



June 2023

# NATIONAL NUCLEAR SECURITY ADMINISTRATION

## Additional Actions Could Improve Efficiency of Common Financial Reporting

Accessible Version

# GAO Highlights

Highlights of [GAO-23-106069](#), a report to congressional committees

## Why GAO Did This Study

NNSA has long faced challenges identifying the total costs of its programs and comparing costs across its M&O contractors. Congress needs this information to provide oversight and make budgetary decisions. The National Defense Authorization Act for Fiscal Year 2017 required NNSA to implement a common financial reporting system, to the extent practicable.

Two Senate committee reports accompanying National Defense Authorization Act bills include provisions for GAO to review NNSA's progress in implementing common financial reporting. This is GAO's fourth report on this issue. This report examines (1) the steps NNSA's financial integration team has taken to implement common financial reporting since GAO's February 2022 report and (2) the extent to which NNSA's program offices have taken steps to collect and use common financial data.

GAO reviewed NNSA documents about implementing common financial reporting, examined cost data submitted to NNSA, and interviewed NNSA and DOE officials and M&O contractor representatives.

## What GAO Recommends

GAO is making 13 recommendations, including that the relevant Deputy or Associate Administrator of the six NNSA program offices (1) assess the actions they have taken and develop a plan to participate fully in the common financial reporting effort and (2) assess their financial data requests outside of common financial reporting and develop a plan to reduce or eliminate requests. NNSA agreed with the recommendations.

View [GAO-23-106069](#). For more information, contact Allison Bawden at (202) 512-3841 or [bawdena@gao.gov](mailto:bawdena@gao.gov).

June 2023

# NATIONAL NUCLEAR SECURITY ADMINISTRATION

## Additional Actions Could Improve Efficiency of Common Financial Reporting

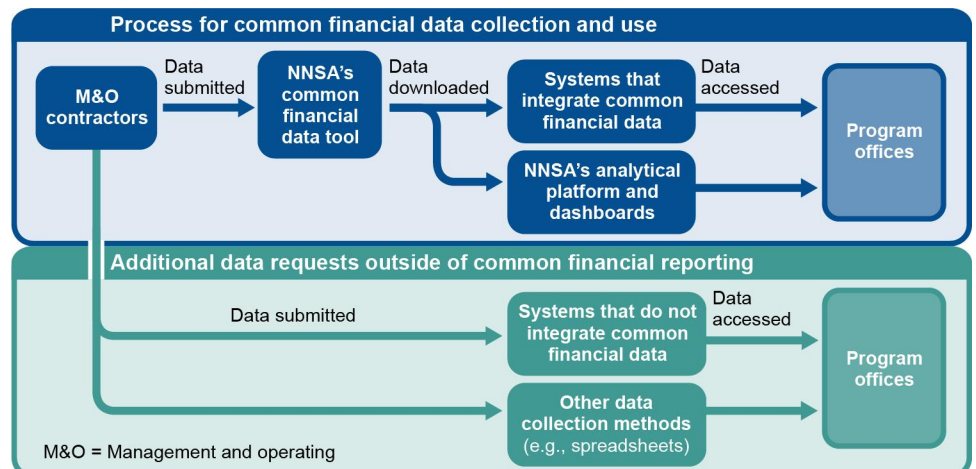
### What GAO Found

The National Nuclear Security Administration (NNSA)—a separately organized agency within the Department of Energy (DOE)—has taken additional steps to implement common financial reporting. However, NNSA's financial integration team continues to face challenges collecting data from the non-NNSA management and operating (M&O) contractors that perform work funded by NNSA but are overseen by other DOE offices. For example, NNSA faces challenges collecting data on indirect costs—such as for administrative and site support—from M&O contractors at sites overseen by DOE's Office of Science. DOE has not implemented GAO's prior recommendation on this issue.

NNSA program offices have taken steps to improve their collection and use of common financial data, but the offices are inconsistent in the extent to which they (1) use common financial data and (2) request additional financial data from M&O contractors. Program offices vary in the extent to which they use common financial data. For example, according to officials, some offices use systems for program management that do not integrate common financial data, and most program offices do not regularly use NNSA's common financial data dashboards. By assessing their actions to collect and use common financial data and developing a plan to fully participate in the effort, program offices could maximize efficiencies from the common financial reporting effort.

According to NNSA officials and contractor representatives, most program offices also continue to collect financial data from M&O contractors through additional requests, without having formally assessed whether common financial data could meet their needs. By assessing their additional data requests and reducing or eliminating them where possible, program offices could decrease duplication of effort and help ensure the accuracy of the agency's financial data.

### NNSA's Data Collection through Common Financial Reporting and Additional Requests



Source: GAO presentation of information from National Nuclear Security Administration (NNSA) documents and interviews. | [GAO-23-106069](#)

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**Text of NNSA's Data Collection through Common Financial Reporting and Additional Requests**

- 1) Process for common financial data collection and use:
  - a) MSO contractors
    - i) Data submitted
    - ii) NNSA's common financial data tool
    - iii) Data downloaded
      - (1) Systems that integrate common financial data
      - (2) Data accessed
      - (3) Program Offices
    - iv) NNSA's analytical platform and dashboards
      - (1) Program offices
- 2) Additional data requests outside of common financial reporting
  - a) data submitted
    - i) Systems that do not integrate common financial data
    - ii) Data accessed
    - iii) Program offices
  - b) data submitted
    - i) Other data collection methods (e.g. spreadsheets)
    - ii) Program offices

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# Contents

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GAO Highlights		ii
	<b>Why GAO Did This Study</b>	ii
	<b>What GAO Recommends</b>	ii
	<b>What GAO Found</b>	ii
Letter		1
	Background	5
	Most Common Financial Reporting Steps Have Been Implemented, but Some Data Collection Challenges Remain	15
	NNSA Program Offices Have Taken Steps to Collect and Use Common Financial Data, but These Efforts are Not Consistent Across Offices	23
	Conclusions	33
	Recommendations for Executive Action	34
	Agency Comments	37
Appendix I: Status of GAO’s Prior Recommendations to the National Nuclear Security Administration on Its Common Financial Reporting Effort		39
Appendix II: Timeline of the National Nuclear Security Administration’s Implementation of Common Financial Reporting		43
Appendix III: Comments from the National Nuclear Security Administration		45
	Text of Appendix III: Comments from the National Nuclear Security Administration	48
Appendix IV: GAO Contact and Staff Acknowledgments		51
	GAO Contact	51
	Staff Acknowledgments	51
Tables		
	Table 1: The National Nuclear Security Administration’s (NNSA) Progress toward Implementing Steps for Common Financial Reporting	15
	Table 2: Status of Recommendations to the National Nuclear Security Administration (NNSA) on Its Common Financial Reporting Effort, as of June 2023	39
	Table 3: Timeline of the National Nuclear Security Administration’s (NNSA) Implementation of Common Financial Reporting	43

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## Figures

NNSA's Data Collection through Common Financial Reporting and Additional Requests	ii
Text of NNSA's Data Collection through Common Financial Reporting and Additional Requests	iii
Figure 1: National Nuclear Security Administration (NNSA) and Non-NNSA Sites Participating in NNSA's Common Financial Reporting Effort	6
Data for Figure 1: National Nuclear Security Administration (NNSA) and Non-NNSA Sites Participating in NNSA's Common Financial Reporting Effort	6
Figure 2: The National Nuclear Security Administration's (NNSA) Common Financial Reporting Data Management Process	9
Text of Figure 2: The National Nuclear Security Administration's (NNSA) Common Financial Reporting Data Management Process	9
Figure 3: Snapshot of the National Nuclear Security Administration's (NNSA) Analytical Platform for Common Financial Reporting	13
Figure 4: Processes for the National Nuclear Security Administration's (NNSA) Financial Data Collection and Use through Common Financial Reporting and Additional Requests	28
Text of Figure 4: Processes for the National Nuclear Security Administration's (NNSA) Financial Data Collection and Use through Common Financial Reporting and Additional Requests	28

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### Abbreviations

B&R	budget and reporting
DOE	Department of Energy
M&O	management and operating
NNSA	National Nuclear Security Administration
STARS	Standard Accounting and Reporting System

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June 20, 2023

Congressional Committees

The National Nuclear Security Administration (NNSA)—a separately organized agency within the Department of Energy (DOE)—is responsible for enhancing national security through the military application of nuclear energy; maintaining and modernizing infrastructure for the U.S. nuclear weapons stockpile; and supporting the nation’s nuclear nonproliferation efforts, among other things. NNSA relies on management and operating (M&O) contracts to carry out its missions at eight government-owned, contractor-operated national laboratories and nuclear weapons production facilities, collectively known as the nuclear security enterprise.<sup>1</sup>

NNSA and Congress have had difficulty understanding the total costs of NNSA’s programs—especially programs for which work is conducted at multiple sites—and comparing costs across its contractors because M&O contractors use different methods of accounting and tracking costs. DOE’s management of contracts and projects, including those executed by NNSA, has been on our list of areas at high risk for fraud, waste, abuse, and mismanagement since 1990.<sup>2</sup> As we have emphasized through that prior work, effective management and oversight of the contracts, projects, and programs that support NNSA’s mission are dependent upon the availability of enterprise-wide cost information that is accurate and reliable. This information is needed to identify costs of activities and to ensure the validity of NNSA’s cost estimates.

The National Defense Authorization Act for Fiscal Year 2017 (the act) required NNSA to implement common financial reporting, to the extent

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<sup>1</sup>50 U.S.C. § 2501(6). M&O contracts are agreements under which the government contracts for the operation, maintenance, or support, on its behalf, of a government-owned or government-controlled research, development, special production, or testing establishment wholly or principally devoted to one or more of the major programs of the contracting agency. 48 C.F.R. § 17.601.

<sup>2</sup>GAO, *High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas*, [GAO-23-106203](#) (Washington, D.C.: Apr. 20, 2023).

practicable, for the nuclear security enterprise by December 23, 2020.<sup>3</sup> According to the act, the common financial reporting system is to include the following:<sup>4</sup>

1. common data reporting requirements for work performed using NNSA funds, including reporting of financial data by standardized labor categories, labor hours, functional elements, and cost elements;
2. a common work breakdown structure;<sup>5</sup> and
3. definitions and methodologies for identifying and reporting costs for programs of record and base capabilities.<sup>6</sup>

NNSA's Office of Management and Budget leads the common financial reporting effort through its financial integration team, headed by the Program Director for Financial Integration. The effort includes the eight NNSA nuclear security enterprise sites managed and operated by seven M&O contractors, as well as the NNSA program offices whose activities are executed by these contractors. The six program offices that participate in common financial reporting are the Offices of Defense Programs, Defense Nuclear Nonproliferation, Emergency Operations, Defense Nuclear Security, Counterterrorism and Counterproliferation, and

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<sup>3</sup>National Defense Authorization Act for Fiscal Year 2017, Pub. L. No. 114-328, § 3113, 130 Stat. 2000, 2757 (2016). We have described NNSA actions and another statutory requirement related to common financial reporting prior to the enactment of this act in our previous reports. For example, see GAO, *National Nuclear Security Administration: Additional Actions Needed to Collect Common Financial Data*, [GAO-19-101](#) (Washington, D.C.: Jan. 31, 2019).

<sup>4</sup>The act also required NNSA to leverage, where appropriate, the Department of Defense Office of Cost Assessment and Program Evaluation, using historical costing data. As we previously found, NNSA's financial integration team consulted with the Office of Cost Assessment and Program Evaluation. NNSA's Program Director for Financial Integration concluded that it would not be appropriate to use the Cost Assessment Data Enterprise because their cost reporting requirements are not directly or sufficiently comparable. See [GAO-19-101](#).

<sup>5</sup>Specifically, the act requires the common financial reporting system to align contractor work breakdown structures with NNSA's budget structure. A work breakdown structure is a method of deconstructing a program's end product into successive levels of detail with smaller specific elements until the work is subdivided to a level suitable for management control.

<sup>6</sup>According to an NNSA official, NNSA establishes its programs of record in its congressional budget justification and other documents to align with agency appropriations, which include weapons activities, defense nuclear nonproliferation, and federal salaries and expenses. A base capability captures an increment of discipline, or skill that serves a variety of functions, depending on the desired product.

Infrastructure.<sup>7</sup> In addition, some DOE sites perform work funded by NNSA and provide data for common financial reporting; we refer to these as “non-NNSA” M&O contractors. DOE’s Offices of Science, Environmental Management, and Nuclear Energy oversee non-NNSA M&O contractors that participate in common financial reporting.

Two Senate committee reports accompanying National Defense Authorization Act bills include provisions for us to review NNSA’s progress in implementing common financial reporting.<sup>8</sup> We have issued three reports on the steps that NNSA has taken to plan for and implement common financial reporting.<sup>9</sup> This report, our fourth review, examines (1) steps that NNSA’s financial integration team has taken to implement common financial reporting since February 2022 and (2) the extent to which NNSA’s program offices have taken steps to collect and use common financial data.<sup>10</sup>

To address both objectives, we reviewed NNSA documents related to the implementation of the common financial reporting effort, including NNSA’s financial integration policy and guidance. We interviewed officials from NNSA’s financial integration team, including the Program Director for Financial Integration, about NNSA’s progress in implementing common financial reporting and any challenges they had encountered. We also conducted semistructured interviews with officials from all six NNSA program offices participating in common financial reporting and obtained information from representatives of all M&O contractors participating in the effort on their perspectives on the implementation of common financial reporting, including any benefits or challenges they have experienced. Specifically, we interviewed officials from 18 M&O contractors, including six NNSA M&O contractors and 12 non-NNSA

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<sup>7</sup>The Office of Naval Reactors is not included in the statutory definition of the nuclear security enterprise; therefore, NNSA is not required to implement common financial reporting for this office.

<sup>8</sup>S. Rep. No. 115-125, at 355 (2017); S. Rep. No. 117-130, at 367 (2022).

<sup>9</sup>[GAO-19-101](#); GAO, *National Nuclear Security Administration: Additional Verification Checks Could Improve the Accuracy and Consistency of Reported Financial Data*, [GAO-20-180](#) (Washington, D.C.: Jan. 16, 2020); and *National Nuclear Security Administration: Actions Needed to Improve Usefulness of Common Financial Data*, [GAO-22-104810](#) (Washington, D.C.: Feb. 17, 2022).

<sup>10</sup>We use the term common financial data to refer to the financial data collected through NNSA’s common financial reporting effort, which include costs and encumbrances—the unpaid balance of an awarded subcontract.



M&O contractors.<sup>11</sup> Throughout this report, we use the term “some” to represent half or less of the program offices or M&O contractors included in our review and “most” to represent more than half of the program offices or M&O contractors included in our review.

We also interviewed officials from DOE’s Offices of Environmental Management, Nuclear Energy, and Science about their perspectives on NNSA’s common financial reporting effort because they oversee non-NNSA M&O contractors that report data to NNSA. Additionally, we interviewed officials from relevant entities, including NNSA’s financial integration team and DOE’s Office of the Chief Financial Officer and Office of Science, about actions they have taken to implement our prior recommendations and reviewed documents related to those actions.<sup>12</sup>

To examine the steps that NNSA’s financial integration team has taken to implement common financial reporting since February 2022, we compared information on NNSA’s progress—gathered through the interviews and document review described above—with the seven steps for common financial reporting that we developed in our January 2019 report.<sup>13</sup> We also reviewed additional documents produced by the financial integration team in implementing common financial reporting, including reports produced using common financial data and documents used to communicate changes to the work breakdown structure to M&O contractors. We also asked Office of Science M&O contractor representatives about their perspectives on reporting indirect costs—those that cannot be assigned to a particular program—for NNSA’s common financial reporting effort and reviewed NNSA fiscal year 2022 data to determine how non-NNSA M&O contractors reported indirect cost data.

To examine the extent to which NNSA’s program offices have taken steps to collect and use common financial data, we reviewed financial integration team and program office documents and interviewed officials from NNSA program offices about the actions they have taken to collect

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<sup>11</sup>There are eight nuclear security enterprise sites managed and operated by seven M&O contractors. Six of these M&O contractors are overseen by NNSA, and one is overseen by DOE’s Office of Environmental Management.

<sup>12</sup>The status of each of the recommendations from our previous three reports on NNSA’s common financial reporting effort is described in app. I.

<sup>13</sup>[GAO-19-101](#).

and use common financial data. We compared the program offices' actions with their responsibilities in NNSA's financial integration policy.<sup>14</sup> We also compared NNSA program offices' actions to collect and use common financial data with a 2016 NNSA financial management plan and *Standards for Internal Control in the Federal Government*.<sup>15</sup> In addition, we asked NNSA and non-NNSA M&O contractor representatives about the extent to which program offices request financial data from them outside of the common financial reporting effort.

We conducted this performance audit from June 2022 to June 2023 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### Sites Participating in NNSA's Common Financial Reporting Effort

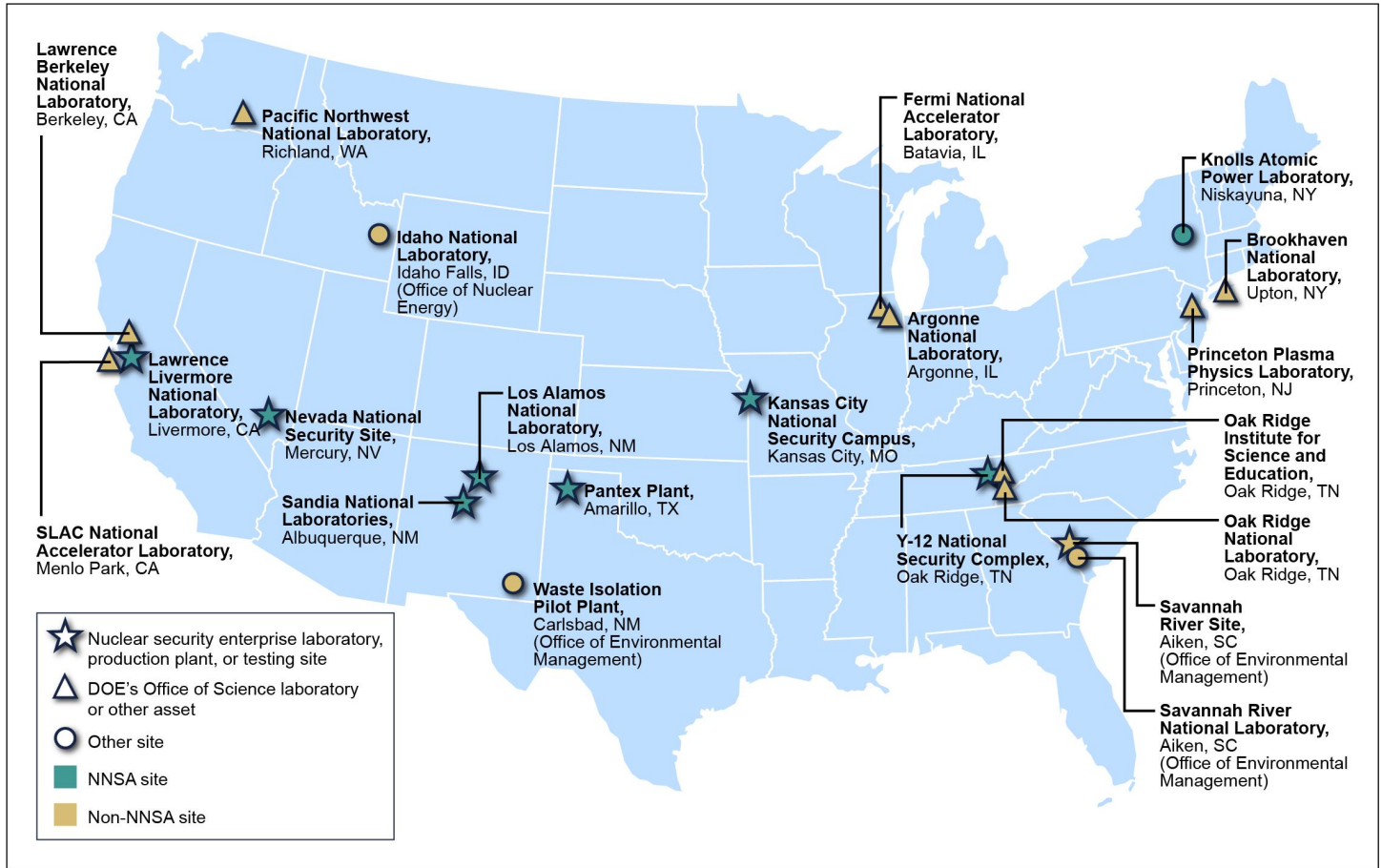
NNSA largely executes its mission at eight sites that comprise the nuclear security enterprise, and the M&O contractors that manage and operate these sites report common financial data to NNSA (see fig. 1). NNSA also collects common financial data from non-NNSA M&O contractors at other DOE sites that perform work funded by NNSA. These non-NNSA M&O contractors are overseen by the Offices of Science, Environmental Management, and Nuclear Energy, as shown in figure 1.

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<sup>14</sup>National Nuclear Security Administration, *Financial Integration*, NAP 412.1 (Washington, D.C.: Feb. 11, 2019).

<sup>15</sup>National Nuclear Security Administration, *Plan for Improvement and Integration of Financial Management of the Nuclear Security Enterprise* (Washington, D.C.: January 2016); and GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

**Figure 1: National Nuclear Security Administration (NNSA) and Non-NNSA Sites Participating in NNSA’s Common Financial Reporting Effort**



Sources: GAO presentation of Department of Energy (DOE) and NNSA information; Map Resources (map). | GAO-23-106069

**Data for Figure 1: National Nuclear Security Administration (NNSA) and Non-NNSA Sites Participating in NNSA’s Common Financial Reporting Effort**

Site name	Location	Legend description
Lawrence Livermore National Laboratory (Livermore, CA)	(Livermore, CA)	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site NNSA site
Nevada National Security Site	(Mercury, NV)	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site NNSA site
Sandia National Laboratories	(Albuquerque, NM, and other locations)	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site NNSA site

**Letter**

<b>Site name</b>	<b>Location</b>	<b>Legend description</b>
Los Alamos National Laboratory	(Los Alamos, NM)	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site NNSA site
Pantex Plant	(Amarillo, TX)	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site NNSA site
Kansas City National Security Campus	(Kansas City, MO)	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site NNSA site
Y-12 National Security Complex	(Oak Ridge, TN)	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site NNSA site
Lawrence Berkeley National Laboratory	Berkeley, California	DOE's Office of Science laboratory or other asset Non-NNSA site
SLAC National Accelerator Laboratory	Menlo Park, California	DOE's Office of Science laboratory or other asset Non-NNSA site
Pacific Northwest National Laboratory	Richland, Washington	DOE's Office of Science laboratory or other asset Non-NNSA site
Fermi National Accelerator Laboratory	Batavia, Illinois	DOE's Office of Science laboratory or other asset Non-NNSA site
Argonne National Laboratory	Argonne, Illinois	DOE's Office of Science laboratory or other asset Non-NNSA site
Oak Ridge Institute for Science and Education	Oak Ridge, Tennessee	DOE's Office of Science laboratory or other asset Non-NNSA site
Oak Ridge National Laboratory	Oak Ridge, Tennessee	DOE's Office of Science laboratory or other asset Non-NNSA site
Princeton Plasma Physics Laboratory	Princeton, New Jersey	DOE's Office of Science laboratory or other asset Non-NNSA site
Brookhaven National Laboratory	Upton, New York	DOE's Office of Science laboratory or other asset Non-NNSA site
Idaho National Laboratory (Office of Nuclear Energy)	Idaho Falls, Idaho	Other site Non-NNSA site
Waste Isolation Pilot Plant (Office of Environmental Management)	Carlsbad, New Mexico	Other site Non-NNSA site

Site name	Location	Legend description
Savannah River National Laboratory (Office of Environmental Management)	Aiken, SC	Other site Non-NNSA site
Savannah River Site (Office of Environmental Management)	Aiken, SC	Nuclear Security Enterprise Laboratories, Production Plants, or Testing Site Non-NNSA site
Knolls Atomic Power Laboratory	Niskayuna, New York	Other site NNSA site

Sources: GAO presentation of Department of Energy (DOE) and NNSA information; Map resources (map). | GAO-23-106069

Note: Two management and operating (M&O) contractors participating in common financial reporting manage more than one site, and these contractors provide common financial data for the contract, not individual sites. One M&O contractor manages both the Y-12 National Security Complex and the Pantex Plant. Another M&O contractor manages the Naval Nuclear Laboratory, which includes Knolls Atomic Power Laboratory, and three other sites not depicted here—Bettis Atomic Power Laboratory, the Kenneth A. Kesselring Site, and the Naval Reactors Facility.

## NNSA’s Approach to Implementing Common Financial Reporting

To implement common financial reporting across programs and sites, NNSA collects M&O contractors’ financial data in a common framework, using an agency-wide data reporting tool called CostEX (see fig. 2). NNSA implemented this process for M&O contractors that are part of the nuclear security enterprise in fiscal year 2018 and for non-NNSA M&O contractors in fiscal year 2021.<sup>16</sup> For additional details on NNSA’s timeline for implementing common financial reporting, see appendix II.

<sup>16</sup>The Office of Defense Programs has collected data from M&O contractors using CostEX since fiscal year 2017. Prior to the implementation of common financial reporting, NNSA’s program offices separately collected cost information from M&O contractors. We have described NNSA’s legacy approach to collecting financial information in our previous reports. For example, see [GAO-22-104810](#).

**Figure 2: The National Nuclear Security Administration’s (NNSA) Common Financial Reporting Data Management Process**

- 1 Preparation**

M&O contractors extract data from their site business systems and prepare their submissions in the format requested by NNSA.
- 2 Submission**

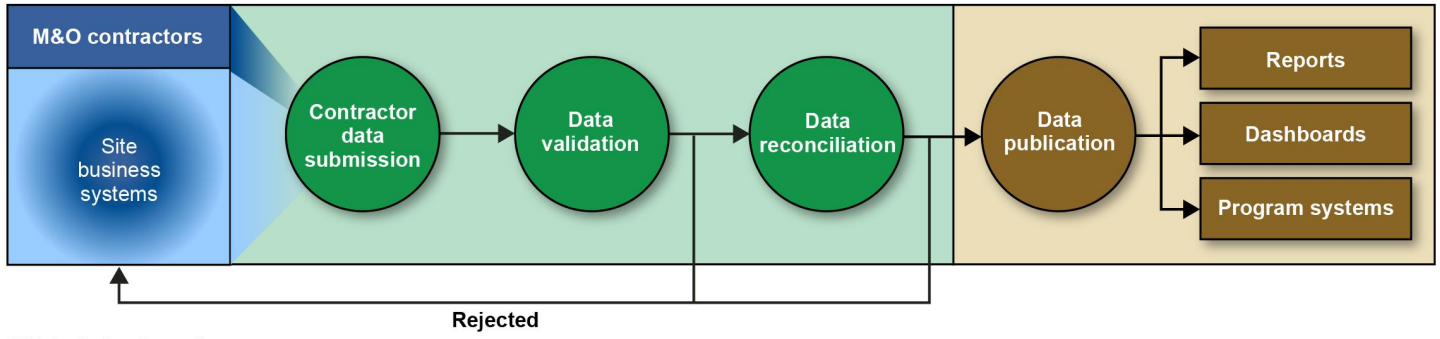
M&O contractors submit the data to NNSA in CostEX. If rejected, M&O contractors correct and resubmit data until they pass validation and reconciliation checks.
- 3 Validation**

NNSA validates the data using CostEX to ensure they are in the requested format. CostEX rejects the data if not provided in the correct format.
- 4 Reconciliation**

NNSA reconciles the data with STARS using CostEX to ensure the total amount and the B&R codes match. CostEX rejects the data if they do not reconcile with STARS.
- 5 Publication**

Data are stored in DOE’s integrated data warehouse and published through NNSA’s analytical platform for common financial reporting.
- 6 Use**

NNSA produces agency-wide reports, and program offices may use data through dashboards or other systems that integrate common financial data.



B&R: budget and reporting  
 DOE: Department of Energy  
 M&O: management and operating  
 STARS: Standard Accounting and Reporting System

Source: GAO presentation of information from NNSA documents and interviews. | GAO-23-106069

**Text of Figure 2: The National Nuclear Security Administration’s (NNSA) Common Financial Reporting Data Management Process**

1. Preparation  
M&O contractors extract data from their site business systems and prepare their submissions in the format requested by NNSA.
2. Submission  
M&O contractors submit the data to NNSA in CostEX. If rejected, M&O contractors correct and resubmit data until they pass validation and reconciliation checks.
3. Validation  
NNSA validates the data using CostEX to ensure they are in the requested format. CostEX rejects the data if not provided in the correct format.
4. Reconciliation  
NNSA reconciles the data with STARS using CostEX to ensure the total amount and the B&R codes match. CostEX rejects the data if they do not reconcile with STARS.

5. Publication

Data are stored in DOE's integrated data warehouse and published through NNSA's analytical platform for common financial reporting.

6. Use

NNSA produces agency-wide reports, and program offices may use data through dashboards or other systems that integrate common financial data.

**Abbreviations:**

- B&R: budget and reporting
- DOE: Department of Energy
- M&O: management and operating
- STARS: Standard Accounting and Reporting System

Source: GAO presentation of information from NNSA documents and interviews. | GAO-23-106069

Notes: NNSA collects data for the common financial reporting effort using a data and analysis tool known as CostEX. NNSA establishes B&R codes that correlate with activities and are used for reporting obligations, costs, and revenues; formulating budgets; and controlling and measuring actual (rather than budgeted) performance. DOE and NNSA use STARS for budget execution, financial accounting, and financial reporting capabilities.

The framework that NNSA established for common financial reporting relies on an agreed-upon work breakdown structure and common cost elements and definitions. A work breakdown structure is typically a project management tool used to define a project's scope of work in terms of deliverables and to deconstruct a program's end product into successive levels of detail with smaller specific elements until the work is subdivided to a level suitable for management control.<sup>17</sup> NNSA developed its work breakdown structure with components—or segments—for separate programs and projects that are aligned with NNSA's budget structure.

M&O contractors prepare their data for submission to NNSA by crosswalking financial data from their sites' business systems into NNSA's work breakdown structure, using common cost elements and definitions. The M&O contractors' business systems capture their financial data at a more detailed level than is needed for common financial reporting because each M&O contractor tracks financial data for

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<sup>17</sup>Project Management Institute, Inc. *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)*, Seventh Edition, 2021. *PMBOK* is a trademark of Project Management Institute, Inc. The Project Management Institute is a not-for-profit association that, among other things, provides standards for managing various aspects of projects, programs, and portfolios.

its site based on how it manages the work, using projects, tasks, and expenditure types, as allowed by federal Cost Accounting Standards.<sup>18</sup> When the M&O contractors prepare their data for common financial reporting, site managers identify the segments of the applicable work breakdown structure with which the project aligns. They crosswalk the financial data to the NNSA structure, using professional judgment.

M&O contractors also crosswalk their financial data to NNSA's cost elements. Cost elements capture discrete costs of a particular activity of work and include direct costs, such as labor and equipment, and indirect costs, such as general and administrative costs.<sup>19</sup> M&O contractors manage their sites' financial data, using expenditure types to track the costs of their projects. These expenditure types capture similar costs as the cost elements, but at a more detailed level, and are specific to each individual M&O contractor based on how the contractor manages its expenses. M&O contractors have flexibility to determine how they structure their work and the expenditures they track in their financial systems consistent with Cost Accounting Standards.

NNSA uses CostEX, its agency-wide data reporting and analysis tool, to collect common financial data from contractors. M&O contractors submit data each month as an electronic file. These data include costs and encumbrances—the unpaid balance of an awarded subcontract. The data submitted to CostEX are in addition to the cost information that M&O contractors report into the Standard Accounting and Reporting System (STARS)—DOE's and NNSA's financial management and accounting system. Financial data collected through STARS represent DOE's official financial data, reported against NNSA's budget and accounting

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<sup>18</sup>Federal Cost Accounting Standards govern how M&O contractors structure and account for their costs. The Cost Accounting Standards are a set of 19 standards promulgated by the U.S. Cost Accounting Standards Board, an independent and statutorily established board that is administratively part of the Office of Management and Budget's Office of Federal Procurement Policy. See 41 U.S.C. § 1501. For current applicability, see 48 C.F.R. pt. 9904.

<sup>19</sup>Direct costs are assigned to the benefitting program or programs. Indirect costs—costs that cannot be assigned to a particular program, such as costs for administrative and site support—are to be accumulated, or grouped, into indirect cost pools. The contractor is to estimate the amount of indirect costs to distribute to each program and make adjustments by the end of the fiscal year to reflect actual costs. The final program cost is the sum of the total direct costs plus the indirect costs distributed to the program.



structure.<sup>20</sup> However, as we have previously found, STARS data are not detailed and may not satisfy the information needs of NNSA's program offices.<sup>21</sup> For example, STARS financial data do not differentiate labor costs from other programmatic costs, nor do they provide detailed information about the costs of activities that contribute to program costs for the M&O contractors.

After the M&O contractors submit their financial data in CostEX, NNSA performs data quality and accuracy checks of the M&O contractors' data, referred to as "data validation" and "data reconciliation." NNSA first performs data validation using CostEX, which automatically checks each row for data quality—such as confirming that the correct contractor is entering data for the site—and formatting based on 64 validation checks. CostEX identifies data that do not pass the validation check as errors and rejects them, and the M&O contractor corrects and resubmits the data until they pass the validation check. NNSA then uses CostEX to perform data reconciliation with STARS data at the budget and reporting (B&R) code level. CostEX extracts STARS data for selected NNSA-related B&R codes and compares them with the data that the M&O contractors submitted for common financial reporting. CostEX identifies data that differ from the STARS data by more than one cent as an error and rejects the data; the M&O contractor corrects and resubmits the data until they pass the reconciliation check. NNSA then stores the reported financial data in the DOE Office of the Chief Financial Officer's integrated data warehouse.

NNSA publishes data through an analytical platform for common financial reporting. Using this platform, NNSA offices can access data through "dashboards," which are used to view multiple aspects of a program's costs and can be customized to meet each office's needs. For example, the platform can provide dashboards to track obligations and a variety of cost data and to view detailed costs associated with the work breakdown structure for a program. According to financial integration team officials, the dashboards also display information on uncosted balances—budget authority obligated but not costed, representing a portion of contract obligations for goods and services that have not yet been received—and

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<sup>20</sup>DOE and NNSA refer to their overall budget and accounting structure as budget and reporting (B&R) codes. NNSA establishes B&R codes that correlate with activities and that are used for reporting obligations, costs, and revenues; formulating budgets; and controlling and measuring actual (rather than budgeted) performance.

<sup>21</sup>[GAO-19-101](#).

spend rates for an office’s programs.<sup>22</sup> This information can be used to compare programs and sites and to monitor programs’ financial performance. The financial integration team also uses the analytical platform to produce reports summarizing agency-wide financial data. See figure 3 for sample dashboards.

**Figure 3: Snapshot of the National Nuclear Security Administration’s (NNSA) Analytical Platform for Common Financial Reporting**



Source: GAO analysis of NNSA dashboards. | GAO-23-106069

In addition, NNSA has integrated common financial data into some of the existing systems that program offices use for program management, such

<sup>22</sup>An obligation is considered “costed” after the invoice for work has been received, the work has been completed to government satisfaction, or the invoice is approved for payment.

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as G2 and WebPMIS.<sup>23</sup> These tools track relevant nonfinancial information, such as facilities information, in addition to financial data. In fiscal year 2020, NNSA started integrating common financial data into these program management systems to ensure that the programs using them are using consistent financial data that have been reconciled with STARS.

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## Roles and Responsibilities for Common Financial Reporting

Both the financial integration team and NNSA program offices play important roles related to data collection for common financial reporting, including the development and management of the work breakdown structure. For example, the financial integration team developed the initial common work breakdown structure. The financial integration team also makes updates to the work breakdown structure in CostEX, documents and tracks these changes, and communicates the changes to the M&O contractors. NNSA program offices are responsible for establishing a work breakdown structure for their program activities, consistent with the agency-wide common structure, and managing changes to the structure over time. Specifically, NNSA program offices have the ability to customize the relevant segments of the common work breakdown structure to reflect how they manage their work.

Both the financial integration team and NNSA program offices also have roles related to common financial data use. The financial integration team manages NNSA's analytical platform for common financial reporting, including providing training to users and developing dashboards for NNSA's offices to view the data. NNSA program offices may use common financial data through the dashboards and can provide feedback to the financial integration team on the most useful content for those dashboards. Program offices may also work with the financial integration team to integrate common financial data into the systems that they use for program management.

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<sup>23</sup>In 2007, officials from the Office of Defense Nuclear Nonproliferation custom-developed the G2 program management system, designed to integrate and manage financial and program management data, such as scope and schedule, budget, cost, and geospatial (e.g., maps, diagrams, photos, inventory, and condition) data. This system was refined to meet the needs of the Office of Defense Nuclear Nonproliferation and was later adopted by other NNSA program offices. WebPMIS is designed to track project costs and maintain an archive of project-related documentation.

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## Most Common Financial Reporting Steps Have Been Implemented, but Some Data Collection Challenges Remain

NNSA’s financial integration team has implemented most of the steps for common financial reporting that we identified in our January 2019 report, having fully implemented four of the seven steps. Since February 2022, NNSA has made further progress toward implementing one of the incomplete steps—publish and analyze data. However, NNSA continues to face challenges related to one other incomplete step—collect financial data from contractors—because not all M&O contractors that perform activities for NNSA have reported standardized data.

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### NNSA’s Financial Integration Team Continued to Make Progress in Implementing Common Financial Reporting but Has Not Yet Made the Data Collected Available to M&O Contractors

NNSA’s financial integration team has implemented most of the steps for common financial reporting that we identified in our January 2019 report.<sup>24</sup> Specifically, NNSA has fully implemented four steps and made progress on three steps, as shown in table 1.<sup>25</sup> We previously made recommendations related to the three incomplete steps.<sup>26</sup>

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**Table 1: The National Nuclear Security Administration’s (NNSA) Progress toward Implementing Steps for Common Financial Reporting**

Steps	Progress as of June 2023
Identify an approach and develop a tool to implement common financial reporting	Completed
Develop a policy	Completed

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<sup>24</sup>[GAO-19-101](#).

<sup>25</sup>We describe progress and challenges related to two of the three incomplete steps below. NNSA has not made additional progress in implementing the third incomplete step since February 2022—identify and report costs for programs of record and base capabilities. We described actions that NNSA has taken previously toward this step in our February 2022 report. See [GAO-22-104810](#).

<sup>26</sup>See app. I for more information on the recommendations from our previous three reports on NNSA’s common financial reporting effort.

Steps	Progress as of June 2023
Establish common cost elements and definitions	Completed
Identify and report costs for programs of record and base capabilities	Identified programs and multiple sets of capabilities, but NNSA does not collect costs for these capabilities
Implement a common work breakdown structure	Completed
Collect financial data from contractors	Collected data, but not all contractors submitted standardized data
Publish and analyze data	Analyzed data and continuing to improve reporting, but data are not yet available to M&O contractors

Source: GAO analysis of NNSA information. | GAO-23-106069

Since February 2022, NNSA has made additional progress toward implementing one of the three incomplete steps for achieving common financial reporting—publish and analyze data—but has not yet fully implemented it. Starting in fiscal year 2018, NNSA has published M&O contractors’ financial data through an analytical platform, which NNSA offices can use to view or download common financial data. In addition, according to financial integration team officials, they use this analytical platform to create routine financial data reports for NNSA leadership, using common financial data.

However, NNSA has not made common financial data available to M&O contractors directly. Representatives we interviewed from some M&O contractors said that having access to their own data after they are submitted would be beneficial. For example, representatives from three M&O contractors said that access to these data would allow them to respond more easily to questions from NNSA program offices. Representatives from another M&O contractor said that it would be useful to be able to see its total reported costs for the fiscal year.

We found in February 2022 that M&O contractors did not yet have access to NNSA’s dashboard platform, but the agency was planning to give them access. According to financial integration team officials, NNSA was working through technological challenges to grant access to its dashboard platform to both NNSA and non-NNSA M&O contractors. NNSA officials anticipate that access should be available in 2023 and will include security features to ensure that M&O contractors’ proprietary information is not available to other contractors

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## Most Office of Science M&O Contractors Continued to Report Indirect Cost Data That Do Not Align with NNSA's Standardized Cost Elements

Related to the sixth step for implementing common financial reporting—collect financial data from contractors—NNSA has continued to collect common financial data, but most of the Office of Science M&O contractors have not reported indirect cost data using the standardized indirect cost elements that NNSA established.<sup>27</sup> The National Defense Authorization Act for Fiscal Year 2017 required NNSA to implement a common financial reporting system that includes, among other things, standardized labor categories, labor hours, functional elements, and cost elements.<sup>28</sup> As part of its efforts to fulfill these requirements, NNSA established seven standardized cost elements for M&O contractors to report their indirect costs, in addition to the cost elements for reporting direct costs.<sup>29</sup> Two NNSA program offices included reporting requirements related to the indirect cost elements used for common financial reporting in fiscal year 2023 work authorizations or implementation plans for their M&O contractors, including Office of Science M&O contractors.<sup>30</sup>

We determined based on NNSA's data for fiscal year 2022 that five of the nine Office of Science M&O contractors reported all of their indirect costs

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<sup>27</sup>All seven M&O contractors for sites in the nuclear security enterprise, as well as non-NNSA M&O contractors at Office of Environmental Management and Office of Nuclear Energy sites, reported using NNSA's indirect cost elements in fiscal year 2022, according to NNSA data. One NNSA M&O contractor for a site that is not part of the nuclear security enterprise—the Naval Nuclear Laboratory—did not report data using NNSA's indirect cost elements in fiscal year 2022 because it did not incur any indirect costs for the work performed for NNSA during that time.

<sup>28</sup>Pub. L. No. 114-328, § 3113(b)(1), 130 Stat. 2000, 2757 (2016).

<sup>29</sup>NNSA's seven indirect cost elements are (1) site support; (2) program office support; (3) general and administrative; (4) New Mexico gross receipts tax; (5) fee; (6) laboratory directed research and development, program directed research and development, and site directed research and development; and (7) other.

<sup>30</sup>NNSA uses work authorizations and their associated implementation plans to direct the work of M&O contractors. Work authorizations are generally short documents that contain budgetary information for the work being authorized, while implementation plans are longer, more detailed documents that contain information about the work to be completed and how that work will be evaluated. By policy, work authorizations must be in place by the start of each fiscal year.

as “other” indirect costs. These contractors did not use any of the other indirect cost elements that NNSA has defined, despite incurring costs for purposes included in the definitions of those unused elements. In February 2022, we found that the Office of Science had decided that its sites should not provide data for the additional indirect cost elements to NNSA; that decision has not changed, according to Office of Science officials we interviewed for our current review.<sup>31</sup> In addition, Office of Science officials told us that they were hesitant to adopt the reporting method used by another part of DOE without having a consistent policy in place department-wide.<sup>32</sup>

NNSA program offices vary in the extent to which they rely on work performed by non-NNSA contractors and, therefore, the reporting of indirect costs by these contractors affects certain program offices more than others. For example, we found in February 2022 that in fiscal year 2021, the Office of Defense Nuclear Nonproliferation obligated about 40 percent of its total obligations to non-NNSA M&O contractors, and 65 percent of this amount was obligated to Office of Science contractors. In contrast, during the same fiscal year, the Office of Defense Programs obligated about 1 percent of its total obligations to non-NNSA M&O contractors.<sup>33</sup> According to officials from one NNSA program office that funds work by Office of Science M&O contractors, the inconsistent reporting of indirect costs limits the office’s ability to use cost data for decision-making and to inform Congress about its activities. According to these officials, the program office would like to use more detailed data on indirect costs across the program but cannot because the office does not receive consistent data from all Office of Science M&O contractors.

Office of Science M&O contractor representatives’ perspectives varied with respect to their ability to report the indirect cost elements used for

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<sup>31</sup>In February 2022, we found that Office of Science officials believed that the indirect cost elements reported to NNSA were not comparable across Office of Science sites or useful to the Office of Science for managing its programs. See [GAO-22-104810](#). However, NNSA is required by statute to implement common data reporting requirements for work performed using NNSA funds regardless of whether the data are useful to the Office of Science.

<sup>32</sup>In February 2022, we found that DOE was considering the benefits of implementing a common financial reporting process as part of a longer-term effort to achieve an integrated approach to financial management across the agency through a common financial system. See [GAO-22-104810](#). Officials that we interviewed from DOE’s Office of the Chief Financial Officer for our current review said that they are still considering implementing common financial reporting across the department.

<sup>33</sup>[GAO-22-104810](#).

common financial reporting, with several representatives identifying challenges to reporting these data. Representatives from three Office of Science M&O contractors told us that they could not readily crosswalk their indirect cost data to NNSA's indirect cost elements or that doing so would result in inaccurate data. For example, representatives from one Office of Science M&O contractor said that they have not structured their internal financial systems to capture data in the categories that NNSA requires, and they do not track indirect costs at the level of detail required to report costs in those categories. Contractor representatives from that site said that to report data using NNSA's indirect cost elements, the laboratory would need to significantly change its internal financial system or develop a new system for tracking its costs. In addition, representatives from two other Office of Science M&O contractors said that the definitions that NNSA has established for its indirect cost elements differ significantly from the definitions that they use for similar categories. According to representatives from these M&O contractors, crosswalking their data to NNSA's indirect cost elements would require significant effort and could potentially result in inaccuracies. Representatives from a fourth M&O contractor said that its current system could support the reporting of additional cost elements but that mapping their indirect costs to NNSA's cost elements would take significant effort.

Conversely, some Office of Science M&O contractors currently report data using NNSA's indirect cost elements. Specifically, four Office of Science M&O contractors reported indirect costs in fiscal year 2022 using more than one of the indirect cost elements, according to NNSA data. Three of these four reported using all of the standardized cost elements that apply to their sites, and representatives from these contractors told us that their sites do not face challenges in providing data using NNSA's indirect cost elements for common financial reporting.<sup>34</sup>

We recommended in February 2022 that DOE's Chief Financial Officer facilitate NNSA and the Office of Science—and other stakeholders, as appropriate—in coming to an agreement on the indirect cost elements that the Office of Science should report to achieve NNSA's common cost reporting objectives.<sup>35</sup> In addition, the James M. Inhofe National Defense

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<sup>34</sup>The fourth site reported data using two indirect cost elements in fiscal year 2022 but also incurred costs for purposes included in the definitions of some of the unused elements.

<sup>35</sup>[GAO-22-104810](#).



Authorization Act for Fiscal Year 2023 requires DOE's Deputy Chief Financial Officer, in consultation with the Administrator for Nuclear Security and the Director of the Office of Science, to determine which standardized indirect cost elements should be reported by contractors to NNSA by March 31, 2025.<sup>36</sup>

The entities involved have not reached agreement on the indirect cost elements that Office of Science M&O contractors will use when reporting financial data for NNSA-funded work. According to officials from DOE's Office of the Chief Financial Officer, they met with officials from NNSA's financial integration team and the Office of Science between February 2022 and January 2023 to discuss this issue. Officials from DOE's Office of the Chief Financial Officer said that NNSA and the Office of Science have different perspectives on indirect cost reporting, which has made it difficult to come to a resolution. According to DOE officials, DOE plans to complete actions to address this recommendation by September 30, 2023.

The Office of Science has proposed alternative indirect cost elements to DOE and NNSA, but officials from the financial integration team described challenges associated with the proposed elements. For example, according to financial integration team officials, the indirect cost elements proposed by the Office of Science would result in overlap between direct and indirect costs, which must be allocated separately. In addition, NNSA has collected 5 years of data using the current indirect cost elements. According to the Program Director for Financial Integration, they would have to implement any change to the indirect cost elements across all M&O contractors, and some M&O contractors may be resistant to implementing new cost elements.

We continue to believe that DOE should address our prior recommendation to help ensure the success of the common financial reporting effort. We found in February 2022 that NNSA cannot fully achieve its stated mission for common financial integration—which includes collecting standardized financial management data and increasing reporting consistency—because NNSA and the Office of Science have not reached agreement on the standardized indirect cost elements.<sup>37</sup> By facilitating an agreement on the standardized cost elements that non-NNSA M&O contractors are to report, as we

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<sup>36</sup>Pub. L. No. 117-263, § 3123, 136 Stat. 2395, 3057 (2022).

<sup>37</sup>[GAO-22-104810](#).

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recommended, DOE would help to ensure that NNSA can collect standardized data from all M&O contractors to which it obligates funds.

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### NNSA's Financial Integration Team Has Not Yet Verified That Non-NNSA M&O Contractors Use the Work Breakdown Structure Consistently and Correctly to Report Financial Data

Also related to the sixth step for implementing common financial reporting—collect financial data from contractors—NNSA faces challenges in ensuring that non-NNSA M&O contractors are consistently and correctly using NNSA's work breakdown structure to report direct costs. NNSA's approach to implementing common financial reporting relies on M&O contractors to crosswalk their internal financial data into a common reporting framework, using a work breakdown structure and common cost elements and definitions.

We found in January 2020 that NNSA faced challenges related to M&O contractors' crosswalking of financial data.<sup>38</sup> We recommended that the Program Director for Financial Integration develop and implement an internal process for NNSA to verify how the M&O contractors crosswalk financial data from their systems to the appropriate NNSA work breakdown structure to ensure that the reported data are accurate and consistent. NNSA has partially implemented this recommendation by completing such a review for NNSA M&O contractors, but it has not yet documented its process for recurring reviews in its policy.<sup>39</sup>

For this review, we found that NNSA has not performed a review of how non-NNSA M&O contractors crosswalk financial data from their systems to the appropriate NNSA work breakdown structure. As a result, NNSA faces challenges in ensuring that non-NNSA M&O contractors are correctly (1) crosswalking their financial data into the work breakdown structure and (2) incorporating changes to the work breakdown structure.

First, representatives from two non-NNSA M&O contractors we interviewed expressed concerns about whether they had accurately

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<sup>38</sup>[GAO-20-180](#).

<sup>39</sup>Recurring reviews are important to conduct because work breakdown structures change over time, allowing for misalignment between the work breakdown structure and the crosswalk.

crosswalked their financial data to NNSA's work breakdown structure. For example, representatives from one non-NNSA M&O contractor said that staff used their best judgment, based on the definitions NNSA provided, to map their internal financial data to NNSA's common financial reporting structure. However, according to those contractor representatives, some categories that the M&O contractor uses do not map well to NNSA's work breakdown structure. A representative from another non-NNSA M&O contractor said that it would be helpful for NNSA to review the data they submit to make sure that costs are associated with the correct segment of the work breakdown structure.

Second, representatives from some non-NNSA M&O contractors expressed concerns that they may not understand monthly changes to the work breakdown structure. The financial integration team sends a consolidated document that includes all changes to the work breakdown structure to all M&O contractors each month. However, representatives from three non-NNSA M&O contractors said that they struggle to understand how the updates apply to their sites because of the large volume of information they receive on the changes to the work breakdown structure. According to a representative from one non-NNSA M&O contractor, understanding which segments apply to their work is challenging for staff, and they often need help interpreting the changes to the work breakdown structure. According to the same representative, in other cases, rather than asking for help or trying to decipher the changes, staff at that site try to upload data to CostEX multiple times until the system accepts the data. This approach may result in M&O contractors submitting incorrect data. For example, although the data they submit may reconcile with STARS at the high level at which STARS data are reported—and, therefore, be accepted by CostEX—the contractor may have reported costs under the incorrect segment of the work breakdown structure.

According to financial integration team officials, their current method for sharing information on changes to the work breakdown structure provides sufficient information for M&O contractors and helps them accurately track and communicate the changes. These officials said that they believe it is important to share the same information with all M&O contractors, although sharing information on changes to the work breakdown structure in this way creates additional work for the contractors. To help address challenges in understanding the changes to the work breakdown structure, the financial integration team provides additional information to M&O contractors, if requested. For example, financial integration team officials said that they explain changes and answer questions when M&O

contractors request assistance. In addition, according to financial integration team and NNSA program office officials, some program offices review common financial data and work with M&O contractors to correct errors if the contractors report costs under the incorrect segment of the work breakdown structure.

We continue to believe that NNSA should fully address our prior recommendation to help ensure the accuracy of the data that all M&O contractors report to NNSA. Implementing our prior recommendation by reviewing the non-M&O contractors' crosswalks and developing a process to conduct such reviews periodically could also help the financial integration team ensure that M&O contractors are correctly implementing monthly changes to the work breakdown structure. For example, as part of the internal verification process, the financial integration team could consider conducting a review of M&O contractors' process for integrating monthly changes to the work breakdown structure.

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## **NNSA Program Offices Have Taken Steps to Collect and Use Common Financial Data, but These Efforts are Not Consistent Across Offices**

NNSA program offices have taken steps to collect and use common financial data, but these efforts are not consistent across the offices. For example, according to NNSA officials, one program office has integrated data collected through common financial reporting into its existing program management system. However, most program offices are not consistently using common financial data. In addition, the program offices continue to collect financial data through additional requests outside of the common financial reporting effort, creating additional work for the M&O contractors.

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## **Most NNSA Program Offices Have Taken Some Steps to Improve the Collection and Use of Common Financial Data**

Officials from most NNSA program offices said that they have taken some steps to improve the collection or use of common financial data since our February 2022 report, which has been beneficial to their offices and the M&O contractors they oversee. These steps include (1) customizing their segments of the common work breakdown structure, (2) integrating

common financial data into an existing program management system, and (3) increasing their use of NNSA's common financial data dashboard platform.

First, officials from three program offices said that their offices have taken steps since February 2022 to customize their segments of the work breakdown structure—the common framework that NNSA uses to collect M&O contractors' financial data—to reflect the level of detail needed to oversee their programs. For example:

- One suboffice worked with the financial integration team to add a new segment to capture the work performed for its office director, as well as additional lower levels, to track specific categories of costs under that segment. An official from that suboffice said that it planned to make additional changes to its work breakdown structure in fiscal year 2023 to, for example, collect data on special projects.
- Officials from another program office said that they have taken steps to customize segments of their work breakdown structure related to academic programs and special projects. The officials said that by collecting specific data on special projects through common financial reporting, they would be able to eliminate a separate data request to M&O contractors.

Second, according to NNSA officials, since February 2022, one program office worked with the financial integration team to integrate common financial data into an existing system that it uses for program management, called AOP Online.<sup>40</sup> Program office officials told us that in fiscal year 2022—before integrating common financial data—they required M&O contractors to report actual costs and other programmatic information into AOP Online on a monthly basis, in addition to the cost data that the contractors reported in CostEX. According to these officials, integrating common financial data into AOP Online would allow them to eliminate this duplicative reporting requirement. Accessing common financial data through AOP Online allows the program office to continue to use a system tailored to its program management needs, while also having access to financial information in the same system.

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<sup>40</sup>According to NNSA officials, AOP Online is a program management tool that collects programmatic as well as financial information.

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Third, according to NNSA officials, some program offices have increased their use of common financial data dashboards or found additional benefits to using the data through NNSA's dashboards. Specifically:

- An official from one program office told us that they were working with the financial integration team to customize dashboards to automate data analysis that they previously completed manually. As a result, they will be able to save time completing this analysis. The same official said that they plan to work with the financial integration team to customize additional dashboards to further improve their analysis of common financial data.
- Officials from another program office said that they have worked with the financial integration team to customize their dashboards to better meet the office's needs. According to officials, the dashboards now provide more useful data, including automatically populated charts and other visuals. In addition, the program office officials said that they are discussing further customization of the dashboards with the financial integration team and considering additional future uses for the data. For example, these officials said that they may use common financial data to better understand historical trends and inform program decision-making.
- An official from an additional program office said that the ability to view common financial data through the dashboards has allowed managers to easily see how funds are spent, in greater detail. As a result, the program office can use common financial data to determine how best to fund its work.

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## Program Offices Are Not Consistently Using Common Financial Data

Program offices vary in the extent to which they are using common financial data. Specifically, according to officials, some program offices continue to use other program management systems that do not incorporate common financial data, and most program offices do not regularly use the common financial data dashboards produced by the financial integration team.

Some program offices continue to use other program management systems that do not incorporate common financial data. As discussed previously, NNSA has integrated common financial data into some program management systems, such as G2 and WebPMIS. This integration allows program offices to view and analyze financial and

nonfinancial information in the same system. However, consistent with our February 2022 findings, suboffices within at least two program offices still use systems that do not incorporate common financial data.<sup>41</sup> For example, officials from one suboffice said that it uses its own system for financial data collection and analysis, which was developed to replace G2 and implemented by early fiscal year 2021. Officials from the financial integration team said that at least one other suboffice within another program office uses a program management system that does not incorporate common financial data, but the Program Director for Financial Integration was not aware of the full extent of the use of such systems across NNSA.

According to officials we interviewed, most program offices do not regularly use the common financial data dashboards produced by the financial integration team. Specifically, officials from four of the six program offices that we interviewed said that they use the dashboards irregularly or not at all. For example, an official from one program office said that he relies on STARS data and analyzes the data using spreadsheets instead of using the dashboards created by the financial integration team, which are designed to display specific financial data. According to financial integration team officials, routinely using information from the dashboards for common financial reporting could help ensure that the agency responds to external questions consistently. However, some program offices may not use dashboards because they already access and make use of common financial data through alternative systems that are integrated with common financial reporting, as described above. For example, officials from one program office said that they use dashboards minimally because the capabilities of their own program management system—which is integrated with common financial data—are better tailored to the office’s needs.

NNSA’s financial integration policy states that the mission of financial integration includes collecting standardized financial management data; increasing transparency of financial accountability; and improving cost analysis, comparability, and reporting consistency among programs and M&O contractors.<sup>42</sup> We previously recommended actions that NNSA could take to improve program offices’ use of common financial data. Specifically, we recommended in February 2022 that NNSA’s Deputy

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<sup>41</sup>[GAO-22-104810](#).

<sup>42</sup>National Nuclear Security Administration, *Financial Integration*, NAP 412.1.

Associate Administrator for Management and Budget should define and communicate goals and expectations for using the common financial reporting data.<sup>43</sup> NNSA has not yet taken steps to implement this recommendation, but doing so could help program offices assess and plan how to best use common financial data. For example, according to officials from NNSA's financial integration team, these expectations include that NNSA offices use common financial reporting data as their primary source of cost data. Documenting such an expectation could encourage program offices to increase their use of common financial data.

NNSA's financial integration policy also includes responsibilities for program offices using common financial data. Specifically, according to the policy, program office responsibilities include using cost data to support program-specific systems and leading program-related cost analysis, as required. Program offices vary in the extent that they use common financial data because most have not taken deliberate steps to understand the potential uses of common financial data, such as assessing their data collection and use and developing a plan to more fully participate in the effort. For example, officials from one program office told us that they are aware that the office does not yet use common financial data to the fullest extent possible. Their office management does not consistently use common financial data from its suboffices because the data vary in usefulness. According to an official, one of the program office's suboffices has customized its segments of the work breakdown structure to make common financial data more useful to the program office, whereas the other suboffices could make their data more useful through additional customization.

By assessing the actions that they have taken to collect and use common financial data and developing a plan to fully participate in the effort, program offices could help ensure that NNSA effectively implements the common financial reporting effort and realizes its intended benefits. Such an assessment could include, for example, determining whether common financial data could be integrated into other program management systems, how program offices could customize dashboards to meet program needs, and how they could customize relevant segments of the work breakdown structure to ensure that common financial data meet

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<sup>43</sup>[GAO-22-104810](#).

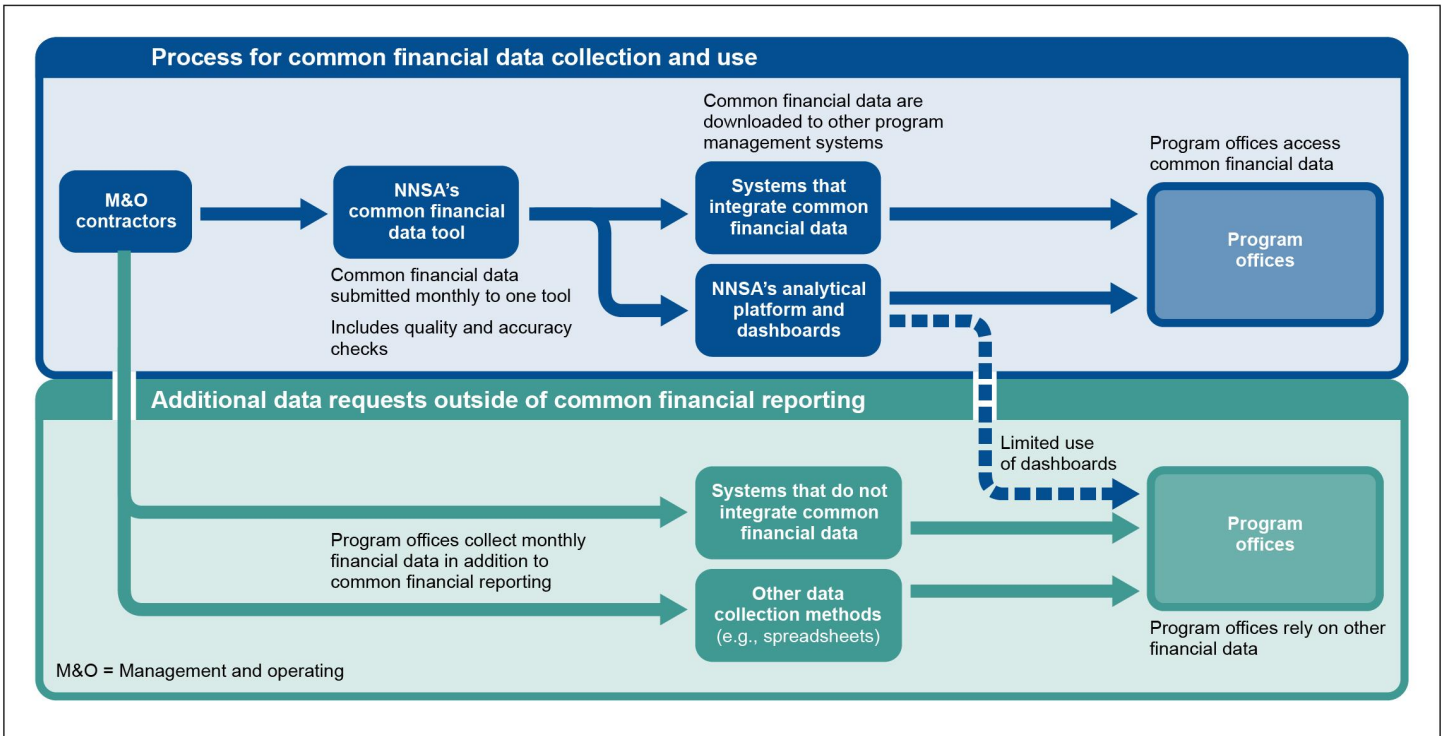


their program needs. Such assessments could result in maximizing efficiencies from the common financial reporting effort.

### Most NNSA Program Offices Continue to Request Additional Financial Data Outside of Common Financial Reporting

Although all program offices have access to common financial data, most continue to collect financial data through additional requests outside of common financial reporting. (See fig. 4.)

**Figure 4: Processes for the National Nuclear Security Administration’s (NNSA) Financial Data Collection and Use through Common Financial Reporting and Additional Requests**



Source: GAO presentation of information from NNSA documents and interviews. | GAO-23-106069

**Text of Figure 4: Processes for the National Nuclear Security Administration’s (NNSA) Financial Data Collection and Use through Common Financial Reporting and Additional Requests**

- 1) Process for common financial data collection and use:

- a) MSO contractors
  - i) Data submitted
  - ii) NNSA's common financial data tool
  - iii) Data downloaded
    - (1) Ssystems that integrate common financial data
    - (2) Data accessed
    - (3) Program Offices
  - iv) NNSA's analytical platform and dashboards
    - (1) Program offices
- 2) Additional data requests outside of common financial reporting
  - a) data submitted
    - i) Systems that do not integrate common financial data
    - ii) Data accessed
    - iii) Program offices
  - b) data submitteed
    - i) Other data collection methods (e.g. spreadsheets)
    - ii) Program offices

Source: GAO presentation of information from National Nuclear Security / Administration (NNSA) docuemnts and interviews. | GAO-23-106069

According to program office officials and M&O contractor representatives we interviewed, at least five program offices still request financial data—in addition to the data collected through common financial reporting—from

M&O contractors.<sup>44</sup> Representatives we interviewed from most M&O contractors said that they receive recurring, monthly requests for additional financial data. Program offices collect these data from M&O contractors through their own program management systems or through other methods, such as spreadsheets. For example, one program office's suboffice requires M&O contractors to submit monthly financial data in a spreadsheet template. According to program office documentation, the suboffice uses these spreadsheets to obtain, for example, monthly and year-to-date costs by work breakdown structure segment. The data that program offices collect through additional requests do not go through the same data quality and accuracy checks that NNSA uses for common financial data.

Because M&O contractors often perform work for more than one NNSA program office, they may have to respond to multiple additional data requests each month, which can be challenging and time-consuming, according to contractor representatives. For example, representatives from one M&O contractor told us that in addition to submitting data to CostEX every month, they are required to submit financial data to four NNSA offices separately. According to the representatives, the data and formats requested vary across the offices. For example, according to the contractor representatives, one program office requests monthly cost data for all relevant segments of the work breakdown structure—in addition to the cost data reported into CostEX—and another program office requires M&O contractors to fill in a monthly template that includes cost data and to submit other monthly reports.

A 2016 NNSA financial management plan states that the common financial reporting effort is intended to establish a method for information collection from M&O contractors that would minimize cost and burden on contractors.<sup>45</sup> It further states that the data collected should provide efficiencies in reporting and budget planning and reduce ad-hoc data

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<sup>44</sup>According to written responses from program offices and statements from program office officials we interviewed, five of the six program offices included in our review request additional financial data. However, according to representatives from the M&O contractors that we interviewed, one additional program office requests additional financial data. We did not conduct an independent assessment of the extent to which each program office collects financial data from M&O contractors outside of common financial reporting.

<sup>45</sup>National Nuclear Security Administration, *Plan for Improvement and Integration of Financial Management of the Nuclear Security Enterprise*.

calls. In addition, as discussed previously, NNSA's financial integration policy states that the mission of financial integration includes collecting standardized financial management data; increasing transparency of financial accountability; and improving cost analysis, comparability, and reporting consistency among programs and M&O contractors.<sup>46</sup> NNSA's financial integration policy also states that the Program Director for Financial Integration is responsible for monitoring the effects of the common financial reporting effort. Moreover, *Standards for Internal Control in the Federal Government* states that management should use quality information to achieve the entity's objectives.<sup>47</sup>

Although NNSA's financial integration team has a role in managing the common financial reporting effort, officials from the team told us that they do not have a comprehensive understanding of the extent to which program offices request additional financial data from M&O contractors. According to financial integration team officials, they collected some information on the program offices' use of such requests at the beginning of the common financial reporting effort, but they were unable to compile complete information from the program offices. The financial integration team officials said that they also receive anecdotal information about these additional financial data requests from M&O contractor representatives. Because NNSA has not collected complete information from the M&O contractors on the additional financial data requests that they receive from the program offices, it is limited in its ability to monitor the effects of the common financial reporting effort. By collecting information from M&O contractors on the additional financial data requests they receive from NNSA program offices, the financial integration team could better understand the broader effects of the common financial reporting effort, including whether NNSA is meeting the intended purpose of the effort by providing efficiencies and minimizing cost and burden on contractors. In addition, the financial integration team could use this information to help the program offices understand the extent of their additional financial data requests.

Most program offices continue to make additional financial data requests to M&O contractors because they have not formally assessed whether these requests can be fulfilled through the common financial reporting effort. Program office officials described various reasons for continuing to request additional financial data, which show that they have not fully

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<sup>46</sup>National Nuclear Security Administration, *Financial Integration*, NAP 412.1.

<sup>47</sup>[GAO-14-704G](#).

considered how they could use common financial data. For example, officials from one suboffice told us that they prefer to use their own process for collecting financial data from M&O contractors because they recently developed their own data system, and they find it easier to use. According to officials from another program office, they request additional financial data from M&O contractors because they are still learning how to best use common financial data, although they anticipate that such requests will decrease with time. Additionally, some program offices request financial data outside of common financial reporting because their segments of the work breakdown structure do not collect data at the level of detail needed to oversee their programs—although program offices have the ability to customize the work breakdown structure to meet their needs.<sup>48</sup>

Program offices are best positioned to assess the purpose of their data collection efforts and the extent to which they can fulfill their financial data needs through common financial reporting. While there are many cases where program offices could get data through common financial reporting, it may not be possible for program offices to fulfill all of their financial data needs through common financial reporting, according to program office officials. Specifically, officials from one program office told us that it is necessary to collect some financial data outside of common financial reporting because the information is classified.<sup>49</sup> Officials from another program office said that they separately request certain indirect infrastructure costs from M&O contractors because NNSA does not collect the information that the office needs through its common financial reporting cost elements. We did not independently assess each program office's data collection outside of common financial reporting, but information from the program offices and M&O contractors suggests that this practice is widespread among the NNSA program offices.

By regularly assessing whether they could fulfill their additional financial data requests using information collected through common financial

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<sup>48</sup>We recommended in February 2022 that NNSA's Program Director for Financial Integration should proactively provide information to offices and work with officials to ensure that they understand how to customize lower levels of the work breakdown structure to reflect the level of detail needed to oversee programs. See [GAO-22-104810](#). Officials from all of the program offices that we interviewed told us that they have the information needed to customize lower levels of the work breakdown structure or have done so already.

<sup>49</sup>NNSA does not collect classified information through common financial reporting.

reporting and doing so where possible, program offices could reduce duplication of effort across NNSA offices, minimize M&O contractors' reporting of financial data to NNSA, and better ensure the accuracy of the financial data that program offices use for decision-making.<sup>50</sup>

Coordinating with the financial integration team to compile a comprehensive list of each office's requests—developed with input from M&O contractors—and details of each request, such as the types of financial data requested, the purpose of the data, and the frequency and format of the requests, could help program offices better ensure that they have complete information. NNSA's financial integration team may have a better understanding of the capabilities of common financial reporting and could, therefore, use this information about the additional data requests to help program offices determine whether they could eliminate certain requests. The financial integration team could advise program offices on how to improve their data collection through common financial reporting, for example, by customizing the office's segments of the work breakdown structure.

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## Conclusions

NNSA's financial integration team has continued to make progress in implementing common financial reporting, but NNSA and DOE have not yet addressed all of our prior recommendations related to the implementation of the effort. For example, DOE's Office of the Chief Financial Officer has not yet facilitated an agreement between NNSA and the Office of Science on cost elements for the Office of Science's indirect cost reporting. In addition, NNSA has not fully implemented a process to continuously verify how M&O contractors crosswalk financial data from their systems to the appropriate NNSA work breakdown structure. Fully implementing our prior recommendations would help NNSA collect standardized data from all M&O contractors to which it obligates funds, ensure the accuracy of the data that M&O contractors report to the agency over time, and more effectively manage the contracts and projects that support NNSA's important national security mission.

Most NNSA program offices have taken some steps to collect and use common financial data, but these efforts are not consistent across the

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<sup>50</sup>Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries. See GAO, *Fragmentation, Overlap, and Duplication: An Evaluation and Management Guide*, [GAO-15-49SP](#) (Washington, D.C.: Apr. 14, 2015).

offices. Not all NNSA program offices make full use of common financial data because they have not assessed actions they could take to maximize the benefit of this information to their office. By assessing their actions to collect and use common financial data and developing and documenting a plan to fully meet their responsibilities in NNSA's financial integration policy, program offices could help ensure that NNSA effectively implements the common financial reporting effort and realizes its intended benefits.

In addition, most of the program offices continue to collect financial data through additional requests outside of common financial reporting and, according to financial integration team officials, NNSA does not have a comprehensive understanding of the extent to which program offices rely on these additional requests. By collecting information from M&O contractors on the additional financial data requests they receive from program offices, NNSA's financial integration team could better understand the broader effects of the common financial reporting effort. By regularly assessing—in coordination with the financial integration team—whether they could fulfill their additional financial data requests using information collected through common financial reporting and doing so where possible, program offices could reduce duplication of effort for the M&O contractors and better ensure the accuracy of the financial data that program offices use for decision-making.

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## Recommendations for Executive Action

We are making a total of 13 recommendations, including one to NNSA's Program Director for Financial Integration and 12 recommendations (two each) to six NNSA program offices:

The NNSA Deputy Administrator for Defense Programs should work with NNSA's Program Director for Financial Integration to assess the actions the office has taken to collect and use common financial data and develop and document a plan to fully participate in the effort, including meeting the office's responsibilities in the financial integration policy and ensuring that common financial data meet their program needs to the extent possible. (Recommendation 1)

The NNSA Deputy Administrator for Defense Nuclear Nonproliferation should work with NNSA's Program Director for Financial Integration to assess the actions the office has taken to collect and use common financial data and develop and document a plan to fully participate in the

effort, including meeting the office's responsibilities in the financial integration policy and ensuring that common financial data meet their program needs to the extent possible. (Recommendation 2)

The NNSA Associate Administrator for Emergency Operations should work with NNSA's Program Director for Financial Integration to assess the actions the office has taken to collect and use common financial data and develop and document a plan to fully participate in the effort, including meeting the office's responsibilities in the financial integration policy and ensuring that common financial data meet their program needs to the extent possible. (Recommendation 3)

The NNSA Associate Administrator and Chief for Defense Nuclear Security should work with NNSA's Program Director for Financial Integration to assess the actions the office has taken to collect and use common financial data and develop and document a plan to fully participate in the effort, including meeting the office's responsibilities in the financial integration policy and ensuring that common financial data meet their program needs to the extent possible. (Recommendation 4)

The NNSA Associate Administrator for Counterterrorism and Counterproliferation should work with NNSA's Program Director for Financial Integration to assess the actions the office has taken to collect and use common financial data and develop and document a plan to fully participate in the effort, including meeting the office's responsibilities in the financial integration policy and ensuring that common financial data meet their program needs to the extent possible. (Recommendation 5)

The NNSA Associate Administrator for Infrastructure should work with NNSA's Program Director for Financial Integration to assess the actions the office has taken to collect and use common financial data and develop and document a plan to fully participate in the effort, including meeting the office's responsibilities in the financial integration policy and ensuring that common financial data meet their program needs to the extent possible. (Recommendation 6)

NNSA's Program Director for Financial Integration should collect information from M&O contractors participating in common financial reporting on the recurring financial data requests they receive from NNSA program offices outside of common financial reporting and provide this information to the program offices for use in their assessments of such requests. (Recommendation 7)



The NNSA Deputy Administrator for Defense Programs should develop, document, and implement a plan to (1) regularly assess whether the office is making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where possible. In conducting the assessment, the office should coordinate with NNSA's Program Director for Financial Integration and incorporate information from M&O contractors. (Recommendation 8)

The NNSA Deputy Administrator for Defense Nuclear Nonproliferation should develop, document, and implement a plan to (1) regularly assess whether the office is making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where possible. In conducting the assessment, the office should coordinate with NNSA's Program Director for Financial Integration and incorporate information from M&O contractors. (Recommendation 9)

The NNSA Associate Administrator for Emergency Operations should develop, document, and implement a plan to (1) regularly assess whether the office is making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where possible. In conducting the assessment, the office should coordinate with NNSA's Program Director for Financial Integration and incorporate information from M&O contractors. (Recommendation 10)

The NNSA Associate Administrator and Chief for Defense Nuclear Security should develop, document, and implement a plan to (1) regularly assess whether the office is making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where possible. In conducting the assessment, the office should coordinate with NNSA's Program Director for Financial Integration and incorporate information from M&O contractors. (Recommendation 11)

The NNSA Associate Administrator for Counterterrorism and Counterproliferation should develop, document, and implement a plan to (1) regularly assess whether the office is making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where possible. In conducting the assessment, the office should coordinate with NNSA's Program Director for Financial

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Integration and incorporate information from M&O contractors.  
(Recommendation 12)

The NNSA Associate Administrator for Infrastructure should develop, document, and implement a plan to (1) regularly assess whether the office is making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where possible. In conducting the assessment, the office should coordinate with NNSA's Program Director for Financial Integration and incorporate information from M&O contractors. (Recommendation 13)

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## Agency Comments

We provided a draft of this report to DOE and NNSA for review and comment. In its comments, reproduced in appendix III, NNSA agreed with our recommendations and described plans to address them. NNSA also provided technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees, the Secretary of Energy, the Administrator of NNSA, and other interested parties. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-3841 or [bawden@gao.gov](mailto:bawden@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.



Allison Bawden  
Director, Natural Resources and Environment

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*List of Committees*

The Honorable Jack Reed  
Chairman  
The Honorable Roger Wicker  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Dianne Feinstein  
Chair  
The Honorable John Kennedy  
Ranking Member  
Subcommittee on Energy and Water Development  
Committee on Appropriations  
United States Senate

The Honorable Mike Rogers  
Chairman  
The Honorable Adam Smith  
Ranking Member  
Committee on Armed Services  
House of Representatives

The Honorable Chuck Fleischmann  
Chairman  
The Honorable Marcy Kaptur  
Ranking Member  
Subcommittee on Energy and Water Development,  
and Related Agencies  
Committee on Appropriations  
House of Representatives

# Appendix I: Status of GAO's Prior Recommendations to the National Nuclear Security Administration on Its Common Financial Reporting Effort

In our January 2019, January 2020, and February 2022 reports on the National Nuclear Security Administration's (NNSA) efforts to implement common financial reporting, we made 15 recommendations.<sup>1</sup> Table 2 describes NNSA's progress to implement these recommendations, as of June 2023.<sup>2</sup>

**Table 2: Status of Recommendations to the National Nuclear Security Administration (NNSA) on Its Common Financial Reporting Effort, as of June 2023**

Recommendations from <a href="#">January 2019</a> report	Status
(1) The NNSA Administrator should implement a common work breakdown structure across NNSA program offices in the nuclear security enterprise, standardized at a high level to allow for program office customization but also to allow for the collection of total program costs.	<b>Implemented.</b> In May 2020, NNSA decided to implement a common work breakdown structure across NNSA program offices in the nuclear security enterprise. In fiscal year 2020, NNSA determined that financial data could be collected using a common work breakdown structure across NNSA program offices while it continued to collect data using the programmatic structures that some offices used for project management. In May 2020, NNSA issued guidance directing the management and operating (M&O) contractors to provide financial data to NNSA, using the common work breakdown structure, beginning in fiscal year 2021.
(2) The Program Director for Financial Integration should collect and document requirements to define project scope and meet project objectives. These requirements should be updated periodically throughout the life of the project.	<b>Not yet implemented.</b> NNSA has not developed specific or detailed requirements for successful implementation of common financial reporting, such as the types of information that program managers need.

<sup>1</sup>GAO, *National Nuclear Security Administration: Additional Actions Needed to Collect Common Financial Data*, [GAO-19-101](#) (Washington, D.C.: Jan. 31, 2019); *National Nuclear Security Administration: Additional Verification Checks Could Improve the Accuracy and Consistency of Reported Financial Data*, [GAO-20-180](#) (Washington, D.C.: Jan. 16, 2020); and *National Nuclear Security Administration: Actions Needed to Improve Usefulness of Common Financial Data*, [GAO-22-104810](#) (Washington, D.C.: Feb. 17, 2022).

<sup>2</sup>The current status of report recommendations can be found by searching for the report number on GAO's website, [www.gao.gov](http://www.gao.gov).

**Appendix I: Status of GAO's Prior  
Recommendations to the National Nuclear  
Security Administration on Its Common  
Financial Reporting Effort**

<b>Recommendations from January 2019 report</b>	<b>Status</b>
(3) The Program Director for Financial Integration should develop a detailed project schedule. The detailed schedule should be documented as part of the annual report to Congress required in the National Defense Authorization Act for Fiscal Year 2017.	<b>Implemented.</b> As of June 2021, NNSA had established a detailed project schedule for implementing its common financial reporting effort. <sup>a</sup> NNSA provides information annually to Congress on the status of its efforts to implement common financial reporting, including completed and ongoing activities.
(4) The Program Director for Financial Integration should develop a project budget that includes information on the human resources needed to implement common financial reporting.	<b>Implemented.</b> As of December 2019, NNSA developed a project budget that included information on the human resources needed to implement common financial reporting. Specifically, with regard to human resources, the project budget included federal employee salaries and contractor support staff. The project budget also included estimated costs to implement a common work breakdown structure, including system upgrades. An NNSA official said that the agency plans to update its project budget routinely to include additional costs in the future.
(5) The Program Director for Financial Integration should develop a method to collect and report information on the costs associated with implementing common financial reporting.	<b>Implemented.</b> As of December 2019, NNSA developed a method to collect and report information on the costs associated with implementing common financial reporting that includes M&O contractors' costs, federal employee salaries, federal contractor costs, and an estimated cost for implementing a common work breakdown structure. NNSA also reported information on the costs associated with implementing common financial reporting.
(6) The Program Director for Financial Integration should develop a formal process to identify risks, document those risks, and plan how to minimize risk exposure.	<b>Implemented.</b> NNSA developed a risk management plan for common financial reporting that established a framework for identifying and managing risks and, in July 2021, updated its project plan to track identified risks. NNSA routinely discusses how to mitigate these risks and identify any additional risks to the effort that should be tracked.
(7) The Program Director for Financial Integration should develop an approach to effectively engage with all project stakeholders that incorporates their expectations into project decisions.	<b>Not yet implemented.</b> NNSA continues to meet with the M&O contractors on a quarterly basis and with officials from program offices through regular meetings that address issues other than common financial reporting. However, NNSA has not documented its approach to engage all project stakeholders. NNSA plans to include this approach in the planned update to its financial integration policy that, as of June 2023, has not been issued.
<b>Recommendations from January 2020 report</b>	<b>Status</b>
(1) The Program Director for Financial Integration, with input from NNSA's Office of Management and Budget and respective program offices, should establish and implement a work breakdown structure change control process for common financial reporting that ensures changes are approved by program office management, at a minimum; documented; and communicated to M&O contractors on a timely basis.	<b>Implemented.</b> NNSA updated its guide for the system that M&O contractors use to report financial data to include the change control process for the work breakdown structure that included a change request form and a board responsible for evaluating and approving changes. NNSA's program officials identify changes needed to the work breakdown structure and have the changes approved by their program's management before submitting those changes to the change control board for approval. NNSA sends the updated work breakdown structures to the M&O contractors for implementation.

**Appendix I: Status of GAO’s Prior  
Recommendations to the National Nuclear  
Security Administration on Its Common  
Financial Reporting Effort**

<b>Recommendations from January 2020 report</b>	<b>Status</b>
(2) The Program Director for Financial Integration should assess the extent to which M&O contractors make manual changes to their financial data to reconcile with the Standard Accounting and Reporting System (STARS) and determine whether it has an effect on the accuracy of the data collected for common financial reporting. <sup>b</sup>	<b>Implemented.</b> NNSA completed a review of the extent to which M&O contractors made manual changes to their financial data, according to NNSA officials. These officials said that they did not identify a widespread issue across their sites that affected the accuracy of the data collected for common financial reporting. As of May 2021, NNSA was working with one of its M&O contractors on a solution to eliminate the need for making manual changes to their financial data going forward at the respective site. <sup>c</sup>
(3) The Program Director for Financial Integration should develop and implement an internal process for NNSA to verify how the M&O contractors crosswalk financial data from their systems to the appropriate NNSA work breakdown structure to ensure the reported data are accurate and consistent.	<b>Not yet implemented.</b> NNSA completed a review of how NNSA M&O contractors crosswalk their financial data into the appropriate segments and activities in the NNSA work breakdown structure, but it has not done so for non-NNSA M&O contractors or documented its process for recurring reviews in its policy. NNSA plans to include this process in the planned update to its financial integration policy that, as of June 2023, has not been issued.
(4) The Program Director for Financial Integration should develop and implement an internal process for NNSA to verify that the M&O contractors are consistently applying common cost element definitions at their sites and across the nuclear security enterprise.	<b>Not yet implemented.</b> NNSA completed a review of how NNSA M&O contractors apply its common cost elements and definitions. NNSA plans to include this process in the planned update to its financial integration policy that, as of June 2023, has not been issued.
<b>Recommendations from February 2022 report</b>	<b>Status</b>
(1) The Department of Energy’s (DOE) Chief Financial Officer should facilitate NNSA and the Office of Science—and other stakeholders, as appropriate—in coming to an agreement on the indirect cost elements the Office of Science should report to achieve NNSA’s common cost reporting objectives. <sup>d</sup>	<b>Not yet implemented.</b> Officials from DOE’s Office of the Chief Financial Officer have met with officials from NNSA’s financial integration team and DOE’s Office of Science. However, the entities involved have not made progress agreeing on the indirect cost elements that Office of Science M&O contractors will use when reporting financial data for NNSA-funded work. According to DOE officials, DOE plans to complete actions to address this recommendation by September 30, 2023.
(2) NNSA’s Deputy Associate Administrator for Management and Budget, as chair of NNSA’s Financial Integration Executive Committee, should define and communicate goals and expectations for using the common financial reporting data.	<b>Not yet implemented.</b> The Deputy Associate Administrator for Management and Budget has communicated some information on using common financial reporting data through budget performance reviews for M&O contractors and NNSA program offices. NNSA plans to include information on goals and expectations for using common financial reporting data in the planned update to its financial integration policy that, as of June 2023, has not been issued.
(3) NNSA’s Program Director for Financial Integration should coordinate with program offices to develop an approach, such as through changes to the work breakdown structure or analytical tools, to ensure that all program elements, including crosscutting and multi-programmatic costs, are included in total program costs.	<b>Not yet implemented.</b> The financial integration team plans to work with the program offices to identify the best method for collection of total program costs.
(4) NNSA’s Program Director for Financial Integration should proactively provide information to offices and work with officials to ensure they understand how to customize lower levels of the work breakdown structure to reflect the level of detail needed to oversee programs.	<b>Implemented.</b> According to officials, the financial integration team has provided information on customization of the work breakdown structure to program offices. As of September 2022, officials that we interviewed from all of the program offices participating in common financial reporting told us that they have the information needed to customize their work breakdown structure or have done so already.

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**Appendix I: Status of GAO's Prior  
Recommendations to the National Nuclear  
Security Administration on Its Common  
Financial Reporting Effort**

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Source: GAO analysis of NNSA information. | GAO-23-106069

<sup>a</sup>We considered this recommendation implemented as of June 2021 and did not request additional information from NNSA on this recommendation as part of this review.

<sup>b</sup>STARS provides budget execution, financial accounting, and financial reporting capabilities to DOE.

<sup>c</sup>We considered this recommendation implemented as of June 2021 and did not request additional information from NNSA on this recommendation as part of this review.

<sup>d</sup>After we issued our report with this recommendation, the James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 was enacted. It requires DOE's Deputy Chief Financial Officer, in consultation with the Administrator for Nuclear Security and the Director of the Office of Science, to determine standardized indirect cost elements to be reported by contractors to NNSA by March 31, 2025. Pub. L. No. 117-263, § 3123, 136 Stat. 2395, 3057 (2022).

# Appendix II: Timeline of the National Nuclear Security Administration's Implementation of Common Financial Reporting

**Table 3: Timeline of the National Nuclear Security Administration's (NNSA) Implementation of Common Financial Reporting**

Fiscal year	Selected actions taken
2014	<p>The National Defense Authorization Act for Fiscal Year 2014 required NNSA to develop and submit to Congress a plan for improving and integrating financial management of the nuclear security enterprise.<sup>a</sup></p> <p>NNSA formed a team of 20 NNSA, Department of Energy (DOE), and management and operating (M&amp;O) contractor staff to address the requirements in the National Defense Authorization Act for Fiscal Year 2014.</p>
2015	<p>The team produced a report that summarized the results of the effort and included a number of recommendations to NNSA.</p>
2016	<p>NNSA submitted a plan to Congress for improving and integrating financial management of the nuclear security enterprise.<sup>b</sup></p> <p>NNSA established and filled the position of Program Director for Financial Integration.</p>
2017	<p>The National Defense Authorization Act for Fiscal Year 2017 required NNSA to implement a common financial reporting system, to the extent practicable, for the nuclear security enterprise by December 23, 2020.<sup>c</sup></p>
2018	<p>NNSA established common cost elements and definitions for common financial reporting.</p> <p>NNSA began collecting financial data from the management and operating (M&amp;O) contractors it oversees using a data reporting and analysis tool, CostEX.</p>
2019	<p>NNSA approved a policy for common financial reporting.<sup>d</sup></p>
2020	<p>NNSA developed a common work breakdown structure for common financial reporting and issued a memo directing M&amp;O contractors to provide financial data to NNSA using that structure.</p> <p>NNSA began integrating the data collected in CostEX for common financial reporting into some other program management systems.</p>
2021	<p>NNSA began collecting common financial data, using its common work breakdown structure.</p> <p>NNSA's financial integration team established and implemented a change control process for the work breakdown structure for common financial reporting.</p> <p>NNSA began collecting common financial data from non-NNSA M&amp;O contractors at DOE sites that perform work funded by NNSA.</p> <p>NNSA's financial integration team began using common financial reporting data to produce agency-wide reports for NNSA leadership and Congress.</p>

Source: GAO analysis of NNSA information. | GAO-23-106069

<sup>a</sup>Pub. L. No. 113-66, § 3128, 127 Stat. 672, 1065-66 (2013).

<sup>b</sup>National Nuclear Security Administration, *Plan for Improvement and Integration of Financial Management of the Nuclear Security Enterprise* (Washington, D.C.: January 2016).

<sup>c</sup>Pub. L. No. 114-328, § 3113, 130 Stat. 2000, 2757 (2016).



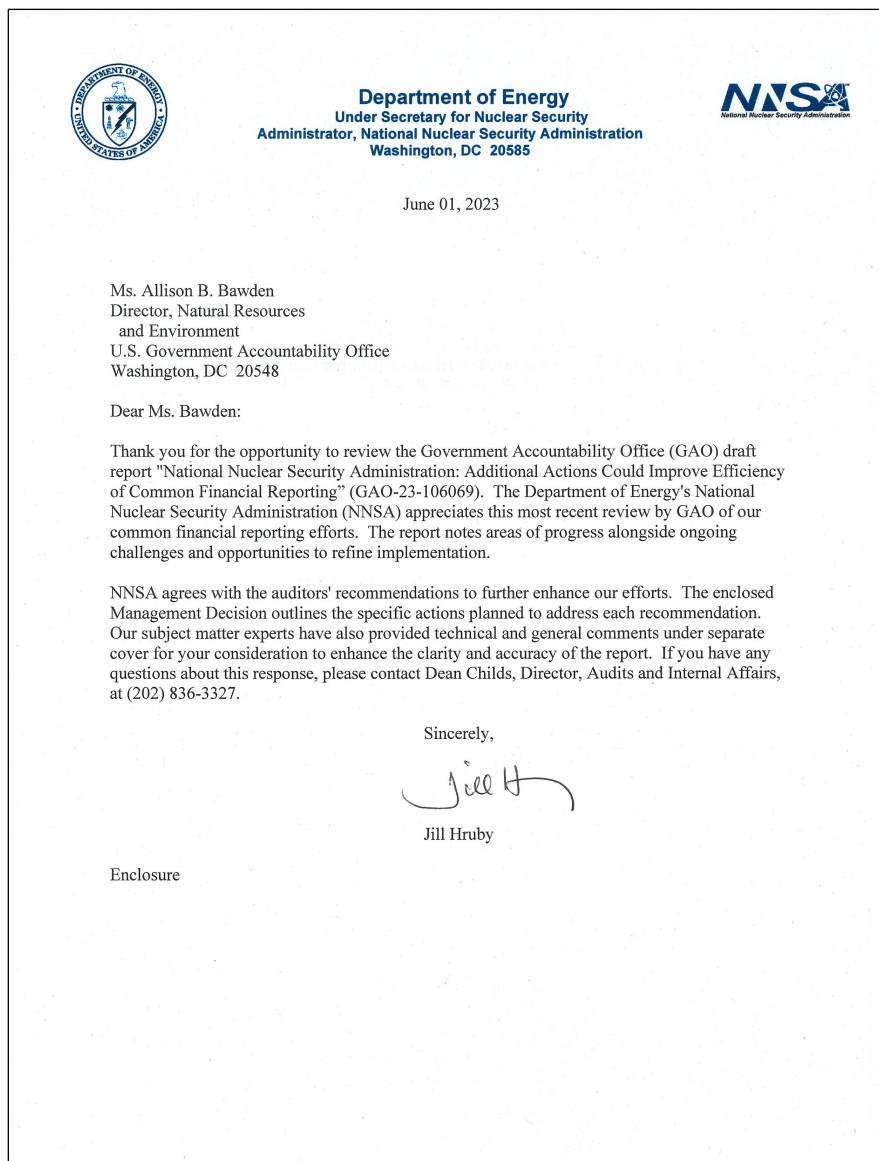
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**Appendix II: Timeline of the National Nuclear  
Security Administration's Implementation of  
Common Financial Reporting**

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<sup>d</sup>National Nuclear Security Administration, *Financial Integration*, NAP 412.1 (Washington, D.C.: Feb. 11, 2019).

# Appendix III: Comments from the National Nuclear Security Administration



Enclosure

NATIONAL NUCLEAR SECURITY ADMINISTRATION  
Management Decision

"National Nuclear Security Administration: Additional Actions Could Improve Efficiency  
of Common Financial Reporting" (GAO-23-106069)

The Government Accountability Office made a total of 13 recommendations to the Department of Energy's National Nuclear Security Administration (NNSA), including one to NNSA's Program Director for Financial Integration and 12 (two each) to six NNSA Program Offices.

**Recommendations 1-6:** GAO recommended that each NNSA Program Office work with NNSA's Program Director for Financial Integration (PDFI) to assess the respective actions each office has taken to collect and use common financial data and develop and document a plan to fully participate in the effort, including meeting each office's responsibilities in the financial integration policy and ensuring that common financial data meet their respective program needs to the extent possible.

**Management Response:** Concur. The PDFI, in coordination with the Financial Integration Executive Committee (EXCOM), will work with NNSA Program Offices to develop an approach and plan to assess the Program Offices' use of common financial data, consistent with Financial Integration (FI) policy and NNSA's *Plan for Improvement and Integration of Financial Management of the Nuclear Security Enterprise*. The results of these assessments will be used to help ensure FI data meets their needs to the extent practicable and to identify any additional actions proposed to enhance Program Office participation, either individually or collectively, in the common financial reporting effort. The estimated date for completing this action is March 31, 2024.

**Recommendation 7:** GAO recommended that NNSA's PDFI collect information from management and operating (M&O) contractors participating in common financial reporting on the recurring financial data requests they receive from NNSA Program Offices outside of common financial reporting and provide this information to the Program Offices for use in their assessments of such requests.

**Management Response:** Concur. The PDFI will solicit information from participating M&O contractors to identify recurring financial data requests received directly from NNSA Program Offices that they believe can be fulfilled through the FI effort. The results of this information request will be used to inform the actions planned to address recommendations 8 through 13. The estimated completion date for this action is September 30, 2023.

**Recommendation 8-13:** GAO recommended that each NNSA Program Office develop, document, and implement a plan to (1) regularly assess whether they are making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where

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**Appendix III: Comments from the National  
Nuclear Security Administration**

Enclosure

possible. In conducting the assessment, each office should coordinate with NNSA's Program Director for Financial Integration and incorporate information from M&O contractors.

**Management Response:** Concur. The PDFI, in coordination with the EXCOM, will work with NNSA Program Offices to develop an approach and plan to periodically evaluate recurring requests for financial data made outside of FI and identify any opportunities to reduce or eliminate specific requests through the use of FI. The estimated date for completing this action is March 31, 2024.

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## Text of Appendix III: Comments from the National Nuclear Security Administration

Ms. Allison B. Bawden Director, Natural Resources and Environment

U.S. Government Accountability Office Washington, DC 20548

Dear Ms. Bawden:

Thank you for the opportunity to review the Government Accountability Office (GAO) draft report "National Nuclear Security Administration: Additional Actions Could Improve Efficiency of Common Financial Reporting" (GAO-23-106069). The Department of Energy's National Nuclear Security Administration (NNSA) appreciates this most recent review by GAO of our common financial reporting efforts. The report notes areas of progress alongside ongoing challenges and opportunities to refine implementation.

NNSA agrees with the auditors' recommendations to further enhance our efforts. The enclosed Management Decision outlines the specific actions planned to address each recommendation. Our subject matter experts have also provided technical and general comments under separate cover for your consideration to enhance the clarity and accuracy of the report. If you have any questions about this response, please contact Dean Childs, Director, Audits and Internal Affairs, at (202) 836-3327.

Sincerely,

Jill Hruby

Enclosure

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### NATIONAL NUCLEAR SECURITY ADMINISTRATION

#### Management Decision

"National Nuclear Security Administration: Additional Actions Could Improve Efficiency of Common Financial Reporting" (GAO-23-106069)

The Government Accountability Office made a total of 13 recommendations to the Department of Energy's National Nuclear Security Administration (NNSA), including one to NNSA's Program Director for Financial Integration and 12 (two each) to six NNSA Program Offices.

**Recommendations 1-6:** GAO recommended that each NNSA Program Office work with NNSA's Program Director for Financial Integration (PDFI) to assess the respective actions each office has taken to collect and use common financial data and develop and document a plan to fully participate in the effort, including meeting each office's responsibilities in the financial integration policy and ensuring that common financial data meet their respective program needs to the extent possible.

**Management Response:** Concur. The PDFI, in coordination with the Financial Integration Executive Committee (EXCOM), will work with NNSA Program Offices to develop an approach and plan to assess the Program Offices' use of common financial data, consistent with Financial Integration (FI) policy and NNSA's Plan for Improvement and Integration of Financial Management of the Nuclear Security Enterprise. The results of these assessments will be used to help ensure FI data meets their needs to the extent practicable and to identify any additional actions proposed to enhance Program Office participation, either individually or collectively, in the common financial reporting effort. The estimated date for completing this action is March 31, 2024.

**Recommendation 7:** GAO recommended that NNSA's PDFI collect information from management and operating (M&O) contractors participating in common financial reporting on the recurring financial data requests they receive from NNSA Program Offices outside of common financial reporting and provide this information to the Program Offices for use in their assessments of such requests.

**Management Response:** Concur. The PDFI will solicit information from participating M&O contractors to identify recurring financial data requests received directly from NNSA Program Offices that they believe can be fulfilled through the FI effort. The results of this information request will be used to inform the actions planned to address recommendations 8 through 13. The estimated completion date for this action is September 30, 2023.

**Recommendation 8-13:** GAO recommended that each NNSA Program Office develop, document, and implement a plan to (1) regularly assess whether they are making recurring financial data requests to M&O contractors that are duplicative of data that are or could be collected through common financial reporting and (2) reduce or eliminate data requests where possible. In conducting the assessment, each office should coordinate with NNSA's Program Director for Financial Integration and incorporate information from M&O contractors.

**Management Response:** Concur. The PDFI, in coordination with the EXCOM, will work with NNSA Program Offices to develop an approach and plan to

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**periodically evaluate recurring requests for financial data made outside of FI and identify any opportunities to reduce or eliminate specific requests through the use of FI. The estimated date for completing this action is March 31, 2024.**

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## Appendix IV: GAO Contact and Staff Acknowledgments

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### GAO Contact

Allison Bawden, (202) 512-3841 or [bawdena@gao.gov](mailto:bawdena@gao.gov)

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### Staff Acknowledgments

In addition to the contact named above, key contributors to this report include Hilary Benedict (Assistant Director), Emily Gamelin (Analyst in Charge), Keya Cain, Jack Davies, Cindy Gilbert, Luke Hagemann, Gwen Kirby, Phillip McIntyre, Dan Royer, and Jeanette Soares.



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