sound financial management principles and practices. The Department was one of only two cabinet-level agencies that received an unqualified Inspector General audit opinion on its fiscal year 1997 consolidated financial statements and submitted the statements by the statutory due date. The Department’s fiscal year 1998 consolidated financial statements were also submitted by the statutory due date, and, except for one qualification related to the recorded balance for the Department’s environmental liabilities, the Inspector General concluded the consolidated financial statements fairly presented, in all material respects, the financial position of the Department as of September 30, 1998 and 1997. Thus, by employing the financial and fiscal management principles of the DOE, NNSA compliance with sound financial and fiscal management principles specified in sections 3252 and 3295 of Title XXXII, Subtitle D of the

Defense Authorization Act for FY 2000 (Public Law 106-65) will be ensured, given DOE's past record of performance in financial management and the commitment of the Department to improve financial management.

When a permanent Under Secretary for Nuclear Security is in place, he or she may review the financial management processes of the NNSA and recommend changes, if needed, to best carry out the missions of the NNSA. Under all circumstances, the Department will ensure that all of the planning, programming and budgeting processes retain their soundness and integrity.

II. DEPARTMENT OF ENERGY PLANNING, PROGRAMMING & BUDGETING PROCESSES

To ensure sound financial management, the planning, programming and budgeting processes of the NNSA will be the same as those used by the DOE. These three processes are incorporated in the Department's Strategic Management System, the Department-wide process that:

- aligns strategic and operational planning with strategic intent;
- ensures that this planning drives resource allocations;
- accounts for funding in proven, sound financial systems;
- provides for regular evaluation of results; and
- generates feedback.

The following sections describe the planning, programming and budgeting features of the DOE Strategic Management System.

Planning and Programming

The Department's planning is conducted in three time frames and multiple organizational tiers:

- The strategic timeframe ranges from five to twenty years.
- The multi-year timeframe ranges to five years.
- The annual timeframe has a one-year time horizon.

Planning is structured among the organizational tiers within the Department from corporate, to program office, to contractor. The DOE planning processes are easily adapted to incorporate the NNSA, as they will involve DOE corporate management and provide the Under Secretary for Nuclear Security the necessary framework to permit sound planning for NNSA Program Offices and contractors.

The DOE Strategic Plan documents the ongoing definition and integration of DOE business activities. The Strategic Plan articulates goals and strategies that shape future budgets and guide program execution. The Plan also presents success indicators and metrics to be used for performance measurement and program evaluation. Inputs to the Strategic Plan include strategic planning by DOE Business Lines, Field and Secretarial Officer strategic planning; Administration policies; energy policy plans; findings of committees and task forces; crosscut program plans; and other relevant information. The Department's last Strategic Plan was issued in September 1997. Future DOE Strategic Plans will incorporate the goals and strategies of the NNSA as a separate entity, and as a part of the Department of Energy.

Activities generally recognized as programming, i.e., those that involve translating strategies into programs, are considered planning activities, and are implemented within the Department in the multi-year and annual planning timeframes.

The Secretary's Five-Year Budget Guidance provides funding, staffing levels, and program direction. It also initiates the budget formulation process.

The Annual Performance Plan states the results the Department expects to deliver for the fiscal year budget request and is transmitted with the annual budget to the Congress.

Both the Five-Year Guidance and the Annual Performance plan provide the necessary tools for the NNSA to conduct appropriate planning within the corporate DOE framework, as well as, the unique needs of the NNSA as a separate entity.

Budget Formulation

Budget formulation within the Department defines priorities for spending fiscal resources and utilizing staff. The process is designed to: provide five-year budget and staffing guidance as early as possible; to make major issues and concerns highly visible; to enable the Department's top management to make decisions in an efficient and timely manner; and to deliver a performance-based budget to Congress on schedule. The Department's current processes will permit the NNSA the flexibility to address its own unique mission requirements.

Budget Execution

The strongest aspect of the DOE Strategic Management System is its budget execution and accounting systems. The Department's allotment and funds distribution system is fiscally disciplined, and will provide the NNSA the financial integrity and flexibility that can enable the NNSA to carry out its mission. The DOE accounting system is integrated with the allotment and funds distribution systems, and provides the platform to assure funds are expended for their intended purposes. The DOE accounting and funds distribution systems are subjected to annual audit and testing of internal controls by the Inspector General as part of the audit of the Department's financial statements, and are also evaluated annually in accordance with the requirements of the Federal Managers Financial Integrity Act.

Another key aspect of DOE budget execution is accountability for results. The Secretary of Energy's Performance Agreement with the President and the Secretary's agreement with individual senior managers identify the core set of DOE commitments and measures for the fiscal year. Accountability for results helps assure that performance commitments made in the Department's planning and budget formulation processes are clearly communicated, understood, and agreed to by Program Offices, Field Offices and contractors.

Program Evaluation

Program evaluation includes performance measurement and tracking, analysis, and reporting. Measuring and tracking provides the data for analyses that inform management's current fiscal year decisions as well as future plans and budgets.

Program evaluation also includes systematic analyses to determine the value or worthiness of new programs that are being considered for funding.

Reporting is the documentation and sharing of performance measurement and evaluation information with customers and stakeholders to support decision-making and for improvement. Performance reviews at multiple organizational levels provide feedback to ensure progress and accountability.

III. SCOPE OF NATIONAL NUCLEAR SECURITY ADMINISTRATION PLANNING, PROGRAMMING AND BUDGETING

The NNSA budget will be initially comprised of funds appropriated under the Weapons Activities and Other Defense Activities accounts and distributed to the following DOE program offices:

- Office of Defense Programs,
- Office of Nonproliferation and National Security,
- Office of Fissile Materials Disposition, and
- Office of Naval Reactors.

Each of these Offices currently has its own budget and financial support organizations. These organizations formulate and execute budgets in accordance with the policies and procedures of the Department.

In addition to the existing offices, the Department will establish the Office of the Under Secretary for Nuclear Security within the NNSA once the position is filled. Planning, programming and budgeting for this new organization will be consistent with all other NNSA offices.

The Department's budget formulation processes and budget execution processes are in place for all of the NNSA-designated Program Offices now. Most importantly, these processes are adequately supporting preparation of the FY 2001 budget and execution of the funding provided to those Offices for FY 2000.

ANNEX 1

Text for sections 3252 and 3295 of Title XXXII, Subtitle D of the Defense Authorization Act for FY 2000 (Public Law 106-65) is provided as follows:

SEC. 3252. PLANNING, PROGRAMMING, AND BUDGETING PROCESS.

The Administrator shall establish procedures to ensure that the planning, programming, budgeting, and financial activities of the Administration comport with sound financial and fiscal management principles. Those procedures shall, at a minimum, provide for the planning, programming, and budgeting of activities of the Administration using funds that are available for obligation for a limited number of years.

SEC. 3295 TRANSITION PROVISIONS.

(a) **COMPLIANCE WITH FINANCIAL PRINCIPLES.**---(1) The Under Secretary of Energy for Nuclear Security shall ensure that the compliance with sound financial and fiscal management principles specified in section 3252 is achieved not later than October 1, 2000.

(2) In carrying out paragraph (1), the Under Secretary of Energy for Nuclear Security shall conduct a review and develop a plan to bring applicable activities of the Administration into full compliance with those principles not later than such date.

(3) Not later than January 1, 2000, the Under Secretary of Energy for Nuclear Security shall submit to the Committees on Armed Services of the Senate and the House of Representatives a report containing the results of that review and a description of that plan.

**NATIONAL NUCLEAR SECURITY
ADMINISTRATION
COMPLIANCE WITH THE
FEDERAL ACQUISITION REGULATION
REPORT TO CONGRESS**

JANUARY 1, 2000

U.S. DEPARTMENT OF ENERGY

COMPLIANCE WITH THE FAR

Introduction:

Section 3262 of the National Nuclear Security Administration Act (Title 32, Pub. L. 106-65) (hereinafter, Act) requires the Administrator of the National Nuclear Security Administration (NNSA) to “establish procedures to ensure that the mission and programs of the Administration are executed in full compliance with all applicable provisions of the Federal Acquisition Regulation (FAR) issued pursuant to the Office of the Federal Procurement Policy Act.” Section 3295 of the Act further requires the Under Secretary of Energy for Nuclear Security to ensure such compliance no later than October 1, 2000. Additionally, the section requires the Under Secretary to develop a plan to accomplish this objective and to submit to the Committees on Armed Services of the Senate and the House of Representatives a report containing a description of that plan.

Findings:

The Department of Energy has reviewed the subject statutory requirements and its current practices for procurements related to NNSA mission activities and plans to issue NNSA - specific procedures to ensure compliance with the Act’s requirements contemporaneous with the general effective date of the Act’s provisions on March 1, 2000. The procedures shall be generally consistent with other Department-wide requirements and controls having similar effect, as discussed further herein.

The Federal Acquisition Regulation, issued jointly by the General Services and National Aeronautics and Space Administrations and the Department of Defense, is the primary document of a regulatory system which contains acquisition policies and procedures generally applicable to the Federal executive agencies. The Federal Acquisition Regulations System, which is defined and administered by the FAR, also includes agency regulations which implement or supplement the FAR.

Pursuant to the FAR, agency heads or their designees may issue agency acquisition regulations that implement or (to the extent necessary to satisfy specific needs of the agency) supplement the FAR and incorporate agency policies, procedures, contract clauses, solicitation provisions, and forms that govern the contracting process or otherwise control the relationship between the agency and its contractors or prospective contractors. The FAR provides that agency regulations should not, however, unnecessarily repeat or restate material contained in the FAR or (except as provided by the FAR) conflict with its coverage. The FAR does, however, permit and, indeed, encourages agency deviations from its requirements, unless precluded by law, executive order, or regulation.

The Department of Energy is subject to a statutory requirement contained in Section 302 of Public Law 106-60, the Energy and Water Development Appropriations Act, 2000, which provides that none of the funds appropriated by that legislation “may be used to award, amend, or modify a contract in a manner that deviates from the Federal Acquisition Regulation, unless the Secretary of Energy grants, on

a case-by-case basis, a waiver to allow for such deviations.” The waiver is not delegable, and Congressional notification must be provided of its exercise. Identical legislative language has appeared in each appropriations act for fiscal years 1998 through 2000. The legislative history accompanying this statute notes that in implementing the requirement “the Department is directed to be cognizant of and utilize provisions of the Federal Acquisition Regulation that permit exceptions to the FAR and provisions intended to address the special circumstances entailed by management and operating contracts”. The Department has implemented this statutory requirement in each of the three fiscal years, and has established procedures to ensure compliance with its requirements, including the waiver and notice provisions. As a practical matter, few deviations have been authorized. For example, the Secretary has authorized deviations from the FAR for purposes of conforming the Department’s contracts with statutory requirements of general applicability for which the FAR is out of date.

The Department’s management and operating contracts for its government-owned, contractor-operated facilities, including those to be overseen by the NNSA, are covered by the FAR. Specifically FAR Part 17.6 sets out policies and procedures for agency management and operating contracts. In addition to defining the management and operating contract concept, describing the limitations on the use of this contracting method, and discussing the special circumstances surrounding the award, renewal, and extension of these contracts, this subpart of the FAR envisions the promulgation of agency regulations governing such contracts. DOE, as authorized by the FAR, implements and supplements FAR Part 17.6 in DEAR 917.6 and 970 respectively. These agency regulations were published in a rulemaking at the time the FAR was initially issued in 1984, and were reviewed and approved by the Office of Management and Budget (OMB). Subsequent changes to these regulations have been published for public comment and are subject to a statutorily prescribed procedure which authorizes the Administrator, Office of Federal Procurement Policy, OMB, to deny the issuance of or rescind any agency regulations on the basis that the regulation is inconsistent with FAR. Private parties may use this vehicle to challenge agency regulations. No challenge to any DEAR change has been made on that basis.

Planned Actions :

In order to ensure compliance with the requirements of the NNSA Act the Department intends to issue through the Administrator, NNSA, policy and procedures specific to that organization which will conform its purchasing activities to the requirements of the FAR and the FAR system. Further, that guidance will continue for NNSA application the limitations on deviations imposed by the Energy and Water Development Act and the existing procedures which implement it. Additionally, the Department intends to complete and implement prior to October 1, 2000, a regulatory review initiative which it undertook over a year ago to review and overhaul Departmental policies and procedures applicable to management and operating contracts. The purpose of that review was, among other things, to clearly define the relationship between the FAR and DOE supplementary regulations, to assess the continuing need for FAR supplemental coverage, to eliminate regulatory language that unnecessarily duplicated or paraphrased FAR requirements, and to the extent necessary standardize certain subject matters for which no regulatory guidance existed. A proposed rulemaking to implement this effort is imminent, and it is anticipated that the Administrator will endorse its final changes.